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VERIGAMTO NAVEEN

v.

GOVERNMENT OF ANDHRA PRADESH AND ORS.

SEPTEMBER 18, 2001

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[S. RAJENDRA BABU AND D.P. MOHAPATRA, JJ.]

Mines and Minerals (Regulation and Development) Act, 1957—Section 4A.

C

Mineral Concession Rules, 1960—Rule 37 (as amended on 20.2.1991)—Mining sub-lease—Grant of before 20.2.1991—Cancellation thereof challenged—Expiry of period of sub-lease during pendency of the case—Held, case became infructuous, hence dismissed—claim for damages for the period when mining work not done—High Court granted damages by extending leave period—Plea that provisions under Section and Rule having not complied with,

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sub-lease was void ab initio, hence not entitled for damages—Held, grant of sub-lease not void ab initio—However period of original lease could not have been extended—The question of damages has to be considered in civil court.

Mining sub-lease—Date of grant not known—Cancellation thereof

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challenged—Held, lease, if granted later than 20.2.1991, would get effected—Government to determine the date of grant.

Constitution of India, 1950—Article 226—Judicial Review—Government entered into contract—Cancellation of contract—Plea that judicial review not permissible in contractual case—Held, permissible, since present case does not

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fall purely in a contractual field.

Respondent-State granted mining lease in favour of Andhra Pradesh Mineral Development Corporation. It gave permission to grant sub-lease. Thereafter it withdrew the permission to sub-lease. The sub-lessees filed

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writ petitions before High Court against the withdrawal of the permission. High Court allowed the petitions on the ground that the State had not followed due procedure as provided under section 4A of Mines and Minerals (Regulation and Development) Act, 1957 and Rule 37 of Mineral Concession Rules 1960. Writ appeal against the order was dismissed by the Full Bench on the terms that the State would decide the termination of the sub-leases

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as per rules within three months and if no orders were passed within the

said period, it would be open for the sub-lessees to proceed with the mining work.

In appeal, this Court by its interim order directed the sub-lessees to carry on the mining operation. During the pendency of the appeals, the Respondent-State in compliance of the order of the Full Bench, heard the appellants as per procedure provided under the Act and the Rules, and decided against the appellants. The sub-leases granted in favour of all the appellants except one had already expired before or during the pendency of the appeals. Even in that one case it was not clear whether the lease was granted pursuant to the general permission obtained in respect of sub-lease under Rule 37 or any separate permission was secured from the State. It was also not clear as to when the consent was given.

After the abovesaid interim order passed by this Court, some of the present Respondents filed writ petitions before High Court claiming exclusion of the period during which they were not able to operate mining work due to illegal cancellation of sub-leases and due to stay order of the High Court and further claimed compensation for that period. State contended that sub-lease was not in order since the state Government is barred to lease without previous approval of Central Government and since provision under Rule 37 (as amended on 20.2.1991) was not followed in subletting. High Court held that the petitioners were liable to be compensated since the sub-lease was in order and since the same having been granted prior to 20.2.1991, Rule 37 was not attracted and, therefore, directed the State and the Corporation to put the writ petitioners in possession of the lease-hold property to continue their mining operation for the period which they had lost.

In appeal to this Court the State Government and the Andhra Pradesh State Mineral Development Corporation contended that since no prior permission was obtained from the Central Government in granting sub-lease, the sub-lease was void ab initio; that since the case arose purely out of a contract, interference under Article 226 of the Constitution was not called for; and that the period of sub-lease could not have been extended after the expiry of period of original lease.

Disposing of the appeals, the Court

A **HELD : 1. In the appeals where the mining leases had come to an end by efflux of time and the terms of those leases having already expired, the appeals have become infructuous, except to the extent indicated in one case. Since, in one case it is not clear as to whether the lease is granted pursuant to the earlier general permission obtained from the Government** B **in respect of all sub-leases under Rule 37 or any separate permission was secured from the Government and on what date, it becomes necessary to examine as to when the consent was given in his case. In this case, the sub-lease may get affected if it is later than 20.2.1991, when amended Rule 37 of the Rules came into effect, and if it is earlier than 20.2.1991, it may not, and it is open to the Government to take appropriate steps in his case.** C **Under Section 4A of the Act the restriction to grant lease without permission of the Central Government is upon the State Government and not upon the Corporation to which the State Government had already granted lease. [120-H; 121-B; C; D; 123-E]**

