
Tara Prasad Singh and Others Vs Union of India (UOI) and Others

. Petition Nos. III, 178, 220, 221, 257, 352, 600 and 1130-1134

Court: Supreme Court of India

Date of Decision: May 9, 1980

Acts Referred:

Constitution of India, 1950 – Article 32#Criminal Procedure Code, 1973 (CrPC) – Section 144

Citation: AIR 1980 SC 1682 : (1980) 4 SCC 179 : (1980) 3 SCR 1042

Hon'ble Judges: Y. V. Chandrachud, C.J; V. R. Krishna Iyer, J; V. D. Tulzapurkar, J; R. S. Sarkaria, J; P. S. Kailasam, J; P. N. Bhagwati, J; N. L. Untwalia, J

Bench: Full Bench

Final Decision: Disposed Of

Judgement

Y.V. Chandrachud, C.J.

This is a group of 61 Writ petitions under Article 32 of the Constitution challenging the validity of the Coal Mines

(Nationalisation) Amendment Act 67 of 1976, on the ground that it is violative of the provisions of Articles 14, 19(1)(f), 19(1)(g) and 31 of the

Constitution. For understanding the basis of that challenge, it will be enough to refer to the broad facts of two representative groups of petitions.

The facts of writ petitions of 70 and 271 of 1977 are, by and large, typical of cases in which the petitioners claim to be lessees of coal mines, while

the facts of writ petition 257 of 1977 are typical of cases in which the petitioners claim to be lessees of composite mines containing alternate seams

of coal and fireclay. Most of the facts are undisputed and only a few of them are in controversy.

2. In writ petitions 270 and 271 of 1977, petitioner No. 1 claims to be the sole proprietor of "S.D. Coal Company" which is engaged in coal

business and coal mining operations. Petitioner No. 2 is said to be the agent of the company. Both the surface and underground rights in Mouza

Bundu in the District of Hazaribagh, Bihar, previously belonged to the Raja of Ramgarh from whom or whose successors-in-interest, the South

Karanpura Coal Co. Ltd. appears to have obtained a lease of 242 Bighas of coal bearing lands in Mouza Bundu, called the "Bundu Colliery".

After the enactment of the Bihar Land Reforms Act 30 of 1950, all rights of tenure-holders landlords and Zamindars, including the rights in mines

and minerals, vested in the State of Bihar but, by virtue of Section 10 of that Act, subsisting leases of mines and minerals in any estate or tenure

became leases under the State Government. It is alleged that on 12th June, 1975 the South Karanpura Coal Co. Ltd. entered into an agreement

with the S.D. Coal Company or prospecting, developing, raising and selling coal from the Bundu Colliery and that on the strength of that

agreement, petitioner No. 1 was put in possession of the entire area of 242 Bighas of coal bearing land. The S.D. Coal Company is stated to have

made large investments in the colliery and to have started paying rents and royalty to the State of Bihar. The petitioners have cited various facts and

figures in support of their contention that they have been in working possession of the coal mine area in question and that they were entitled to

remove nearly 30,000 tonnes of coal raised by them at a heavy cost. It appears that in a proceeding u/s 144 of the Criminal Procedure Code, the

Sub-divisional Magistrate (Sadar), Hazaribagh, had made the rule absolute against the South Karanpura Coal Co. Ltd. as well as the S.D. Coal

Company, on the ground that the State Government had taken over the Bundu Colliery. But, in C.R. Case No. 18318 (W) of 1975, the High

Court of Calcutta is stated to have set aside the order of the State Government, cancelling the lease of petitioner 1 in respect of the Bundu Colliery.

Since that lease stands terminated under the Coal Mines (Nationalisation) Amendment Act 1976, the petitioners have filed writ petitions to

challenge the validity of that Act.

3. On the factual aspect, the contention of the State of Bihar is that the lease of the Bundu Colliery which was held by M/s. South Karanpura Coal

Co. Ltd. was terminated by the Bihar Government on November 24, 1975 on account of the violation of Rule 37 of the Mineral Concession

Rules, 1960 and that, actual possession of the colliery was taken by the State Government on November 26, 1975 prior to the coming into force

of the Amendment Act of 1976.

4. In writ petition No. 257 of 1977, the petitioner Nirode Baran Banerjee made an application dated September 17, 1966 for the grant of a mining

lease in respect of fireclay covering an area of 1640.60 acres of the Hesalong Colliery. On September 19, 1966 he made a similar application in

respect of the same area, for a coal mining lease. These applications were deemed to have been rejected since the State Government did not pass

any order thereon within the prescribed period. In a Revision application preferred by the petitioner, the Central Government directed the State

Government to consider the petitioners application for the grant of a mining lease in respect of fireclay. The dispute relating to the petitioner"s

application for a coal mining lease was brought to the Supreme Court, as a result of which the Central Government on April 1, 1972 directed the

State Government to grant a coal mining lease to the petitioner. On October 17, 1973 a formal lease was executed by the State of Bihar in favour

of the petitioner in respect of both coal and fireclay. The lease was registered on October 18.

5. According to the petitioner, the Hesalong Colliery in respect of which he holds the mining lease for coal and fireclay is situated in an interior area

of the hilly portion of the District of Hazaribagh which has its own peculiar nature, trait and character. The reserves of coal in the area are said to

be in isolated small pockets and are not sufficient for scientific or economical development in a co-ordinated and integrated manner. The coal is

ungraded and is not required to be transported by rail.

6. On the composite nature of the mine, the petitioner has made a specific averment in paragraph 6 of his writ petition to the following effect :

The coal and fireclay deposits in the said area are so mixed up that one cannot work either for extraction of coal or for extraction of fireclay

without disturbing each of the said two minerals. The deposits are such that at one layer there is coal, the next layer is fireclay, the other layer is

coal, the next layer is again fireclay and so on.

7. In paragraph 15 of his writ petition the petitioner has stated that in the Hesalong Mines, the deposit of fireclay is spread over the entire area of

1640-60 acres in the first layer and just beneath that, there is a deposit of coal in the second layer, so on and so forth. According to the petitioner,

it is absolutely impossible to carry on mining operations in coal without disturbing the fireclay and any such disturbance and inadvertent extraction

of either coal or fireclay by different lessees, if the composite lease is split up, will amount to unauthorise mining.

8. The petitioner contends that he employs about 9,000 workers? has invested a huge amount for making the colliery workable and that a large

amount of coal, which was lying exposed and unprotected, was ready for despatch. Since his composite lease too was in jeopardy under the

Amendment Act, he filed a writ petition in this Court to challenge the validity of the Act, contending in addition that the Act is not applicable to

composite mines having alternate layers of fireclay and coal.

9. Some of the petitioners had filed writ petitions in the High Courts under Article 226 of the Constitution challenging the validity of the Amendment

Act of 1976. Rules were issued in those petitions and interim orders were passed under which the status quo was maintained on certain terms and

conditions. After the passing of the 42nd Constitution Amendment Act, the High Courts became incompetent to grant any relief in those petitions

whereupon, writ petitions were filed in this Court.

10. The petitions were argued on behalf of the petitioners by Sfari A.K. Sen, Shri H.M. Seervai, Shri Y.S. Chitale, Shri B.K. Sinha, Shri D.

Goburdhan and Shri A.K. Nag. The Attorney General argued in support of the validity of the impugned Act and so did the Solicitor General,

appearing on behalf of the Union of India. Shri Lal Naraia Sinha and Shri A.P. Chatterjee argued respectively on behalf of the State of Bihar and

the State of West Bengal. Shri P.S. Khera and Shri S.K. Verma appeared on behalf of the interveners.

11. Before examining the contentions advanced before us by the various learned Counsel, it will be useful to trace briefly the history of laws

bearing on the working of mines and exploitation of minerals, the taking over of management and the nationalisation of mines and finally the

termination of certain leases under the impugned Act.

12. According to ""India 1976"" (Publications Division, Ministry of Information and Broadcasting, Government of India), coal mining was first

started at Raniganj, West Bengal, in 1774. Coal is an important mineral as a source of energy and in India it constitutes a prime source of energy.

On the attainment of independence, the importance of coal to industrial development was realised by the Planners and the problems of the coal

industry were identified by the Planning Commission in its report on the First Five Year Plan. The Fifth Plan provided for a production target of

13.5 million tonnes of coal by 1978-79, which amounted to an increase of 5.7 million tonnes from the level of production of 7.79 million tonnes at

the end of the Fourth Five Year Plan- In 1950, after coal mining was stepped up, the production was 32 million tonnes. In 1974-75 it reached a

record figure of 88.4 million tonnes. The overall reserves of coal, both coking and non-coking were estimated in 1976 at 8,095 crore tonnes.

13. But, howsoever high the coal reserves may be, they are not inexhaustible, which underlines the need for a planned development of the natural

resources. The reckless and unscientific methods of mining which were adopted by most of the colliery owners without regard to considerations of

conservation of the mineral and safety and welfare of workers led the Parliament to pass various legislations on the subject in the light of its

accumulated experience. The coking coal mines were nationalised in 1972 and the non-coking coal mines were nationalised in the following year.

The production of coal in the country is now almost completely controlled by the public sector with the exception of isolated pockets wherein

reserves are not sufficient for scientific and economical development and the production is consumed locally. The only important mines with are not

nationalised are the captive coking coal mines of the two private sector Steel Companies coking coal being a vital ingredient in the production of

Steel.

14. The production of coal in the public sector is organised through three companies the Coal Mines Authority Ltd., the Bharat Coking Coal Ltd.,

and the Singareni Collieries Company Ltd. A holding company, Coal India Limited, was formed in 1975 incorporating the Coal Mines Authority,

the Bharat Coking Coal and the Coal Mines Planning and Design Institute as separate Divisions, besides other Subsidiaries.

