

2026 SCC OnLine Mad 7530

In the High Court of Madras
(BEFORE N. ANAND VENKATESH, J.)

W.P. No. 22639 of 2023

M.A.N.S. Nadar and Co., Rep.by its Authorized
Signatory ... Petitioner;

Versus

Government of India, Rep. by its Deputy Salt
Commissioner and Another ... Respondents.

And

A. No. 1587 of 2025

Government of India, Rep. by its Deputy Salt
Commissioner and Another ... Applicants;

Versus

Pannaiyur R. Kosalai Nadar and Others ...
Respondents.

Writ Petition No. 22639 of 2023 & WMP. Nos. 22087 & 22088 of
2023 & A. No. 1587 of 2025 in O.A. No. 201 of 2018

Decided on August 21, 2026, [Reserved on : 18.8.2026]

Advocates who appeared in this case:

For Petitioner in WP. No. 22639 of 2023 & Respondents in A. No.
1587 of 2025 : Mr. K. Sharath Chandran

For Respondents in WP. No. 22639 of 2023 : Mr. AR.L. Sundaresan,
ASG assisted by Mr. G. Babu, SPC

For Applicants in A. No. 1587 of 2025 : Mr. AR.L. Sundaresan, ASG
assisted by Mr. T.M. Pappiah, CGSC

PETITION under Article 226 of The Constitution of India praying for the
issuance of a Writ of Certiorari to quash the letters dated 02.3.2023
bearing No. NFC/Admn/ZC/2023/14 & bearing No. F. No. 11/L. No.
7/2022/78-80 dated 12.4.2023 issued by the 2nd respondent, quash
the same as illegal and without jurisdiction and consequently direct the
1st respondent to re-calculate the assigned fee in accordance with the
directions contained in the arbitral award dated 16.9.2021 between the
petitioner and the respondents.

APPLICATION under Order XIV Rule 8 of the Original Side Rules read
with Order XXXIX Rule 1 of the Civil Procedure Code seeking to permit
the applicants to withdraw the deposited amount of Rs. 15,00,000/- by
issuance of cheque in favour of the applicant or by way of RTGS to the

bank account of the Deputy Salt Commissioner, Chennai.

The Order of the Court was delivered by

N. ANAND VENKATESH, J.:— This writ petition has been filed by the petitioner challenging the proceedings of the second respondent dated 12.4.2023 and for a consequential direction to the first respondent to recalculate the assignment fees in accordance with the directions contained in the award of the sole Arbitrator dated 16.9.2021.

2. A. No. 1587 of 2025 has been filed by the applicants seeking permission to withdraw a sum of Rs. 15 lakhs that has been deposited to the credit of O.A. No. 201 of 2018 pursuant to the order of this Court dated 02.3.2018.

3. For the sake of convenience, the parties will be referred to as the lessee and the Department in this common order.

4. Mylord the Hon'ble Chief Justice, by an administrative order dated 12.2.2026, directed this application to be tagged along with the above writ petition and to be posted before me for hearing. Accordingly, the writ petition and the application were posted for final hearing before me.

5. The facts leading to filing of these cases are as follows:

- (i) The Government of India (GoI) floated a sealed tender for the purpose of salt manufacturing at Adirampattinam Salt Factory, Pattukoottai Taluk, Thajavur District in an extent of 367.4827 acres. The writ petitioner submitted their bid and it was accepted and a lease was awarded in their favour.
- (ii) The parties were governed by the terms and conditions of the lease deed. The re-development and levelling of the area became necessary to make the land productive and hence, for nearly three years, the lessee invested huge sums of money and made the lease hold land ready for production of salt. Apart from that, two water channels that were connected to the land from Bay of Bengal were completely blocked and they required de-silting. Hence, a representation dated 06.10.2014 was made by the lessee to various Authorities of the Department seeking for assistance to clear the hurdles faced by them.
- (iii) On 12.5.2015, the lessee received a show cause notice from the GoI claiming the outstanding amounts due and payable towards the assignment fee. On receipt of the same, the lessee sent a reply on 15.6.2015 to the various officials of the Department. However, on 26.9.2017, an order was passed by GoI directing the lessee to vacate and hand over possession of the land by terminating the lease and forfeiting the security deposit and also for recovery of the pending dues from the lessee. The parties were governed by an agreement, which contained an arbitration clause

and therefore, a sole Arbitrator came to be appointed in O.P. No. 209 of 2018 by order dated 23.10.2018.