2. The question of lease being void ab initio does not arise in this D **case. The consent to grant the sub-leases had been given long before coming into force of the amendment to Rule 37 of the Rules and inasmuch as in all sub-leases (except one) which came into existence only the date of amendment) this amended rule, which required prior approval of the Central Government is not required. [123-E; F]**

E **3.1. It would not be appropriate to suggest that the case on hand is a matter arising purely out of a contract and, therefore, interference under Article 226 of the Constitution is not called for. The freedom of the Government to enter into business with anybody it likes is subject to the condition of reasonableness and fair play as well as public interest. After** F **entering into a contract, in cancelling the contract which is subject to terms of the statutory provisions, as in the present case, it cannot be said that the matter falls purely in a contractual field. [124-E; 124-D; E]**

Y.S. Raja Reddy **v.** *A.P. Mining Corporation Ltd.*, **(1988) 2 ALT 722;** *Harshankar* **v.** *Deputy Excise & Taxation Commissioner*, **[1975] 1 SCC 737;** G *Radhakrishna Agarwal* **v.** *State of Bihar*, **AIR (1977) SC 1496;** *Ram Lal & Sons* **v.** *State of Rajasthan*, **AIR (1976) SC 54;** *Shiv Shankar Dal Mills* **v.** *State of Haryana*, **AIR (1980) SC 1037;** *Ramana* **v.** *I.A. Authority of India*, **AIR (1979) SC 1628;** *Basheeshar Nath* **v.** *Income Tax Commissioner*, **AIR (1959) SC 149;** *M/s. Dwarkadas Marfatia & Sons* **v.** *Board of Trustees of the Port of* H *Bombay*, **[1989] 3 SCC 293;** *Mahabir Auto Stores & Ors.* **v.** *Indian Oil*

Corporation & Ors., **[1990] 3 SCC 752 and** *Srilekha Vidyaarthi* **v.** *State of U.P.*, **AIR (1991) SC 537, referred to.** A

3.2. There was no impediment for the High Court to find out whether there is breach of contract so as to enable the parties to claim damages or the liability of the Corporation or the Government to make good the same. [124-G] B

4.1. The period of sub-lease could not have been extended after the expiry of period of original lease. The High Court ought not have exercised its discretion for extension of period of sub-lease. [125-D; 126-A]

Kalyanpur Lime Works Ltd. **v.** *State of Bihar & Anr.*, **AIR (1954) SC 165, relied on.** C

4.2. The aspect whether there is breach of contract as a consequence of which the party aggrieved is entitled to damages is left open to be considered or be dealt with in the civil suit irrespective of and uninfluenced by the observations or findings of the High Court on this aspect. [126-C; D] D

CIVIL APPELLATE JURISDICTION : Civil Appeal Nos. 6656-6657 of 1994.

From the Judgment and Order dated 2.9.94 of the Andhra Pradesh High Court in W.A. Nos. 132 and 133 of 1994.

WITH E

C.A. Nos. 6658-6659, 6642-6646, 6647-6650 and 6651-6655 of 1994.

AND

Civil Appeal Nos. 5115-5117 of 1996.

From the Judgment and Order dated 4.3.96 of the Andhra Pradesh High Court in W.P. Nos. 22579, 22580 and 22730 of 1994. F

WITH

C.A. Nos. 5118-5120 of 1996.

K.N. Rawal, Additional Solicitor General, L. Nageswara Rao, Kapil Sibal, Guntur Prabhakar, Ms. T. Anamika, T.V. Ratnam, K. Subba Rao, Irshad Ahmad, K. Ram Kumar, T. Jagdish, G. Ramakrishna Prasad, Jayanath Muthraj, S.U.K. Sagar, Shambhu Nath Singh, Manoj Saxena, Sree Ramul Reddy, V. Reddy, Pravir Choudhury, A. Subba Rao, Anil Kumar Tandale, Irshad Ahmad, R.N. Keshwani and Ms. Rani Chhabra for the appearing parties. G H

A The Judgment of the Court was delivered by

RAJENDRA BABU, J. In these two sets of appeals, the appellants are calling in question two orders made by two Full Benches of the High Court - one on September 2, 1994 and the other on March 4, 1996.