15. Entry 23 List II, Schedule VII of the Constitution read with Article 246(3) confers legislative power on the State legislatures in respect of

Regulation of mines and mineral development"" but that power is ""subject to the provisions of List I with respect to regulation and development

under the control of the Union"". Entry 54 List I enables Parliament to acquire legislative power in respect of ""Regulation of mines and mineral

development to the extent to which such regulation and development under the control of the Union is declared by Parliament by law to be

expedient in the public interest"". Entry 24 List II relates to ""Industries subject to the provisions of entries 7 and 52 of List I. Entry 7, List I, relates1

to Industries declared by Parliament by law to be necessary for the purpose of defence or for the prosecution of war. Entry 52, List I, enables

Parliament to acquire legislative power in respect of ""Industries, the control of which by the Union is declared by Parliament by law to be expedient

in the public, interest"". .

16. The Industries (Development and Regulation) Act, 65 of 1951,. which came into force on May 8, 1952 contains a declaration in Section 2 that

it was expedient in the public interest that the Union should take under its control the industries specified in the First Schedule. Item 2(1) of the

First Schedule comprises coal, lignite, coke and their derivatives" under the heading "Fuels" The Act provides for the establishment of a Central

Advisory Council and Development Councils, registration and licensing of industrial undertakings, the assumption of management or control of

industrial undertakings by the Central Government control of supply, distribution and price of certain Articles, etc.

17. The Mines Act, 35 of 1952, which came into force on July 1, 1952, was passed by the Parliament in order to amend and consolidate the law

relating to the regulation of labour and safety in mines. That Act was evidently passed in the exercise of power under Entry 55, List I, ""Regulation

of labour and safety in mines and oil fields"". .

18. The Mines and Minerals (Regulation and Development) Act, 67 of 1957, which came into force on June 1, 1958 was passed in order to

provide for the regulation of mines and the development of minerals under the control of the Union. Section 2 of that Act contains a declaration that

it was expedient in the public interest that the Union should take under its control the regulation of mines and the development of minerals to the

extent provided in the Act. The Act provides, inter alia, for general restrictions on undertaking prospecting and mining operations, the procedure

for obtaining prospecting licences or mining leases in respect of lands in which the minerals vest in the Government, the rule making power for

regulating the grant of prospecting licences and mining leases, special powers of Central Government to undertake prospecting or mining

operations in certain cases, and for development of minerals.

19. There was a lull in legislative activity in regard to the enactment of further regulatory measures for controlling mines and minerals. The Coking

Coal Mines (Emergency Provisions) Ordinance, 12 of 1971, was passed on October 16, 1971. It was replaced by the Coking Coal mines

(Emergency Provisions) Act, 64 of 1971, which received the President's assent on December 23, 1971 but was given retrospective operation

from the date of the Ordinance. The Act was passed to provide for the taking over, in the public interest, of the management of coking coal mines

and coke oven plants, pending nationalisation of such mines and plants. By Section 3(1), the management of all coking coal mines vested in the

Central Government from the appointed day-October 17, 1971. Section 6(1) provided that every owner of coking coal mine shall be given by the

Central Government an amount, in cash, for vesting in it, u/s 3, the management of such mine. Such amount was to be calculated in accordance

with the provisions of Section 6(2). The Coking Coal Mines (Nationalisation) Act; 36 of 1972, was passed in order, inter alia, to provide for the

acquisition and transfer of the right, title and interest of the owners of the coking mines and coke oven plants. Sections 30 and 31 of that Act

dealing respectively with penalties, and offences by companies came into force at once but the remaining provisions were deemed to have come

into force on May 1, 1972. Section 3(c) defines "coking coal mine" to mean-

a coal mine in which there exists one or more seams of coking coal, whether exclusively or in addition to any seam of other coal.

20. By Section 4(1) the right, title and interest of the owners in relation to the coking coal mines specified in the First Schedule shall stand

transferred to, and shall vest absolutely in, the Central Government, free from all incumbrances. By Section 4(2), after the appointed day, that is

May 1, 1972 if any other coal mine was found to contain coking coal the provisions of the Coking Coal Mines (Emergency Provisions) Act, 1971

were to apply to such mine until it was nationalised by an appropriate legislation. By Section 6(1), the Central Government becomes the lessee of

the State Government where the rights of the owner under any mining lease granted in relation to a coking coal mine by the State Government or

any other person, vest in the Central Government u/s 4. Section 7(1) empowers the Central Government to direct that the right, title and interest of

the owners in relation to coking coal mines or coke oven plants shall vest in a government company. Sections 10 and 11 of the Act provide for

payment of the amounts to owners of the coking coal mines and coke oven plants for the vesting of their right, title and interest in the Central

Government.

21. By an Amendment Act, 56 of 1972, which came into force on, September 12, 1972, Section 4A was added to the Mines and Minerals

(Regulation and Development) Act 1957. That Section provides for premature termination of mining leases and the grant of fresh leases to

Government companies or Corporations owned or controlled by Government.

22. The Coal Mines (Taking Over of Management) Act, 15 of 1973, which received the assent of the President on March 31, 1973 was given

retrospective effect from January 30, 1973 except Section 8(2) which came into force at once. The Act was passed in order ""to provide for the

taking over, in the public interest, of the management of coal mines, pending nationalisation of such mines, with a view to ensuring rational and co-

ordinated development of coal production and for promoting optimum utilisation of the coal resources consistent with the growing requirements of

the country, and for matters connected therewith or incidental thereto."" Section 2(b) of the Act defines a ""coal mine"" to mean a mine in which there

exists one or more seams of coal.

23. Section 3(1) provides that on and from the appointed day (that is, January 31, 1973) the management of all coal mines shall vest in the Central

Government. By Section 3(2), the coal mines specified in the Schedule shall be deemed to be the coal mines the management of which shall vest in

the Central Government under Sub-section (1). Under the proviso to Section 3(2), if, after the appointed day, the existence of any other coal mine

comes to the knowledge of the Central Government, it shall by a notified order make a declaration about the existence of such mine, upon which

the management of such coal mine also vests in the Central Government and the provisions of the Act become applicable thereto. Section 3(5)

casts an obligation on every person in charge of the management of a coal mine, immediately before the date on which the Act received the assent

of the President, to intimate the Central Government within 30 days from the said date the name and location of the mine as well as the name and

the address of the owner, if the mine is not included or deemed to be included in the Schedule. All contracts providing for the management of any

coal mine made before the appointed day between the owner of the mine and any person in charge of the mine and any person in charge of the

management thereof are to be deemed to have been terminated on the appointed day, u/s 4, Section 6(1) empowers the Central Government to

appoint Custodians for the purpose of taking over of the management of the mines. Section 7(1) provides that every owner of a coal mine shall be

given by the Central Government an amount in cash for the vesting in it u/s 3, of the management of such mine. Section 18(1)(a) excludes from the

operation of the Act any coal mine owned, managed or controlled by the Central Government, or by a Government Company or by a corporation

which is owned, managed or controlled by the Government. Clause (b) of Section 18(1) also excludes from the operation of the Act a coal mine

owned by or managed by a company engaged in the production of iron and steel.

24. The Coal Mines (Nationalisation) Act, 26 of 1973, was given retrospective operation with effect from May 1, 1973 except Sections 30 and

31 which came into force at once. This Act was passed,

to provide for the acquisition and transfer of the right, title and interest of the owners in respect of the coal mines specified in the Schedule with a

view to re-organising and reconstructing such coal mines so as to ensure the rational, co-ordinated and scientific development and utilisation of coal

resources consistent with the growing requirements of the country, in order that the ownership and control of such resources are vested in the

State and thereby so distributed as best to subserve the common good, and or matters connected therewith or incidental thereto.

25. Section 2(b) defines a coal mine in the same way as the corresponding provision of the Management Act viz., a mine ""in which there exists one

or more seams of coal."" Section 3(1) provides that on the appointed day (that is, May 1, 1973) the right, title and interest of the owners in relation

to the coal mines specified in the Schedule shall stand transferred to, and shall vest absolutely in the Central Government free from all

incumbrances. Section 4(1) provides that where the rights of an owner under any mining lease granted, or deemed to have been granted, in relation

to a coal mine, by a State Government or any other person, vest in the Central Government u/s 3, the Central Government shall, on and from the

date of such vesting, be deemed to have become the lessee of the State Government or such other person, as the case may be, in relation to such

coal mine as if a mining lease in relation to such coal mine had been granted to the Central Government. The period of such lease is to be the entire

period for which the lease could have been granted by the Central Government or such other person under the Mineral Concession Rules and

thereupon all the rights under the mining lease granted to the lessee are to be deemed to have been transferred to, and vested in, the Central

Government. By Section 4(2), on the expiry of the term of any lease referred to in Sub-section (1), the lease, at the option of the Central

Government, is liable to be renewed on the same terms and conditions on which it was held by the lessor for the maximum period for which it

could be renewed under the Mineral Concession Rules. Section 5(1) empowers the Central Government under certain conditions to direct by an

order in writing that the right, title and interest of an owner in relation to a coal mine shall, instead of continuing to vest in the Central Government,

vest in the Government company. Such company, u/s 5(2), is to be deemed to have become the lessee of the coal mine as if the mining lease had

been granted to it. By Section 6(1), the property which vests in the Central Government or in a Government company is freed and discharged from

all obligations and incumbrances affecting it. The mortgagees and other holders of incumbrances are required by Section 6(2) to give intimation

thereof to the Commissioner within the prescribed time. Section 7(1) provides that the Central Government or the Government company shall not

be liable to discharge any liability of the owner, agent, manager or managing contractor of a coal mine in respect of any period prior to the

appointed day. Section 8 requires that the owner of every coal mine or group of coal mines specified in the second column of the Schedule shall be

given by the Central Government in cash and in the manner specified in Chapter VI, for the vesting in it u/s 3 of the right, title and interest of the

owner, an amount equal to the amount specified against it in the corresponding entry in the fifth column of the Schedule. By Section 11(1), the

general superintendence, direction, control and management of the affairs and business of a coal mine, the right, title and interest of an owner in

relation to which have vested in the Central Government u/s 3, shall vest in the Government company or in the Custodian as the case may be. For

the purpose of disbursing the amount payable to the owner, the Central Government is required by Section 17(1) to appoint a Commissioner of

Payments. By Section 18(1), the Central Government shall within thirty days from the specified date, pay, in cash, to the Commissioner for

payment to the owner of a coal mine, an amount equal to the amount specified against the coal mine in the Schedule and also such sums as may be

due to the owner u/s 9. Section 6(1) provides that if out of the monies paid to the Commissioner, any balance is left after meeting the liabilities of all

the secured and unsecured creditors of the coal mine, he shall disburse the same to the owner.

