Supreme Court of India
State Of Orissa vs Straw Products Ltd on 3 December, 1993
Equivalent citations: 1994 SCC, Supl. (2) 220
Author: K Singh
Bench: Kuldip Singh (J)

PETITIONER:
STATE OF ORISSA

Vs.

RESPONDENT:
STRAW PRODUCTS LTD.

DATE OF JUDGMENT03/12/1993

BENCH:
KULDIP SINGH (J)
BENCH:
KULDIP SINGH (J)
YOGESHWAR DAYAL (J)

CITATION:
1994 SCC Supl. (2) 220

ACT:

HEADNOTE:

JUDGMENT:

ORDER

1. Special leave granted.

2. M/s Straw Products Ltd. - Respondent 1 in the appeal herein was granted a licence to cut, remove or sell bamboo from different forest divisions owned and controlled by the State Government. The respondent was liable to pay royalty on the removal of the bamboo at the rates determined by the State Government from time to time. The State Government by its letter dated February 13/16, 1981 determined the rates of royalty after taking into consideration the representation made by the respondent. The relevant clauses

(vi) and (viii) are as Under:

"(vi) A rebate of 0.30 (thirty) paise per unit (100 metres of bamboos) would be allowed from October 10, 1977 till expiry of the existing lease on September 30, 1989.

Arising out of SLP (C) No. 12895 of 1990

(viii) the minimum royalty shall be fixed on the basis of 100% of minimum production during the preceding four years in respect of each division.

3. The above-quoted clauses were further clarified by the State Government by its letter dated April 8, 1981. The operative part of the clarification is as under:

"I am directed to say that Government, after careful consideration, have been pleased to order that the minimum royalty should be calculated at the rate prescribed for unit of bamboo and on the basis of 100% of the minimum production during the preceding four years multiplied by the rate of royalty in respect of each division as per item No. (viii) of G.O. No. 27426 FFAH, dated November 11, 1980. No rebate on minimum royalty is admissible as this represents the minimum expectations of royalty to be received by Government. Rebate as prescribed per unit of bamboo may, however, be allowed per each unit of bamboo produced in excess of preceding four years relating to each division."

4. The question before the High Court was whether the respondent company was entitled to rebate in respect of the royalty payable by the said company on the minimum production as determined under clause (viii). The High Court answered the question in the affirmative and in favour of the respondent-company. This appeal by the State Government is against the judgment of the High Court.

5. We have heard learned counsel for the parties. It is no doubt correct that clause (vi) read in isolation gives the impression that the respondent-company is entitled to rebate even on the royalty payable in respect of the minimum production determined Linder clause (viii). The learned counsel for the respondent-company contends that clause

(viii) is only for the purpose of determining the minimum production and the charging clause is clause (vi). According to him under clause (vi) the respondent-company is entitled to rebate on the royalty payable in respect of the minimum production. We do not agree with the learned counsel. Reading clauses (vi) and (viii) together leaves no manner of doubt that the respondent-company cannot claim any rebate on the royalty payable on the minimum production as determined under clause (viii). Clause (i)iii) lays down the method by which minimum production of the company in a given year has to be determined. The only object of determining the minimum production is to ensure the minimum payment of royalty to the State Government. In other words clause (viii) clearly provides that the respondent-company is liable to pay minimum royalty which becomes payable on the production as determined tinder the said clause. The royalty so determined is the minimum royalty which the respondent-company is liable to pay and there is no question of allowing any rebate on the said minimum royalty. The rebate permissible under clause (vi) is on the

excess production over and above the minimum production determined under clause (viii). On the interpretation which we have given to clauses (vi) and (viii), it was not necessary for the State Government to have issued the clarification dated April 8, 1981. The High Court, therefore, fell into patent error in interpreting the two clauses. We allow the appeal, set aside the impugned judgment of the High Court and dismiss the writ petition filed by the respondent-company before the High Court. The appellant shall be entitled to its costs which we quantify as Rs 10,000.