B *CIVIL APPEAL NOS. 6656-6657/94, 6658-6659/94, 6642-6646/94, 6647-6650/94 & 6651-6655/94*

The Government of Andhra Pradesh declared, on 7.1.1974, that the barytes ore bearing areas in Mangampett and Anandarajpet of Cuddapah District are reserved exclusively for exploitation in the public sector however excluding C the lands that had already been leased to private persons. By two notifications issued on 10.2.1975 and 19.2.1983, the Government of Andhra Pradesh granted mining leases over an extent of different areas in favour of the Andhra Pradesh Mineral Development Corporation [hereinafter referred to as 'the Corporation']. On 6.1.1991, the Government of Andhra Pradesh accorded permission for D grant of sub-lease by the Corporation subject to certain terms and conditions mentioned in G.O.Ms.No. 215 dated 22.4.1980. The Government of Andhra Pradesh by different orders accorded permission for grant of sub-lease for further extent of lands in the month of May 1991. The Government of Andhra Pradesh on 1.12.1993 took decision to put an end to all the existing sub-leases E in order to enable the Corporation to carry on the mining operations directly and on 7.12.1993, the Government withdrew permission granted earlier to the Corporation to grant sub-leases in respect of certain areas.

The appellants in the first set of appeals challenged, by way of writ petitions before the High Court on the various grounds, the validity and legality F of the said notifications withdrawing the permission granted earlier to sub-lease the mining lands in question. The learned Single Judge of the High Court allowed the writ petitions on the basis that the Government had not followed due procedure as contemplated under Section 4-A of the Mines & Minerals (Regulation & Development) Act, 1957 [hereinafter referred to as 'the Act'] and Rule 37 of the Mineral Concession Rules, 1960 [hereinafter referred to as G 'the Rules']. Writ appeals were preferred against the same and the Division Bench referred the matter to a Full Bench.

In writ appeals Nos. 131/94 to 134/94 and 169/94 to 175/94, the Full Bench of the High Court examined the questions raised before it by an order H made on 2.9.1994. The Full Bench first considered the effect of clauses 15 and

16 in the deed of sub-lease executed by the Corporation. It was observed by the Full Bench that clause 15 reserved the right of the lessee Corporation to terminate the sub-lease if there is any violation of terms and conditions of the lease or default or any breach of contract and, therefore, the High Court felt that it was nobody's case that the Corporation has taken steps to pre-maturely terminate the sub-leases because none of the conditions for exercise of that right having arisen. It was also held that Clause 16 merely provided that in the event of termination of sub-leases any damage was to arise by reason of the State Government withdrawing the permission under Rule 37A of the Rules during the tenure of the leases or on account of any other governmental action, the sub-lessee is precluded from claiming damages from the lessee Corporation. Therefore, the Full Bench felt that neither Clause 15 nor Clause 16 is attracted to the case.

Next the Full Bench examined as to whether the order directing the premature determination of the sub-lease without complying with Section 4A(3) of the Act or withdrawing consent for sub-lease without notice is invalid in law. On examination of the scheme of the Act, the Full Bench found that undisputedly barytes is a major mineral and Section 4A(1) of the Act is attracted only in cases of major minerals and in the present cases, the State Government could not have exercised that power as available under Section 4A of the Act because that was reserved only to the Central Government.

Thereafter, the Full Bench considered the withdrawal of consent given for granting the sub-leases to the Corporation in favour of the writ-petitioners. This aspect was examined with respect to the scope of Rule 37 of the Rules. Rule 37, as such, does not provide for withdrawal of the consent once given and, therefore, the Government and the Corporation relied upon the executive power of the Government to withdraw the same or whatever could be done under the Rules could be undone as provided under the General Clauses Act. On this aspect also, the Full Bench felt that inasmuch as barytes being a major mineral coming under the exclusive jurisdiction of the Central Government under the Act, the executive power of the State could extend only to the extent of the legislative power to be exercised by the State and, therefore, no executive power was available to the State Government. On the argument raised on the basis of the General Clauses Act, it was held that this is not a simple case of mere grant of permission and withdrawal without any other consequences. Further the same procedure as provided in the matter of grant of permission should have been followed in the matter of withdrawal of permission, but such

A procedure had not been followed. The High Court did not agree that the exercise of power was under that provision and that was sufficient for the Full Bench to proceed to dispose the matter.