26. The Coal Mines (Nationalisation) Amendment Ordinance which was promulgated on April 29, 1976 was replaced on May 27, 1976 by the

Coal Mines (Nationalisation) Amendment Act, 67 of 1976. The Amendment Act consists of five sections by which certain amendments were

introduced into the Principal Act, namely, the Coal Mines (Nationalisation) Act, 26, of 1973. The Statement of Objects and Reasons of the

Nationalisation Amendment Act reads thus :

After the nationalisation of coal mines, a number of persons holding coal mining leases" unauthorisedly started mining of coal in the most reckless

and unscientific manner without regard to considerations of conservation, safety and welfare of workers. Not only were they resorting to slaughter

mining by superficial working of outcrops and thereby destroying a valuable national asset and creating problems of water-logging fires, etc. for the

future development of the deeper deposits, their unsafe working also caused serious and fatal accidents. They were making larger profits by paying

very low wages, and by not providing any safety and welfare measures. Thefts of coal from adjacent nationalised mines were also reported after

the commencement of these unauthorised operations which had shown an increasing trend of late. Areas where illegal and unauthorised operations

were carried on, were without any assessment of reserves in regard to quality and quantity of coal which could be made available after detailed

exploration work was undertaken and results analysed. No scientific exploitation of these deposits could be undertaken in the nationalised sector

without these details. It was, therefore, considered that it would not be appropriate either to nationalise these unauthorisedly worked mines after

taking them over under the Coal Mines (Taking Over of Management) Act, 1973 or to get the concerned mining leases prematurely terminated

and regranted to Government Companies under the Mining and Minerals (Regulation and Development) Act, 1957. In view of the policy followed

by the Central Government that the Coal Industry is to be in the nationalised sector, it was decided that the Coal Mines Nationalisation Act, 1973

should be enacted to provide for termination of all privately held coal leases except those held by privately owned steel companies, so that it may

be possible for the Central Government, Government company or Corporation to take mining leases where necessary, after the necessary

exploration has been made as to the extent of the deposits of coal, etc.

27. Sections 2 and 3 of the Nationalisation Amendment Act were brought into operation with effect from April 29, 1976. By Section 2 of the

Amendment Act a new section, Section 1A, was introduced under Sub-section (1) of which it was declared that it was expedient in the public

interest that the Union should take under its control the regulation and development of coal mines to the extent provided in Sub-sections 3 and 4 of

Section 3 of the Nationalisation Act and Sub-section 2 of Section 30. By Sub-section 2 of Section 1A, the declaration contained in Sub-section

(1) was to be in addition to and not in derogation of the declaration contained in Section 2 of the Mines and Minerals (Regulation and

Development) Act, 1957. By Section 3 of the Amendment Act a new Sub-section, namely, Sub-section 3, was introduced in Section 3 of the

principal Act. Under Clause (a) of the newly introduced Sub-section 3 of Section 3, on and from the commencement of Section 3 of the

Amendment Act no person other than (i) the Central Government or a Government company or a corporation owned, managed or controlled by

the Central Government, or (ii) a person to whom a sub-lease, referred to in the proviso to Clause (c) has been granted by any such Government,

company or corporation, or (iii) a company engaged in the production of iron and steel, shall carry on coal mining operation, in India, in any form.

Under Clause (b) of Sub-section 3, excepting the mining leases granted before the Amendment Act in favour of the Government, company or

corporation referred to in Clause (a), and any sub-lease granted by any such Government, company or corporation, all other mining leases and

sub-leases in force immediately before such commencement shall in so far as they relate to the winning or mining of coal, stand terminated. Clause

(c) of the newly introduced Sub-section 3 of Section 3 provides that no Tease for winning or mining coal shall be granted in favour of any person

other than the Government, company or corporation referred to in Clause (a). Under the proviso to Clause (c), the Government, the company or

the corporation to whom a lease for winning or mining coal has been granted may grant a sublease to any person in any area if, (i) the reserves of

coal in the area are in isolated small pockets or are not sufficient for scientific and economical development in a co-ordinated and integrated

manner, and (ii) the coal produced by the sub-lessee will not be required to be transported by rail. By Sub-section 4 of Section 3, where a mining

lease stands terminated under Sub-section 3, it shall be lawful for the Central Government or a Government company or corporation owned or

controlled by the Central Government to obtain a prospecting licence or mining lease in respect of the whole or part of the land covered by the

mining lease which stands terminated Section 4 of the Amendment Act introduces an additional provision in Section 30 of the Principal Act by

providing that any person who engages, or causes any other person to be engaged, in winning or mining coal from the whole or part of any land in

respect of which no valid prospecting licence or mining lease or sub-lease is in force, shall be punishable With imprisonment for a term which may

extend to two years and also with fine which may extend to ten thousand rupees. Section 5 of the Nationalisation Amendment Act repeals the Coal

Mines (Nationalisation) Amendment Ordinance, 1976.

28. As stated at the beginning of this Judgment, we are concerned in these writ petitions to determine the validity of the Coal Mines Nationalisation

(Amendment) Act, 67 of 1976, to which we will refer as "The Nationalisation Amendment Act".

29. Shri Seervai, who appears on behalf of the petitioners in writ petition No. 257 of 1977, challenges the legislative competence of the Parliament

to enact the Nationalisation Amendment Act. Article 246(1) confers upon the Parliament, notwithstanding anything contained in Clauses 2 and 3 of

that Article, the exclusive power to make laws with respect to any of the matters enumerated in List I of the Seventh Schedule, called the "Union

List". Clause 2 of Article 246 deals with the power of the Parliament and the State Legislatures to make laws with respect to any of the matters

enumerated in the Concurrent List, while Clause 3 deals with the power of the State Legislatures to make laws with respect to any of the matters

enumerated in the State List.

30. The relevant entries in List I are Entries 52 and 54 which read thus :

Entry 52 :-Industries, the control of which by the Union is declared by Parliament by law to be expedient in the public interest.

Entry 54 :-Regulation of mines and mineral development to the extent to which such regulation and development under the control of the Union is

declared by Parliament by law to be expedient in the public interest.

Entry 24 of the State List reads thus :

Entry 24 :-Industries subject of the provisions of entries 7 and 52 of List I

We are not concerned here with Entry 7 of List I which relates to "Industries declared by Parliament by law to be necessary for the purpose of

defence or for the prosecution of war".

Shri Seervai's argument runs thus :

(a) Laws made in the exercise of power conferred by Entry 54 must stand the test of public interest because the very reason for the Parliament

acquiring power under that entry is that it is in public interest that the regulation of mines and minerals should be under the control of the Union. In

other words, Entry 54 confers a legislative power which is purposive, that is to say, any law made in the exercise of the power under Entry 54

must be designed to secure the regulation and development of coal mines in public interest or else it must fail. The Nationalisation Amendment Act

is not such a law which Parliament can pass under Entry 54 because, that Act not only terminates all leases but it destroys the contracts of service

of thousands of workmen, and indeed it destroys all other contracts and all securities for moneys lent without even so much as making a provision

for priorities for the payment of debts Since the Nationalisation Amendment Act terminates all leases, it is a complete negation of the integrated

scheme of taking over the management of mines, acquisition of the rights of lease-holders and the running of the mines.

(b) The word "Regulation" in Entry 54 does not include "Prohibition". "Regulation" should not also be confused with the expression "Restrictions"

occurring in Article 19(2) to (6) of the Constitution. In the very nature of things, there cannot be a power to prohibit "the regulation and

development of mines and minerals". Section 3(4) inserted by the Nationalisation Amendment Act imposes no obligation on the Central

Government or any other authority to obtain a mining lease and work the mines, the leases in respect of which stand terminated under the Act.

The words "it shall be lawful" for the Central Government to obtain a lease are words of discretionary power which create no obligation. They

only enable the Central Government to obtain a lease, making something legal and possible for which there would otherwise be no right or

authority to do. Section 3 (4) does not confer a power coupled with a duty; it merely confers a faculty or power. No Court can by a Writ of

Mandamus or otherwise compel the Central Government to obtain a lease of a coal mine and to run it under any of the provisions of the

Nationalisation Amendment Act.

(c) Where the Legislative power is distributed among different legislative bodies, the Legislature may transgress its legislative power either directly

or manifestly, or covertly or indirectly. In the instant case, the exercise of power by the Parliament is colourable because although in passing the

Nationalisation Amendment Act it purported to act within the limits of its legislative power, in substance and in reality it transgressed that power,

the transgression being veiled by what appears on proper examination to be a mere pretence or disguise.

(d) In order to tear off the veil or disguise and in order to get at the substance of the law behind the form, the Court must examine the effect of the

legislation and take into consideration its object, purpose and design, Where the legislative entry is purposive, like Entry 54 of the Union List, it is

the object or purpose of the legislation which requires consideration. The purpose for which the Parliament is permitted to acquire legislative power

of Regulation and Development of mines must dictate the nature of law made in the exercise of that power because public interest demands that

power. Under the provisions of the Nationalisation Amendment Act, not only is there no obligation on the Central Government to run a mine, but

there is no obligation imposed upon it even to carry out prospecting or investigation in order to decide whether a particular mine should be worked

at all. Section 3(4) merely authorises the Central Government to apply for ""a prospecting licence or a mining lease in respect of the whole or part

of the land covered by the mining lease which stands determined"". A close examination of the Act thus discloses that far from providing for

regulation and development of coal mines, it totally prohibits all mining activity even if the State Government wants to run a mine It does not impose

prohibition as a step towards running the mines since there is neither any obligation to carry out the prospecting or investigation nor to run the

mines.

(e) The Nationalisation Amendment Act runs directly counter to the whole policy of the Coal Mines (Nationalisation) Act of 1973, to acquire and

run the mines. The Parent Act becomes a dead letter in regard to several of its provisions as a result of the amendment Act It only adopts a

colourable device to amend the Nationalisation Act while completely negating it in fact. The Act therefore lacks legislative competence and is, in

the sense indicated, a colourable piece of legislation.