However, the Full Bench noticed certain other arguments, namely, [1] that no consent under Rule 37 of the Rules could have been granted by B the State Government and no sub-lease could have been entered into between the lessee Corporation and the writ petitioners in respect of any part of the area reserved under Rule 58 of the Rules having regard to the provisions of Rule 59(1) of the Rules; [2] that prior approval of the Central Government as contemplated under Rule 37 of the Rules had not been obtained; C [3] the infirmities and irregularities pointed out in the House Committee Report will be perpetuated resulting in immense public harm unless the leases are cancelled and consent is withdrawn. The Full Bench did not express any opinion on these three aspects. The Full Bench declined to examine these aspects because these were not grounds indicated in the course of the order of the Government while withdrawing consent or order of Corporation in cancelling D the sub-leases.

The Full Bench dismissed the writ appeals in the following terms:

> "We leave it open to the appellants if they propose to terminate the sub-leases or withdraw the consent, to issue notices to the sub-leases to E show cause as to why such an action should not be taken, grant them reasonable time for submitting their explanation, consider the same and pass appropriate orders in accordance with law. For this purpose, we consider it just to direct the parties to maintain status-quo obtaining as on this day for a period of 3 months from today. If no fresh orders are passed within the said period of three months pursuant to the show F cause notice, it would be open to the sub-leases to proceed with the mining operations in accordance with the sub-leases granted to them. The orders under appeals are accordingly modified and subject to the above modification and observations, the appeals are dismissed, but in the circumstances of the case, we direct the parties to bear their own G costs."

The decision of the Full Bench is reported in AIR (1995) AP 1 (*Government of Andhra Pradesh* v. *Y.S. Vivekananda Reddy*).

Against this order thewrit petitioners, the Government and the Corporation H have come up in appeal and this Court while granting leave made an order on

6.10.1994 in the following terms:

> "As a result of the cancellation of the sub-leases and withdrawal by the State Government of its consent for grant of the sub-leases by the Corporation being held by the High Court to be void in its judgment, the operation of the further direction given by the Full Bench of the High Court to maintain status quo for a period of three months from the date of the judgment meaning thereby that the sub-leases would not be entitled to carry on the mining operations till then, shall remain stayed. The sub-lessees shall, however, maintain true and faithful account of the mining operation which would be verified by the appropriate Mining Officer every fortnight. It is clarified that the exercise of the right of the Corporation as well as the State Government to proceed in accordance with law as a result of the High Court's judgment is not stayed."

Thereafter, during the pendency of these proceedings, the Government of Andhra Pradesh issued notices and on receipt of replies thereto, heard the appellants, who are the original writ petitioners, and decided against them. Against that decision, revision petitions were filed under Section 30 of the Act read with Rule 35 of the Rules before the Central Government [Tribunal] and the Central Government [Tribunal] by its order made on 9.9.1998 dismissed the said revision petitions. It appears that only one petitioner, C.M.Ramanath Reddy alone filed W.P. Nos. 36884/98 and 366885/98 against that order of the Central Government [Tribunal] before the High Court and the same are pending. The sub-leases granted in favour of the writ petitioners are detailed as under:

Name of the Sub Lessee	State Govt. permission No. & Date	Survey Numbers	Extent	Date of execut of Sub lease deed	Date of Expiry
1. Sri K. Sivananda Reddy (Legal heir of Late Sri K. Obul Reddy	Memo No. 1515/M.III/80-1 Dt. 28.8.1980	70/5 B and C	0.8741 hectares	3-9-1980	21-9-1998
2. Sri Y.S. Raja Reddy	G.O.MS.No. 455 Dt. 19-7-1982	133/1 to 9 parts 134/1 to 6 parts	3.102 hectares	20-7-1982	18-2-1995
3. Sri C.M. Ramanatha Reddy	Memo No. 1935/M.III/80-1 Dt. 19-9-1984	70/1, 71/2 part	0.2064 hectares	29-9-1984	19-9-1998

4. Sri C.M. Ramanatha Reddy	Memo No.1973/M.III/80-1 dt. 19-9-1984	70/6 part, 74/4, 74/5, 70/7, 69/3 part & 70/5 part	0.1660 hectares	29-9-1984	19-9-1998
5. Sri C.M. Ramanatha Reddy	Memo No.1940/M.III/80-1 Dt. 19-9-1984	74/1 part, 74/2 part & 74/8	0.8503 hectares	29-9-1984	21-9-1998
6. Sri C.M. Ramanatha Reddy	Memo No.1614/M.III/80-1 Dt. 19-9-1984	75/1	0.3800 hectares	29-9-1984	1-9-1998
7. Sri C.M. Ramanatha Reddy	Memo No.2085/M.III/80-1 Dt. 19-9-1984	63/2	0.8800 hectares	29-9-1984	17-6-1998
8. Sri C.M. Ramanatha Reddy	G.O.MS.No. 441 Dt. 5-11-1990	75/2 to 5, 78/8 to 10, 111 part, 112	Acres 4.845 (1.9607 hectares)	8-11-1990	18-2-1995
9. Sri Y.S. Vivekananda Reddy M/S Vijayalakshmi Minerals Trading Co.	G.O.MS.No. 194 Dt. 1-6-1991	71/1, 72/3A part, 72/6 part, 37/6 part, 37/4 part, 124 part, 114 part, 115 part	Acres 4.49 Cents (1.8170 hectares)	4-6-1991	18-2-1995
10. Sri K. Raja Mohan Reddy	G.O.MS.No. 148 Dt. 25-4-1991	79	Acres 1.90 (0.7525 hectares	8-5-1991	18-2-1995

The sub-leases granted in all these cases except one in favour of the V. Ramalingaiah comprised in Survey Nos.83/1, 8 to 10, 84/2, 20 and 22, measuring about 1 acre 89 cents, have expired either in the year 1985 or 1988 and in case of C.M.Ramanatha Reddy it had expired in the month of June, 1998 while in case of others it had expired in the month of September 1998. The relief sought for in the writ petitions is in relation to cancellation of the sub-leases. On that aspect the writ petitioners succeeded while the Government and the Corporation could not sustain the action taken by them. Now when the mining leases have come to an end by efflux of time and the term of those sub-leases have already expired, it will be an academic exercise to examine the

various contentions urged in these appeals. Therefore, we are of the view that these appeals filed either by the private parties or by the Government and the Corporation have become infructuous.

Thus the first set of appeals are disposed as having become infructuous, except to the extent indicated in case of Sri V. Ramalingaiah.

From the facts available on record Sri V. Ramalingaiah obtained sub-lease pertaining to land comprised in Survey Nos. 83/1, 8 to 10, 84/2, 20 and 22, measuring about 1 acre 89 cents on 17.5.1991. It is not clear as to whether this lease is granted pursuant to the earlier general permission obtained from the Government in respect of all sub-leases under Rule 37 or any separate permission was secured from the Government and on what date. Therefore, it becomes necessary to examine as to when the consent was given in his case. Let the Government determine if the consent in this case has been given subsequent to the amendment of Rule 37 of the Rules. The sub-lease may get affected if it is later than 20.2.1991, when amended Rule 37 of the Rules came into effect, and if it is earlier than 20.2.1991, it may not, and it is open to the Government to take appropriate steps in his case.

CIVIL APPEAL NOS. 5115-5117/96 & 5118-5120/96

The period of sub-leases in each of these cases expired on 18.2.1995 or in September 1998 on different dates or in case of one lease on 17.6.1998. Thereafter another set of writ petitions was filed before the High Court. In that batch of cases, the contention put forth is that on account of illegal cancellation of the sub-leases and withdrawal of the consent by the State Government, the writ petitioners could not work the mines for a substantial period and they could not do so on account of the orders made by the High Court to maintain status quo and started operating only after this Court gave direction on 6.10.1994, after which alone they could resume mining operations and they claimed that they are entitled for exclusion of the period and appropriate relief. The High Court based its decision on the findings recorded by the Full Bench in *Y.S. Vivekananda Reddy's* case and held that the withdrawal of the consent by the State Government for grant of sub-leases and their cancellation is void.

Two issues were posed before the High Court by the writ petitions in the following terms:

> "1. Whether the sub-leases are entitled to be compensated for the loss of the period of the mining operation/work by them on account

A of illegal withdrawal of the consent and the cancellation of the sub-leases by the State Government? And

2. If it is held that they are entitled to be compensated, whether the compensation will be by treating the period of lease completed by adding to it the period lost by illegal interruptions?"

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The writ petitioners contended that there were interruptions for the period 17.12.1993 to 6.10.1994 and in writ petition No. 22730/94 there was an additional loss of period of six months and sixteen days from 2.1.1991 to 18.6.1991 by an order of stay of the sub-leases granted in their favour by the C State Government and the Corporation.