(f) Article 31(A)(1)(e) only lifts a restriction on the legislative competence in so far as violation of fundamental rights is concerned. The most benign

motive cannot make a law valid if the legislative competence is lacking.

31. In support of his submission that the provisions of the Nationalisation Amendment Act are not conceived in public interest and therefore they

transgress the limitations of Entry 54, List I, learned Counsel relies on the circumstance that whereas the Coal Mines Management Act and the

Coal Mines Nationalisation Act of 1973 contain elaborate preambles, the Amendment Act contains no preamble setting out the mischief to be

remedied or the benefit to be secured, for which the parent Act had failed to provide. At first blush, it is said, it would appear that the preamble to

the parent Act can be read into the Nationalisation Amendment Act but that is impermissible since that preamble provides for acquisition and

running of the mines and can have no application to an Act which provides for termination simpliciter of all mining leases. The preambles to the

Management Act and the Nationalisation Act are said to be significant in that they show that those Acts were enacted in public interest with a view

to rational and co-ordinated development of coal production and for promoting the optimum utilisation of coal production consistently with the

growing requirements of the country. Learned counsel has also compared and contrasted the provisions of these two Acts with the provisions of

the Nationalisation Amendment Act for making good his point that the latter serves no public interest since it merely terminates all existing leases.

The contrast, it is argued, is also provided by Section 4A of the Mines and Mineral Regulation and Development Act 1957 which, while providing

for premature termination of mining leases, requires that such termination has to be followed by the granting of a fresh mining lease so that the mines

will continue to work. Reliance is placed by counsel on the decision of this Court in 282127 to, show how although the legislature in passing an Act

purports to act within the limits of its legislative power, in substance and in reality it can transgress that power, the transgression being veiled by

what appears on proper examination to be a mere pretence or disguise. Attention is then drawn to the decision in Attorney General of Alberta v.

Attorney General of Canada [1939] A.C.117 130 as showing that in order to tear off the veil or disguise or in order to get at the substance of the

law behind the form, the court can examine the effect of the legislation and take into consideration its object, purpose or design. In support of the

submission that the word regulation in Entry 54 does not include prohibition, reliance is placed on the decision of the Federal Court in Bhola

Prasad v. The King Emperor [1942] FCR 17 wherein after setting out two decisions of the Privy Council in Municipal Corporation of City of

Toronto v. Virgo [1896] A.C.88 and Attorney-General for Ontario v. Attorney-General for Canada [1896] A.C.348 in which it was held that

"regulation" did not include "prohibition", Gwyer, C.J. observed that he saw no reason to differ from the view expressed in those cases.

32. The central theme of these diverse points is only one : that the laws made in the exercise of power conferred by Entry 54, List I, must stand the

test of public interest since the very reason for the Parliament acquiring power under that Entry is that it is in the public interest that the regulation of

mines and mineral development should be under the control of the Union. The contention is that since the Nationalisation Amendment Act does not

impose upon the Government the duty to run the mines which are taken over or even to carry out prospecting and investigation but simply provides

for the termination of mining leases, the Act is not in public interest. What is in public interest is the regulation and development of coal mines, not

total prohibition of their working.

33. On a careful consideration of this argument which was made plausible in its presentation, we see no substance in it. The learned Attorney

General and the learned Solicitor General have drawn our attention to various facts and circumstances and to the provisions of various Acts

including the Nationalisation Amendment Act which make it impossible to hold that the provisions of that Act are a mere facade for terminating

mining leases without any obligation in the matter of regulation of mines and mineral development.

34. Granting that Entry 54, List I is purposive since it qualifies the power to pass a law relating to ""Regulation of. Mines and Mineral Development

by the addition of a restrictive clause, ""to the extent to which such regulation and development under the control of the Union is declared by

Parliament by law to be expedient in the public interest"", the provisions of the Nationalisation Amendment Act show that they are designed to serve

progressively the purpose of Entry 54.

35. The Nationalisation Amendment Act, as its very title shows, is an amending Act. It amended the Coal Mines (Nationalisation) Act, 1973 of

1973. One must primarily have regard to the object and purpose of that Act in order to find out whether the: Nationalisation Amendment Act

destroys the structure of that Act and is a mere pretence for acquiring new rights without providing for payment of any amount for such

acquisition. |

36. The Coal Mines (Nationalisation) Act was passed in order to provide for the acquisition and transfer of the right, title and interest of the

owners in respect of the Coal mines specified in the Schedule to that Act. This was done with a view to reorganising and reconstructing such coal

mine so as to ensure the rational, co-ordinated and scientific development and utilisation of coal resources consistent with the growing requirements

of the country. The high purpose of that Act was to ensure that the ownership and control of such resources are vested in the State and thereby so

distributed as best to subserve the common good. In order to achieve that purpose, the Nationalisation Act provides by Section 3(1) that:

On the appointed day, the right, title and interest of the owners in relation to the coal mines specified in the Schedule shall stand transferred to, and

shall vest absolutely in, the Central Government free from all incumbrances.

The appointed day is May 1, 1973. For the removal of doubts it was declared by Section 3(2) that :

If, after the appointed day, the existence of any other coal mine comes to the knowledge of the Central Government, the provisions of the Coal

Mines (Taking Over of Management) Act, 1973, shall until that mine is nationalised by an appropriate legislation, apply to such mine.

37. By Section 4, the Central Government became the lessee of the scheduled coal mines while, Section 5 empowers it to transfer its leasehold

rights to a Government company. Chapter II of the Coal Mines (Nationalisation) Act deals with acquisition of the rights of owners of coal mines,

Chapter III with payment of amounts to owners of coal mines, Chapter IV with management of coal mines, Chapter V lays down provisions

relating to employees of coal mines, Chapter VI contains provisions governing the payments of amounts to be made by the Commissioner of

Payments and the last Chapter, Chapter VII, contains miscellaneous provisions.

38. We have already set out the provisions of the Nationalisation Amendment Act in extenso, a little before enumerating the various points made

out by Shri Seervai during the course of his argument It will now be enough to say by way of a summing-up of the provisions of the Nationalisation

Amendment Act that : (1) by Section 3(3)(a) of the Coal Mines (Nationalisation) Act, 1973 which was introduced by the Nationalisation

Amendment Act, no person other than those mentioned in Clauses (i) to (iii) can carry on coal mining operations after April 29, 1976, being the

date on which Section 3 of the Nationalisation Amendment Act came into force; (2) by Section 3(3)(b) all mining leases and sub-leases stood

terminated except those granted before April 29, 1976 in favour of the Central Government, a Government company or corporation owned,

managed or controlled by the Central Government; (3) Section 3(c) prohibits the granting of a lease for winning or mining coal in favour of any

person other than the Government, a Government company or a corporation of the above description provided that a sublease could be granted

by these authorities to any person if the two conditions mentioned in the proviso are satisfied; and (4) when a mining lease stands terminated u/s

3(3), "it shall be lawful" for the Central Government or the Government company or the corporation owned or controlled by the Central

Government to obtain a prospecting licence or a mining lease in respect of the whole or part of the land covered by the mining lease which stands

terminated. Section 4 of the Nationalisation Amendment Act introduced an additional penal provision in the parent Act.

39. We are unable to appreciate the argument so meticulously woven that these provisions are a direct negation of the principles of the parent Act

and that they destroy the integral scheme of taking over the management of mines, of acquiring the rights of lease-holders and continuing to run the

mines. On the contrary, the Nationalisation Amendment Act is manifestly in furtherance of the object of nationalisation mentioned in the preamble

to the parent Act and effectuates the purpose, mentioned in Sections 3(i) and 3(2) of that Act by the addition of a new Sub-section, Sub-section

(3), which terminates all coal mining leases and sub-leases except those referred in Sub-section (3(b). The circumstance that the marginal note to

Section 3 and the title of Chapter II of the Nationalisation Act are not amended by the Nationalisation Amendment Act, despite the addition of a

new Sub-section, is of little or no consequence. That Sub-section is a logical extension of the scheme envisaged by the original Sub-sections (1)

and (2) of Section 3. Besides, marginal notes to the sections of a statute and the titles of its chapters cannot take away the effect of the provisions

contained in the Act so as to render those provisions legislatively incompetent, if they are otherwise within the competence of the legislature to

enact. One must principally have regard to the object of an Act in order to find out whether the exercise of the legislative power is purposive,

unless, of course, the provisions of the Act show that the avowed or intended object is a mere pretence for covering a veiled transgression

committed by the legislature upon its own powers. Whether a particular object can be successfully achieved by an Act, is largely a matter of

legislative policy.

40. The Nationalisation Amendment Act needs no preamble, especially when it is backed up by a statement of objects and reasons. Generally, an

amendment Act is passed in order to advance the purpose of the parent Act as reflected in the preamble to that Act. Acquisition of coal mines, be

it remembered, is not an end in itself but is only a means to an end. The fundamental object of the Nationalisation Act as also of the Nationalisation

Amendment Act is to bring into existence a state of affairs which will be congenial for regulating mines and for mineral development. In regard to

the scheduled mines, that purpose was achieved by the means of acquisition. In regard to mines which were not included in the Schedule, the same

purpose was achieved by termination of leases and sub-leases and by taking over the right to work the mines. Termination of leases, vesting of

lease-hold properties in the State Governments and the grant of leases to the Central Government or Government Companies are together the

means conceived in order to achieve the object of nationalisation of one of the vital material resources of the community. An infirmity in Shri

Seervai's argument is its inarticulate premise that mere acquisition of coal mines is the end of the Nationalisation Act.

41. It is also important to bear in mind while we are on the purposiveness of the Nationalisation Amendment Act that nothing contained in the later

analogous Acts can be construed as in derogation of the principle enunciated in Section 18 of the Mines and Minerals Regulation and

(Development) Act, 67 of 1957, which provides that it shall be the duty of the Central Government to take all such steps as may be necessary for

the conservation and development of minerals in India. Therefore, even in regard to matters falling under the Nationalisation Amendment Act which

terminates existing leases and makes it lawful for the Central Government to obtain fresh leases, the obligation of Section 18 of the Act of 1957 will

continue to apply in its full rigour. As contended by the learned Solicitor General, Section 18 contains a statutory behest and projects a purposive

legislative policy. The later Acts on the subject of regulation of mines and mineral development are linked up with the policy enunciated in Section

18.

42. Much was made by Mr. Seervai of the circumstance that the Nationalisation Amendment Act, While providing by Section 3(4) that ""it shall be

lawful"" for the Central Government, etc., to obtain a prospecting licence or a mining lease, did not impose an obligation on any one to work the

mine of which the mining lease stood statutorily terminated. No mandamus, it was urged, could therefore issue to compel, for example the Central

Government to work any particular mine. This argument overlooks that Entry 54 refers to two things : (1) regulation of mines and (2) mineral

development. It is true that the Entry is purposive, since the exercise of the power under Entry 54 has to be guided and governed by public

interest. But neither the power to regulate mines nor the power to ensure mineral development postulates that no sooner is a mining lease

terminated by the force of the statute, than the Central Government must begin to work the mine of which the lease is terminated. It is possible that

after the Nationalisation Amendment Act came into force, there was a hiatus between the termination of existing leases and the granting of fresh

ones. But, the Nationalisation Amendment Act does not provide that any kind or type of mine shall not be developed or worked. Conservation,

prospecting and investigation, developmental steps and finally scientific exploitation of the mines and minerals is the process envisaged by the

Nationalisation Amendment Act. It is undeniable that conservation of minerals, which is brought about by the termination of existing leases and

sub-leases, is vital for the development of mines. A phased and graded programme of conservation is in the ultimate analysis one of the most

satisfactory and effective means for the regulation of mines and the development of minerals.

43. Learned counsel contended that the Nationalisation Amendment Act is destructive of the provisions of the parent Act. This contention is wholly

unjustified. The destruction which the Nationalisation Amendment Act brings about is of the lease or the sub-lease and not of its subject matter,

namely, the mine itself. In terminating the lease of a house one does not destroy the house itself. It may be arguable that prohibiting the use of the

house for any purpose whatsoever may, for practical purposes, amount to the destruction of the house itself. But we cannot accept the contention

that the Nationalisation Amendment Act contains provisions directed at prohibiting the working of mines, the leases in respect of which are

terminated. A simple provision for granting sub-leases shows that the object of the Nationalisation Amendment Act is to ensure that no mine will lie

idle or unexplored. Interregnums can usefully be utilised for prospecting and investigation. They do not lead to destruction of mines. In fact, it is just

as well that the Amendment Act does not require the new lessee to undertake an adventure, reckless and thoughtless, which goes by the name of

"scratching of mines", which ultimately results in the slaughtering of mines.

44. Natural resources, howsoever large, are not inexhaustible, which makes it imperative to conserve them. Without a wise and planned

conservation of such resources, there can neither be a systematic regulation of mines nor a scientific development of minerals. The importance of

conservation of natural resources in any scheme of regulation and development of such resources can be seen from the fact that the Parliament had

to pass in August 1974 an Act called the Coal Mines (Conservation and Development) Act, 1974, in order, principally, to provide for the

conservation of coal and development of coal mines. Section 4(1) of that Act enables the Central Government, for the purposes of conservation of

coal and for the development of coal mines, to exercise such powers and take or cause to be taken such measures as it may be necessary or

proper or as may be prescribed. By Section 5(1), a duty is cast on the owners of coal mines to take such steps as may be necessary to ensure

the conservation of coal and development of the coal mines owned by them. While moving the Nationalisation Amendment Act in the Lok Sabha

on May 17, 1976, the Minister of Energy said that :

for proper scientific working of coal mines, you have to have the geological data; you have to have, mine plans; you have to know the size of the

coal reserve, the quantity of coal that can be mined; the quality of coal etc. For this, the detailed exploration has to be undertaken. It is only after all

this is done that the experts can decide whether it will be economically viable and technically feasible-technical feasibility comes first and then

economic viability-to mine the coal in that particular area, No scientific exploration of coal is possible from these areas until all the facts are known,

until investigation is done. The nationalised sector cannot step in unless all this information is gathered. (Lok Sabha Debates, 5th series, volume 61,

May 17, 1976, columns 91-92.)

45. Measures taken for judicious preservation and distribution of natural resources may involve restrictions on their use and even prohibition, upto

a degree, of the unplanned working of the repositories of such resources. We may in this connection refer usefully to a passage at page 383 of the

First Five Year Plan :

Though a mining industry has been in existence in this country for about half a century, only a comparatively small number of mines are being

worked in an efficient manner under proper technical guidance. Many units are too small in size or too poorly financed for such working. Lack of a

conservation policy is also responsible for the present condition of the industry. There is large wastage, especially in minerals of marginal grades, as

these are either abandoned in the mines or thrown away on the mine dumps. Ways and means must be devised for the mining and recovery of

these low grade materials. Ores which it is not possible to work economically under normal conditions should be left in the mines so that they may

be extracted at a later date without serious loss. The mine dumps all over the country have to be carefully examined and sampled so that their

valuable mineral content may be recovered by methods of beneficiation now available. It should be a rule that selective mining of high grade

minerals alone should not be undertaken and that all grades should be worked and wherever possible, blended to produce marketable grades.

46. It was observed in Attorney-General for Ontario (supra) that a power to regulate assumes, naturally if not necessarily, the conservation of the

thing which is to be made the subject of regulation. This position does not militate against what was observed by Lord Davey in Virgo (supra) that

there is marked distinction to be drawn between the prohibition or prevention of a trade and the regulation or governance of it, and indeed a

power to regulate and govern seems to imply the continued existence of that which is to be regulated or governed"". In the former case, the Canada

Temperance Act, 1886 1 was held ultra vires the Dominion as it purported to repeal the prohibitory clauses of a provincial Act, but its own

provisions were held valid when duly brought into operation in any provincial area as relating to the peace, order, and good Government of

Canada. In *Virgo* the question turned on the scope of power to frame by-laws and the decision of the Privy Council was that a statutory power

conferred upon a municipal corporation to make by-laws for "regulating and governing" a trade, ""does not authorise the making it unlawful to carry

on a lawful trade in a lawful planner"". It may be borne in mind that different considerations apply in the construction of power to frame by-laws but

even then, the privy Council qualified the above statement of law by adding the clause, ""in the absence of an express power of prohibition"".

47. In support of his submission that under the Nationalisation Amendment Act there is no obligation on any person or authority to run a mine, Shri

Seervai relies on a passage in *Creep on Statute Law*, 6th edition, page 284, to the following effect:

Statutes passed for the purpose of enabling something to be done are usually expressed in permissive language, that is to say, it is enacted that "it

shall be lawful", etc. or that "such and such a thing may be done", prima facie, these words import a discretion, and they must be construed as

discretionary unless there be anything in the subject-matter to which they are applied, or in any either part of the statute, to show that they are

meant to be imperative.

48. But the very passage, after enunciating this principle, refers to a decision in *Julius v. Bishop of Oxford* [1880] 5 App 214 in which Lord Cairns

said that though the words "it shall be lawful" are words making that legal and possible which there would otherwise be no right or authority to do

and that though those words confer a faculty or power, still

there may be something in the nature of the thing empowered to be done, something in the object for which it is to be done, something in the

conditions under which it is to be done, something in the title of the persons for whose benefit the power is to be exercised, which may couple the

power with a duty, and make it the duty of the person in whom the power is reposed to exercise that power when called upon to do so.

49. It seems to us clear, and we have discussed that aspect at length, that Section 3(4) uses an enabling or permissive expression in order that

regulation of mines and mineral development maybe ensured after a scientific prospecting, investigation and planning. It is doubt less that, in the

language of Lord Cairns in *Julius* [1880] 5 App Cas 214 there is something in the nature of the thing which the Nationalisation Amendment Act

empowers to be done, something in the object for which it is to be done and something in the conditions under which it is to be done which

couple the power conferred by the Act with a duty, the duty being not to act in haste but with reasonable promptitude depending upon the nature

of the problem under investigation An obligation to act does not cease to be so merely because there is no obligation to act in an ad-hoc or

impromptu manner. It is in the context of a conglomeration of these diverse considerations that one must appreciate why, in Section 3(4) which

was introduced by the Nationalisation Amendment Act, Parliament used the permissive expression ""it shall be lawful"".

50. Thus, a broad and liberal approach to the field of legislation demarcated by Entry 54, List I, an objective and practical understanding of the

provisions contained in the Nationalisation Amendment Act and a realistic perception of constitutional principles will point to the conclusion that the

Parliament had the legislative competence to enact the Nationalisation Amendment Act.

51. The argument which we have just disposed of is common to all the matters before us. The contention to which we will now turn is limited in its

application to composite mines which contain layers of coal and some other mineral, usually fireclay. This branch of Shri Seervai's argument relates

to the construction of the Coal Mines (Nationalisation) Act, 1973, and the Nationalisation Amendment Act. The argument is that leases of

composite mines in which there are alternate seams of coal and fireclay do not fall within the scope of these Acts.

52. The pleadings in this behalf are full and complete in Writ Petition No. 257 of 1977 argued by Shri Seervai and they are tolerably adequate in a

few other petitions. It is expressly averred and not effectively traversed in Writ Petition 257 of 1977 that:

the coal and fireclay deposits in the said area are so mixed up that one cannot work either for extraction of coal or for extraction of fireclay without

disturbing each of the said two minerals. The deposits are such that at one layer there is coal, the next layer is fireclay, the other layer is coal, the

next layer is again fireclay and so on.

Nirode Baran Banerjee, who is the petitioner in that Writ Petition, holds a composite lease dated October 17, 1973 for mining coal as well as

fireclay.

53. It is urged by the learned Counsel that the Nationalisation Amendment Act terminates mining leases in respect of coal only and that the law

terminating leases for mining coal cannot apply to a mine which contains not only coal but fireclay also. The totality of the submission on this point

may be put thus :

(a) Under Article 31(1) of the Constitution, no person can be deprived of his property without the authority of law. Article 31A(1) which exempts

the laws mentioned in Clauses (a) to (e) from invalidity under Articles 14, 19 and 31 does not dispense with the necessity of the authority of law

for depriving a person his property, because the opening words of Article 31A(1) are "... no law providing for ..." matters mentioned in Clauses (a)

to (e) shall be deemed to be void as offending Articles 14, 19 and 31.