In answering the contention urged on behalf of the State that the State Government shall not grant to any person a mining lease except with the previous approval of the Central Government, the High Court proceeded to hold that the restriction is upon the grant of mining lease on the State Government D and the State Government had already granted sub-leases in favour of the Corporation and the State Government is not leasing the lands in question in favour of the writ petitioners. The sub-lease is granted by the Corporation, to which the lease has already been granted and, therefore, sub-lease made is in order. However, reliance was placed on Rule 37 of the Rules, which was E amended substantially on 20.2.1991 and imposed the condition that the lessee shall not without the previous consent in writing of the State Government and in the case of mining lease in respect of any mineral specified in the First Schedule to the Act, without the previous approval of the Central Government, assign, sublet, mortgage, or in any other manner, transfer the mining lease, or F any right, title or interest therein or enter into or make any *bona fide* arrangement, contract or understanding. Sub-leases having been granted prior to February 20, 1991, the High Court took the view that Rule 37 was not attracted to the case of the writ petitioners. Thereafter, the High Court proceeded to consider as to in what manner the writ petitioners should be compensated and held that any speculative compensation, in their opinion, in the form of damages, will G not be proper and appropriate and further held that the Government and the Corporation were liable to put the writ petitioners in possession of the leasehold property to continue their mining operations for the periods which they have lost in all cases from 17.12.1993 to 6.10.1994 and in the case of petitioner in writ petition no. 22730/94 from 2.1.1991 to 18.6.1991. It is this order, which H is in challenge before us in this set of appeals.

On behalf of the Government and the Corporation, the following contentions have been raised :

1. No prior permission having been obtained from the Central Government to grant the sub-lease, which is also a kind of lease, is void *ab initio* either under Section 4-A of the Act or under Rule 37 of the Rules.

2. In the decision rendered in W.A. No. 131 of 1994 and connected matters by the Full Bench no question was decided and the Full Bench of the High Court could not presume that validity or otherwise of the leases has been decided.

3. Even under the terms of the contract of sub-lease, the writ petitioners are not entitled to damages.

4. The order for specific performance could not have been passed at all, which is a matter arising purely in a contractual field.

5. After the expiry of the lease restoration of property is not available at all.

Under Section 4A of the Act the restriction to grant lease without permission of the Central Government is upon the State Government and not upon the Corporation to which the State Government had already granted lease. Hence, lease being void *ab initio* would not arise. The consent to grant the sub-leases had been given a long before to coming into force of the amendment to Rule 37 of the Rules and inasmuch as in all sub-leases (except in the case of V.Ramalingaiah, which came into existence only in the month of May, 1991, i.e., after 20.2.1991, the date of amendment) this amended rule which required a prior approval of the Central Government is not required and, therefore, the contention that the sub-leases are void *ab initio* would not arise. Therefore, the view taken by the Full Bench on this aspect is correct.

On the question that the relief as sought for and granted by the High Court arises purely in the contractual field and, therefore, the High Court ought not to have exercised its power under Article 226 of the Constitution placed very heavy reliance on the decision of the Andhra Pradesh High Court in *Y.S.Raja Reddy* v. *A.P.Mining Corporation Ltd.*, (1988) 2 ALT 722, and the decisions of this Court in *Harshankar* v. *Deputy Excise & Taxation Commissioner*, [1975] 1 SCC 737; *Radhakrishna Agarwal* v. *State of Bihar*, AIR (1977) SC 1496; *Ram Lal & Sons* v. *State of Rajasthan*, AIR (1976) SC

54; *Shiv Shankar Dal Mills* v. *State of Haryana*, AIR (1980) SC 1037; Ramana v. *I.A.Authority of India*, AIR (1979) SC 1628; *Basheeshar Nath* v. *Income Tax Commissioner*, AIR (1959) SC 149. Though there is one set of cases rendered by this Court of the type arising in *Radhakrishna Agarwal's* case, much water has flown in the stream of judicial review in contractual field. In cases where the decision making authority exceeded its statutory power or committed breach of rules or principles of natural justice in exercise of such power or its decision is perverse or passed an irrational order, this Court has interceded even after the contract was entered into between the parties and the Government and its agencies.