(b) The Nationalisation Amendment Act confers no authority to terminate a composite lease for mining coal and fireclay. The right to mine fireclay

is given to the petitioner by law and it can only be taken away by law.

(c) Though the Nationalisation Amendment Act does not in terms prohibit the petitioner from mining fireclay, the effect of the law in a practical

business sense, is to prohibit the petitioner from mining fireclay and, therefore, the position is the same as though the Act had enacted the

prohibition in express terms. The Court must look at the direct impact of the law on this right of the party, and if that impact prohibits him from

exercising his right, the fact that there is no express prohibition in the Act is immaterial,

(d) The Nationalisation Amendment Act by making it punishable to mine coal, in substance and in a practical business sense, prohibits the

petitioner from mining fireclay. For this prohibition the Amendment Act does not provide, and therefore, there is no authority of law for it. Coal and

fireclay are two distinct minerals as shown by Schedule II to the Mines and Minerals (Regulation and Development) Act, 67 of 1957, wherein item

1 is coal and item 15 is fireclay. The dictionary meanings of coal and fireclay also show that they are two distinct minerals.

In support of these submissions Shri Seervai relies very strongly on the definition of "coal mine" in Section 2(b) of the Coal Mines (Nationalisation

Act, 26 of 1973, and the definition, by contrast, of "coking coal mine" in Section 3(c) of the Coking Coal Mines (Nationalisation) Act, 36 of

1972.

54. These submissions are met by the learned Attorney General with the answer that if a mine has a seam of coal it is a coal mine within the

meaning of Section 2(b) of Act 26 of 1973, and that, for the purposes of that definition, it makes no difference whether the mine has seams of

fireclay also. The Attorney General says further that the definition of "coking coal mine" in Section 3(c) of Act 36 of 1972 contains words of

surplusage which ought rather to be ignored than be allowed to determine the scope of the definition contained in Section 2(b) of Act 26 of 1973.

The contention, in other words, is that a coal mine is a mine in which there is at least one seam of coal, no matter whether there are seams therein

of fireclay or any other mineral.

55. The learned Solicitor General contends that the authority of Law extends to whatever is the necessary consequence of that which is authorised.

In other words, authority to do a thing necessarily includes the authority to do all other things which are necessary for the doing of that which is

authorised. If law authorises the termination of coal mining leases, it must be taken to authorise whatever is necessarily incidental to and

consequential upon it. Therefore, composite leases cannot be excepted from the provisions of an Act which terminates coal mining leases. Section

3(3)(a) introduced by the Nationalisation Amendment Act, it is contended, prohibits persons other than those mentioned in Clauses (i) to (iii) from

carrying on coal mining operation in any form. If a person holding a composite lease can do fireclay mining without mining coal, he may do so;

otherwise Section 3(3) (a) is the authority of law to prevent him from mining fireclay. In other words, according to the learned Solicitor General,

the necessary implication of law is that though a composite lease for mining coal and fireclay may remain outstanding after the enactment of the

Nationalisation Amendment Act, the lessee cannot work it, if it involves a coal-mining operation.

56. The point raised by Shri Seervai is so nicely balanced that it is as difficult to reject it wholly as it is to accept it wholly. The contrast in

definitions favours him. The Coal Mines (Nationalisation) Act, 26 of 1973, defines a coal mine by Section 2(b) thus :

Coal mine"" means a mine in which there exists one or more seams of coal.

If this definition is considered in isolation, the learned Attorney General could perhaps be right in his submission that any mine in which there is one

seam of coal, at least one, is a coal mine. The definition takes no account of whether there are seams of other minerals, and if so, how many, in the

mine. One seam of coal is enough to make a mine a coal mine. For reasons which we will presently mention, it is not easy to stretch the definition

as far as logic may take it, for that will produce the result that just one seam of coal at the roof of a mine or at its base will be enough to bring a

mine within the definition contained in Section 2(b).

57. The scheme of the Coal Nationalisation Acts on which Shri Seervai relies has a relevance of its own on this point The Coking Coal Mines

(Nationalisation) Act of 1972 and the Coal Mines (Nationalisation) Act of 1973 cover the whole field of "Coal" which was intended to be

nationalised. The titles of the two Acts and the various provisions contained therein show that what was being nationalised was three distinct

categories of mines : mines containing seams of coking coal exclusively; mines containing seams of coking coal along with seams of other coal; and

mines containing seams of other coal. Though Parliament had power under Article 31A(1)(e) of the Constitution to terminate mining leases without

payment of any compensation or "amount" it decided to nationalise coal mines on payment of amounts specified in the Schedules to the

Nationalisation Acts of 1972 and 1973. Besides, even when something apart from coking coal mines was acquired, namely, "coke oven plants",

provision was separately made in Section 11 of the Nationalisation Act of 1972, read with the 2nd Schedule, for payment of amounts to owners of

coke oven plants. Thus, whatever was intended to be acquired was paid for. This scheme is prima facie inconsistent with the Parliament intending

to acquire lease-hold rights in other minerals like fireclay, without the payment of any amount.

58. Coupled with this is the unambiguous wording of Section 3(3)(b) and Section 3(3)(c) of the Nationalisation Act of 1973, which were

introduced therein by Section 3 of the Nationalisation Amendment Act. Section 3(3)(b) says that excepting the mining leases and sub-leases

granted before the commencement of the Act in favour of or by certain bodies or authorities, all other mining leases and sub-leases in force before

such commencement,

shall in so far as they relate to the winning or mining of coal stand terminated.

(emphasis supplied)

Section 3(3)(c) provides that :

no lease for winning of mining coal shall be granted in favour of any person other than the Government, company or corporation, referred in Clause

(a).

(emphasis supplied).

These provisions carry the scheme of the Nationalisation Acts to their logical conclusion by emphasising that the target of those Acts is coal mines,

pure and simple. What stands terminated u/s 3(3)(b) is certain mining leases and sub-leases in so far as they relate to the winning or mining of coal.

The embargo placed by Section 3(3)(c) is on the granting of leases for winning or mining coal to persons other than those mentioned in Section

3(3)(a).

59. Since the definition of "coal mine" in Section 2(b) of the Coal Mines (Nationalisation) Act, 1973 has an uncertain import and the scheme of

that Act and of the Coking Coal Mines (Nationalisation) Act, 1972 makes it plausible that rights in minerals other than coke and coal were not

intended to be acquired under the two Nationalisation Acts, it becomes necessary to compare and contrast the definition of "coal mine" in Section

2(b) of the Act of 1973 with the definition of "coking coal mine" in Section 3(c) of the Coking Coal Mines (Nationalisation) Act of 1972. Section

3(c) of the latter Act says :

"coking coal mine" means a coal mine in which there exists one or more seams of coking coal, whether exclusively or in addition to any seam of

other coal.

(emphasis supplied).

60. This definition justifies Shri Seervai's argument that whereas in regard to coking coal mines, the existence of any seam of other coal was

regarded as inconsequential, the existence of any seam of another mineral was not considered as inconsequential in regard to a coal mine. The

definition of coal mine in Section 2(b) of the Act of 1973 scrupulously deleted the clause, ""whether exclusively or in addition to"" any other seam.

The same Legislature which added the particular clause in the definition of "coking coal mine" in the 1972 Act, deleted it in the definition of "coal

mine" in the 1973 Act.

61. The position in regard to the coking coal mines is crystal clear, namely, that by Section 4(1) of the Act of 1972, the right, title and interest of

owners in relation to the coking coal mines specified in the First Schedule to the Act stood transferred to and vested absolutely in the Central

Government free from all incumbrances on the appointed day. The same position obtained u/s 5 of that Act in regard to coke oven plants specified

in the Second Schedule. But in so far as coal mines are concerned, we have, willy-nilly, to proceed on the basis that by reason of the definition of

coal mine contained in Section 2(b) of the Act of 1973, and the definition of coking coal mine in Section 3(c) of the Act of 1972 which presents a

striking contrast to the definition in Section 2(b), composite coal mines, that is to say, coal mines in which there are seams of coal and fireclay (we

are only concerned with fireclay in these petition), do not fall within the scope of the definition of "coal mine" in Section 2(b) of the Act of 1973.

To that extent Shri Seervai's contention must succeed.

62. But what then is the sequitur? Can the lessees of composite mines (like the petitioners in Writ Petitions Nos. 257, 220, 111, 600, 1130-1134,

352, 221 and 178 of 1977) who hold composite mining leases for winning coal and fireclay, continue their mining operations unabated despite the

provisions of the Nationalisation Amendment Act? We think not. It is one thing to say that a composite mine is outside the scope of the definition

of coal mine in Section 2(b) of the Nationalisation Act of 1973 and quite another to conclude therefrom that the other provisions introduced into

that Act by the Nationalisation Amendment Act will have no impact on composite leases for winning coal and fireclay. Section 3(3)(a) which was

introduced into the parent Act by the Nationalisation Amendment Act provides expressly that on and from the commencement of Section 3 of the

Amendment Act, that is, from April 29, 1976, no person other than those mentioned in Clauses (i) to (iii) shall carry on "coal mining operation, in

India, in any form". Section 4 of the Nationalisation Amendment Act which introduced Sub-section (2) in Section 30 of the parent Act provides:

Any person who engages, or causes any other person to be engaged in winning or mining coal from the whole or part of any land in respect of

which no valid prospecting licence or mining lease or sub-lease is in force, shall be punishable with imprisonment for a term which may extend to

two years and also with fine which may extend to ten thousand rupees.

63. These provisions of Sections 3(3)(a) and 30(2) of the parent Act will apply of their own force, whether or not the lessee holds a composite

lease for winning coal and fireclay and whether or not the mine is a composite mine containing alternate seams of coal and fireclay. In other words,

as contended by the learned Solicitor General, if a person holding a composite lease can do fireclay mining without mining coal, he may do so. But

if he cannot win or mine fireclay without doing a coal mining operation, that is, without winning or mining coal, he cannot do any mining operation at

all. If he does so, he will be liable for the penal consequences provided for in Section 30(2) of the Nationalisation Act of 1973.

64. The provision contained in Section 3(3)(a) totally prohibiting the generality of persons from carrying on coal mining operation in India in any

form and the penal provision of Section 30(2) virtually leave with the lessees of composite mines the husk of a mining interest. That they cannot win

or mine coal is conceded and, indeed, there is no escape from that position in view of the aforesaid provisions. The only surviving question then is

whether they can win or mine fireclay since their composite lease is outside the scope of Section 2(b) of the Nationalisation Act of 1973. The

answer has to be in the negative on the basis of the very averments made by the petitioners in their Writ Petitions. For example, the petitioner in

Writ Petition No. 257 of 1957 has stated in his petition, more particularly in paragraph 5 thereof that the seams of coal and fireclay are so situated

in the mine of which he is a lessee, that it is not possible to mine fireclay without mining coal. This position was not only admitted but reiterated by

Shri Seervai, both during the course of his oral argument and in his written brief. The conclusion is therefore inevitable that the lessees of composite

mines will, for all practical purposes, have to nurse their deeds of lease without being able to exercise any of the rights flowing from them. On their

own showing, they will be acting at their peril if they attempt to win fireclay. If they cannot win fireclay without winning coal, they cannot win

fireclay either, even if they hold composite leases under which they are entitled to win coal and fireclay.

65. This position fortifies the argument of the learned Solicitor General that though the Parliament provided for the payment of amounts for

acquisition of certain interests under the Nationalisation Acts of 1972 and 1973, it did not intend to pay any compensation or amount for the

termination of leasehold rights in respect of composite mines. Mines which have alternate seams of coal and fireclay are in a class by themselves

and they appear to be far fewer in number as compared with the coking coal mines and coal mines, properly so called. The authority of law for the

termination of the rights of composite lessees is the provision contained in Section 3(3)(a), the violation of which attracts the penal provisions of

Section 30(2) of the Nationalisation Act of 1973. The Parliament has deprived composite lessees of their right to win fireclay because they cannot

do so without winning coal. The winning of coal by the generality of people is prohibited by the Section 3(3)(a) of the Act of 1973.

66. This is just as well, because Parliament could not have intended that such islands of exception should swallow the main stream of the

Nationalisation Acts. Obviously, no rights were, intended to be left outstanding, once the rights in respect of coking coal mines and coal mines

were brought to an end.

67. The petitioners in Writ Petitions Nos. 257, 220, 111, 600, 1130-1134, 352, 221 and 178 of 1977 hold composite mining leases for mining

fireclay and coal. In these Petitions we had passed the following order on May 5, 1978 :

These petitions are allowed partly in that the petitioners therein shall be entitled, for the duration of the unexpired portion of their existing leases, to

carry on mining operations for the purpose of winning fireclay so long as, and to the extent that, they do not carry on any coal mining operation or

engage in winning or mining coal. In these Writ Petitions there will be no order as to costs.

68. As we have already stated, no tangible benefit will accrue to the petitioners from this order because, on their own showing, they cannot carry

on mining operations for the purpose of winning fireclay without carrying on a coal mining operation or without engaging in winning or mining coal.

That is how the matter rests.

69. The only other arguments which requires consideration is the one made principally by Shri A. K. Sen which, like Shri Seervai's argument of

legislative competence, is common to all the writ petitions. Shri Sen's argument may be stated thus :

(1) The Nationalisation Amendment Act affects in substance, two kinds of transfers : the transfer of the lease-hold interests of the lessees in favour

of the lessor, namely the State; and the transfer of the mining business of the lessees in favour of the Central Government. Since these transfers

amount to acquisition within the meaning of Article 31(2), the Act is open to challenge under Articles 14, 19(1)(g) and 31 of the Constitution.

(2) The Nationalisation Amendment Act is open to challenge under Article 14 because lessees who fall within that Act are patently discriminated

against in comparison with lessees of other mines, both coking and non-coking, who were paid compensation when their property was taken over,

first for management under the Management Acts and then under the Nationalisation Acts.

(3) The Nationalisation Amendment Act is open to challenge under Article 19(1)(g) because the prohibition against lessees from carrying on their

business and the transfer of their business, in substance, to the Central Government or a Company is an unreasonable restriction on the right of the

lessees to hold their lease-hold property and to carry on their business of mining.

(4) The Act is open to challenge under Article 31 because no provision is made for the payment of any amount whatsoever to the lessees whose

mining business is taken over under the Act. No public purpose is involved either in the termination of the lessees' interest or in the acquisition of

their business. Expropriation without payment of any amount requires a very heavy public purpose.

(5) Since no provision whatsoever is made for the payment of any amount to the lessees whose leases are terminated, the Nationalisation

Amendment Act is not a "Law" within the meaning of Article 31(2) and therefore Article 19(1)(f) is attracted.

(6) The Act is not saved from the challenge of Articles 14, 19 and 31 by Article 31A(1)(e) because that Article provides for extinguishment which

does not amount to acquisition by the State. If extinguishment amounting to acquisition was intended to be saved under Article 31A(1)(e), the

subject matter dealt with by Clause (e) would have been included in Clause (a) of that Article.

70. It shall have been noticed that the entire argument hinges around the premise that, by the Nationalisation Amendment Act, the petitioners right

to property has been acquired without the payment of any amount and that they have been unreasonably deprived of their right to carry on the

business of mining. A close and careful examination of the provisions of the Coal Mines (Nationalisation) Act, 1973 and of the amendments made

to that Act by the Nationalisation Amendment Act will show that there is no substance in either of these contentions.

71. The Coal Mines (Nationalisation Act, 1973) nationalised coal mines by providing by Section 3(1) that on the appointed day, that is on May 1,

1973, the right, title and interest of the owners in relation to the coal mines specified in the Schedule shall stand transferred to, and shall vest

absolutely in, the Central Government free from all incumbrances. The Scheduled mines, 711 in number and situated; in reputed coal bearing areas,

were the ones which were engaged openly, lawfully and uninterruptedly in doing coal mining business. Since it was possible to ascertain and verify

the relevant facts pertaining to these undertakings, they were taken over on payment of amounts mentioned in the Schedule to the Act, which

varied from mine to mine depending upon the value of their assets, their potential and their profitability. In the very nature of things, the list of mines

in the Schedule could not be exhaustive because there were and perhaps even now there are, unauthorised mines worked by persons who did not

possess the semblance of a title or right to do mining business. Persons falling within that category cannot cite the Constitution as their charter to

continue to indulge in unauthorised mining which is unscientific, unsystematic and detrimental to the national interests by reason of its tendency to

destroy the reserve of natural resources. But alongside these persons, there could conceivably be mine operators who may have been doing their

business lawfully but who were not easily or readily identifiable. Section 3(2) of the Nationalisation Act, 1973 made provision for taking over the

management of such mines by declaring for ""the removal of doubts"" that if, after the appointed day, the existence of any other coal mine comes to

the knowledge of the Central Government, the provisions of the Coal Mines (Taking Over of Management) Act, 1973, shall, until that mine is

nationalised by an appropriate legislation, apply to such mine. Owners of mines whose mines were not included in the Schedule but whose right,

title and interest was to vest eventually in the Central Government under ""an appropriate legislation"" envisaged by Section 3(2) of the

Nationalisation Act were, by this method, placed on par with the owners of mines of which the management was taken over under the Coal Mines

(Taking Over of Management) Act, 1973. That Act provides by Section 7(1) that every owner of a coal mine shall be given by the Central

Government an amount in cash for the vesting in it, u/s 3, of the management of such mine. By Section 7(2), for every month during which the

management of a coal mine remains vested in the Central Government, the amount referred to in Sub-section (1) shall be computed at the rate of

twenty paise per tonne of coal on the highest monthly production of coal from such mine during any month in the years 1969, 1970, 1971 and

1972. The two provisos to that Sub-section and the other Sub-sections of Section 7 provide for other matters relating to payment of amounts to

the owners of coal mines of which the management was taken over. The Nationalisation Amendment Act carried the scheme of these two Acts to

its logical conclusion by terminating the so-called leases and sub-leases which might have remained outstanding. Thus, the purpose attained by

these Acts is (1) to vest in the Central Government the right of management of all coal mines; (2) to nationalise the mines mentioned in the

Schedule; (3) to provide for the taking over of management of coal mines the existence of which comes to the knowledge of the Central

Government after the appointed day and lastly (4) to terminate all mining leases. The Management Act and the Nationalisation Act provide for

payment of amounts, by no means illusory, to the owners of coal mines whose rights were taken over. In the normal course of human affairs,

particularly business affairs, it is difficult to conceive that owners of coal mines who had even the vestige of a title thereto would not bring to the

notice of the Central Government the existence of their mines, when such mines were not included in the Schedule to the Nationalisation, Act.

Those who did not care to bring the existence of their mines to the knowledge of the Central Government, even though amounts are payable under

the Management Act for the extinguishment of the right of management, did not evidently possess even the semblance of a title to the mines. The

claims of lessees, holding or allegedly holding under such owners, would be as tenuous as the title of their putative lessors.

72. The Nationalisation Amendment Act by Section 3(3)(b) undoubtedly terminates all existing leases and sub-leases except those already granted

in favour of persons referred to in Clauses (i) to (iii) of Section 3 (3)(a). Similarly, Section 3 (3) (a) imposes an embargo on all future coal mining

operations except in regard to the persons mentioned in Clauses (i) to (iii). But the generality of leases which are alleged to have remained

outstanding despite the coming into force of the Management Act and the Nationalisation Act, were mostly precarious, whose holders could at

best present the familiar alibi that the origin of their rights or of those from whom they derived title was lost in antiquity. Neither in law, nor in

equity and justice, nor under the Constitution can these lessees be heard to complain of the termination of their lease-hold rights without the

payment of any amount. The provision contained in Section 3(3)(b) of the Nationalisation Amendment Act was made ex majore cautela so as not

to leave any lease of a coal mine surviving after the enactment of the Management Act and the Nationalisation Act. There was no reasonable

possibility of a lawful lease surviving the passing of those Acts; but if, per chance, anyone claimed that he held a lease, that stood terminated u/s

3(3)(b).