We may advert to three decisions of this Court in *M/s Dwarkadas Marfatia & Sons* v. *Board of Trustees of the Port of Bombay*, [1989] 3 SCC 293; *Mahabir Auto Stores & Ors.* v. *Indian Oil Corporation & Ors.*, [1990] 3 SCC 752; and *Srilekha Vidyarthi* v. *State of U.P.*, AIR (1991) SC 537. Where the breach of contract involves breach of statutory obligation when the order complained of was made in exercise of statutory power by a statutory authority, though cause of action arises out of or pertains to contract, brings within the sphere of public law because the power exercised is apart from contract. The freedom of the Government to enter into business with anybody it likes is subject to the condition of reasonableness and fair play as well as public interest. After entering into a contract, in cancelling the contract which is subject to terms of the statutory provisions, as in the present case, it cannot be said that the matter falls purely in a contractual field. Therefore, we do not think it would be appropriate to suggest that the case on hand is a matter arising purely out of a contract and, therefore, interference under Article 226 of the Constitution is not called for. This contention also stands rejected.

The fact that the cancellation of sub-leases or withdrawal of consent being void flowing from the order of the Full Bench decision of the High Court has also been noticed by this Court in its interim order dated 6.10.1994 and hence the High Court proceeding on that basis in its order is not incorrect.

There was, therefore, no impediment for the High Court to find out whether there is breach of contract so as to enable the parties to claim damages or the liability of the Corporation or the Government to make good the same.

For the sake of convenience, we will proceed to examine first the question as to the exercise of discretion by the High Court in extending the period of lease or sub-lease after its original period had expired.

In *Kalyanpur Lime Works Ltd.* v. *State of Bihar & Anr.,* AIR (1954) SC 165, the Government had entered into a contract with Lime Company and when it entered into the said contract it had an imperfect title inasmuch as it could not grant a fresh lease to anyone during the existence of the previous lease in favour of another party and when the lease in favour of another party expired the impediment in the way of the Government to grant stood removed and the Lime company's right to get the lease revived in its favour was urged. It was held that though Section 18 of the Specific Relief Act, 1877 was attracted to the case but as substantial period of lease had already expired, relief could be given only under Section 15 of the Specific Relief Act. Therefore, in that case this Court did not think that it was a fit case for grant of decree for specific performance as there are only a few months left before unexpired portion of the lease will run out. Indeed by the time the lease comes to be extended in pursuance of the Court's order it would be scarcely worthwhile to carry on quarrying operations.

There are at least three weighty reasons as to why the period of sub-lease could not have been extended after the expiry of period of original lease and they are :-

(i) In most of the present cases, the interruptions in respect of which the claim is made is for a period of about 10 months and in one other case an additional period of 6½ months. In some cases the lease having expired as early as in the year 1995 or in others in 1998, it would not be appropriate to direct the extension of lease in the year 2001 particularly when the sub-leases have expired as a result of which the parties have to re-establish their infrastructure and put in great deal of logistical support though for a short period once over again, to work the mines which will have a pernicious effect on the mines and the parties concerned.

(ii) The claim for renewal of leases has been refused already as the policy of the Government is not to grant lease or sub-lease in favour of private parties. Now to ask to the Government to enter into fresh contracts will be contrary to its policy.

(iii) When several malpractices had been pointed out by House Committee, it would not be in public interest to extend the period of lease which will perpetuate the same.

A Therefore, the High Court ought not to have exercised its discretion for extension of period of sub-lease.

For the reasons aforesaid, we think, it would be appropriate to set aside the order made by the High Court and allow these appeals to the extent the High Court has granted the relief of extension of the sub-leases.

B

Insofar as claim for damages is concerned, it is unnecessary for us to decide the same inasmuch as it would be appropriate for the parties to work out their respective rights by making an appropriate claim in a civil suit to be filed by each one of them. We have refused the relief of restitution by way of extension of lease period without examining the question as to whether there C is breach of contract as a consequence of which the party aggrieved is entitled to damages. That aspect is left open to be considered or be dealt with in the civil suit irrespective of and uninfluenced by the observations or findings of the High Court on this aspect. If such a civil suit is filed, the cause of action should be reckoned only from the date of this order when we finally pronounced D upon the rights of the parties, which protection will adequately take care of the interests of the writ petitioners.

Subject to the aforesaid observations, the second set of appeals shall stand partly allowed. No costs.

K.K.T. Appeals partly allowed.