73. Once the real nature of the scheme envisaged by the Management Act the Nationalisation Act and the Nationalisation Amendment Act is

appreciated, it will be easy to see that Section 3(3)(b) of the Nationalisation Amendment Act brings about an extinguishment simpliciter of coal

mining leases within the meaning of Article 31A(1)(e) of the Constitution. That Article, as it stood prior to the 44th Amendment, read thus :

31 A. (1) Notwithstanding anything contained in Article 13, no law providing for

(e) the extinguishment or modification of any rights accruing by virtue of any agreement, lease or licence for the purpose of searching for, or

winning, any mineral or mineral oil, or the premature termination or cancellation of any such agreement, lease or licence,

shall be deemed to be void on the ground that it is inconsistent with, or takes away or abridges any of the rights conferred by Article 14, Article 19

or Article 31.

74. We are not concerned with the amendment introduced by the 44th Amendment Act which deleted the reference to Article 31, since that

Amendment Act came into force prospectively with effect from June 20, 1979.

75. We are unable to accept that the termination of the mining leases and sub-leases brought about by Section 3(3)(b) of the Nationalisation

Amendment Act is a mere pretence for the acquisition of the mining business of the lessees and the sub-lessees. We have already shown how, in

the context of the scheme of the Management Act the Nationalisation Act and the Nationalisation Amendment Act, it is impossible to hold that the

true intent of the last mentioned Act was to "acquire" anyone's business. This would be so whether, the word "acquire" is understood in its broad

popular sense or in the narrow technical sense which it has come to possess. Whatever rights were intended to be acquired were paid for by the

fixation of amounts or by the laying down of a formula for ascertaining amounts payable for acquisition. It is hard to believe that having provided

for payment of amounts for acquisition of management and ownership rights, the legislature resorted to the subterfuge of acquiring the mining

business of the surviving lessees and sub-lessees by the device of terminating their leases and sub-leases. The legislative history leading to the

termination of coal-mining leases points to one conclusion only that, by and large, every lawful interest which was acquired was paid for; the

extinguishment of the interest which survived or which is alleged to have survived the passing of the Management Act and the Nationalisation Act

was provided for merely in order to ensure that no loophole was left in the implementation of the scheme envisaged by those Acts.

76. This will provide a short answer to Shri Sen's argument that persons whose leases and sub-leases are terminated without payment or any

amount are discriminated against in comparison, with other lessees who were paid amounts when their property was taken over. The answer is that

persons dealt with by Section 3(3)(b) of the Nationalisation Amendment Act are differently situated from those who were dealt with by the two

earlier Acts. No violation of Article 14 is therefore involved.

77. Likewise, we see no substance in the contention that no, public purpose is involved in the termination of the interest of the lessees and sub-

lessees which was brought about by the Nationalisation Amendment Act. The public purpose which informs that Act is the same which lies behind

its two precursors, the Management Act and the Nationalisation Act. The purpose is to re-organise and re-structure coal mines so as to ensure the

rational, co-ordinated and scientific development and utilisation of coal resources consistent with the growing requirements of the country. The

Statement of Objects and Reasons of the Nationalisation Amendment Act points in the direction. Public purpose runs like a continuous thread

through the well-knit scheme of the three Acts under consideration.

78. This discussion is sufficient to meet the contention of the petitioners that the interest of the lessees and sub-lessees has been ""acquired"" under

the Nationalisation Amendment Act by the termination of leases and sub-leases. But, we may examine that contention in the light of the relevant

Constitutional provisions and principles. It was observed in 281482 that the provisions of the Constitution touching fundamental rights must be

construed broadly and liberally in favour of those on whom the rights have been conferred. ""The form is unessential. It is the substance that we

must seek"". Making every allowance in favour of the right to property which was available at the relevant time and having regard to the substance

of the matter and not merely to the form adopted for terminating the interest of the lessees and the sublessees, we are of the opinion that the

Nationalisation Amendment Act involves no acquisition of the interest of the lessees and the sublessees. It merely brings about in the language of

Article 31A(1)(e) ""the extinguishment"" of their right, if any, to win coal. Whichever right, title and interest was lawful and identifiable was acquired

by the Management Act and the Nationalisation Act. And whichever interest was acquired was paid for. Tenuous and furtive interests which

survived the passing of those Acts were merely extinguished by the Nationalisation Amendment Act.

79. In 275850 , it was observed by Hidayatullah, J. in the dissenting judgment which he gave on behalf of himself and Shelat, J. that in the case of

extinguishment within the meaning of Article 31A, if all the rights in a property are extinguished the result would be nothing else than acquisition,

because no property can remain in suspense without the rights therein being vested in some one or the other. These observations made by the

learned Judge are not contrary to anything contained in the majority Judgment delivered by Sikri, J., and naturally therefore, great reliance is placed

upon them by the petitioners. Even greater sustenance is drawn by the petitioners, from the judgment of a 7-Judge Bench of this Court in 265314 .

In that case, a settlement which the Life Insurance Corporation had arrived at with its employees was substantially set at naught by the Life

Insurance Corporation (Modification of Settlement) Act, 1976. It was held by this Court that the Act was violative of Article 31(2) since it did not

provide for payment of any amount for the compulsory acquisition of the debts owed by the Life Insurance Corporation to its employees; that the

direct effect of the impugned Act, was to transfer ownership of the debts due and owing to Class III and Class IV employees in respect of annual

cash bonus to the Life Insurance Corporation and that, since the Corporation is owned by the State, the impugned Act was a law providing for

compulsory acquisition of the debts by the State within the meaning of Article 31(2A).

80. These decisions have no application to the instant case because the interest of the lessees and sub-lessees which was brought to termination by

Section 3(3)(b) of the Nationalisation Amendment Act does not come to be vested in the State. The Act provides that excepting a certain class of

leases and sub-leases, all other leases and sub-leases shall stand terminated in so far as they relate to the winning or mining of coal. There is no

provision in the Act by which the interest so terminated is vested in the State; Nor does such vesting flow as a necessary consequence of any of the

provisions of the Act. Sub-section (4) of Section 3 of the Act provides that where a mining lease stands terminated under Sub-section (3), it shall

be lawful for the Central Government or a Government Company or a corporation owned or controlled by the Central Government to obtain a

prospecting licence or a mining lease in respect of the whole or part of the land covered by the mining lease which stands so terminated. The plain

intendment of the Act, which, may it be reiterated, is neither a pretence nor a facade, is that once the outstanding leases and subleases are

terminated, the Central Government and the other authorities will be free to apply for a mining lease. Any lease-hold interest which the Central

Government, for example, may thus obtain does not directly or immediately flow from the termination brought about by Section 3(3)(b). Another

event has to intervene between the termination of existing leases and the creation of new interests. The Central Government, etc. have to take a

positive step for obtaining a prospecting licence or a mining lease. Without it, the Act would be ineffective to create of its own force any right or

interest in favour of the Central Government, a Government Company or a Corporation owned, managed or controlled by the Central

Government. As observed by Sikri, J., in *Ajit Singh*, (supra) the essential difference between ""acquisition by the State"" on the one hand and

modification or extinguishment of rights"" on the other, is that in the first case the beneficiary is the State while in the second the beneficiary is not

the State. The Nationalisation Amendment Act merely extinguishes the rights of the lessees and the sub-lessees. It does not provide for the

acquisition of those rights, directly or indirectly, by the State. Article 31(2A) will therefore come into play, by which,

Where a law does not provide for the transfer of the ownership or right to possession of any property to the State or to a corporation owned or

controlled by the State, it shall not be deemed to provide for the compulsory acquisition or requisitioning of ""property, notwithstanding that it

deprives any person of his property.

The position in *Madan Mohan Pathak* (supra) was entirely different because the direct effect of the impugned Act was to transfer ownership of the

debts due and owing to Class III and Class IV employees in respect of annual cash bonus to the Life Insurance Corporation; since the L.I.C. is a

Corporation owned by the State, the impugned Act was held to be a law providing for compulsory acquisition of these debts by the State within

the meaning of Clause (2A) of Article 31.

81. Shri Sen"s argument on the question of acquisition of the rights of lessees and sub-lessees by the State therefore fails. It follows that the

Nationalisation Amendment Act must receive the protection of Article 31A(1)(e) of the Constitution, that is to say, that the Act cannot be deemed

to be void on the ground that it is inconsistent with or takes away or abridges any of the rights conferred by Articles 14, 19 and 31.

82. These are our reasons for the order passed by us on May 5, 1978 which reads thus :

The stay orders passed in these Writ Petitions are vacated except in those Writ Petitions, viz., Writ Petitions Nos. 257, 220, 111, 600, 1130-

1134, 352, 221 and 178/77 in which composite mining leases have been granted for mining both fireclay and coal. The stay orders in these latter

petitions shall stand modified as from to-day on the lines of the order recorded below.

All the Writ Petitions are dismissed with costs except Writ Petitions Nos. 257, 220, 111, 600, 1130-1134, 352, 221 and 178/77 in each of which

there is a composite mining for mining fireclay and coal. These Petitions are allowed partly in that the petitioners therein shall be entitled, for the

duration of the unexpended portion of their existing leases, to carry on mining operations for the purpose of winning fireclay so long as, and to the

extent that, they do not carry on any coal mining operation or engage in winning or mining coal. In these writ petitions there will be no order as to

costs.

We have already indicated how, though the petitioners holding composite leases were permitted to carry on mining operations for the purpose of

winning fireclay, they, according to their own showing, cannot win or mine fireclay without doing a coal mining operation or without engaging in

winning or mining coal. It is self-evident that in attempting to win fireclay, they will have to act at their own peril since they will run the risk of being

prosecuted under, Section 30(2) of the Coal Mines" (Nationalisation) Act, 1973.

83. Petition Nos. III, 178, 220, 221, 257, 352, 600 and 1130-1134 partly allowed.

84. Petition Nos. 150, 151, 180, 205-210, 226, 270-271, 346, 355, 403, 396-398, 599, 541, 543, 626, 635-639, 661, 687-692, 758/77 and

154, 571-574, 603, 605, 610 and 611/77 dismissed.