- (iv) Pursuant to that, the claim petition was filed by the lessee before the learned Arbitrator challenging the proceedings dated 26.9.2017. Further, the learned Arbitrator, by award dated 16.9.2021, rendered a finding that the order dated 26.9.2017 passed by the Department was not valid and that the lessee would be entitled to mandatory injunction as sought for by them. The lessee was also directed to pay the assignment fees and the ground rent as prescribed after deducting the payments already made by them and also after deducting the payment of Rs. 15 lakhs deposited as per the orders of this Court dated 02.3.2018 in O.A. No. 201 of 2018. This award became final as both the parties did not challenge the same.
- (v) Pursuant to the said award, a representation was made by the lessee on 20.2.2023. On receipt of the said representation, the impugned communication dated 12.4.2023 came to be issued by the Department to the effect that the demand that was made by the GoI vide letter dated 02.2.2023 was not unlawful and that there was no provision in the lease deed for ensuring the supply of brine to the salt works by the Department. Aggrieved by that, W.P. No. 22639 of 2023 came to be filed.
- (vi) The Department filed A. No. 1587 of 2025 seeking to withdraw Rs. 15 lakhs that was deposited to the credit of O.A. No. 201 of 2018 pursuant to the order of this Court dated 02.3.2018.

6. When the matter came up for hearing on 16.2.2026, this Court, on hearing both sides, passed the following composite order in both the writ petition and the present application:

"Pursuant to the earlier order passed by this Court on 09.02.2026, the matter was placed before the Hon'ble the Chief Justice and the Hon'ble the Chief Justice, through an administrative order dated 12.02.2026, directed the Registry to tag the Writ Petition along with this application and accordingly, the matter stood listed for hearing today.

2. The subject matter of challenge in the Writ Petition is the proceedings of the Deputy Superintendent of Salt dated 02.03.2023 and the consequential communication dated 12.04.2023, and for a direction to the Deputy Salt Commissioner to recalculate the assignment fees in accordance with the directions contained in the Arbitral Award dated 16.09.2021.

3. The specific ground that was taken by the Writ Petitioners in the Writ Petition is that notwithstanding the findings of the sole Arbitrator in the Award dated 16.09.2021, wherein the termination of lease was held to be invalid, the official respondents have once

again made a demand claiming a prescribed assignment fees of Rs. 10,80,405/- per annum as minimum assignment fee, together with ground rent at Rs. 44,098/-. The petitioner has assailed this demand on the ground that the official respondent must adjust the aforesaid dues towards the lease rent computed based on the salt actually produced, and instead, the official respondent was seeking to ignore the Award by reiterating the very same stand that was taken before the Arbitral Tribunal.

4. The application filed in A. No. 1587 of 2925 by the Deputy Salt Commissioner also pertains to the very same issue, wherein the Deputy Salt Commissioner has sought for the permission of this Court to withdraw the amount deposited to the tune of Rs. 15,00,000/- in the light of the fact that the Arbitral Award having become final.

5. On carefully going through the memo of calculation that has been filed in the Writ Petition during November, 2025, the reasons assigned in paragraph Nos. 4 and 5 of the memo of calculation are not in line with the findings rendered by the sole Arbitrator. In other words, the Award and the reasons given in the memo of calculation contradict each other and they cannot travel together.

6. In view of the above, the learned Standing Counsel appearing on behalf of the Salt Commissioner shall take instructions and shall also file a memo of calculation strictly in line with the Award that has been passed by the sole Arbitrator dated 16.09.2021. If ultimately the amount payable by the writ petitioners/applicants is more than the amount lying in deposit, the Salt Commissioner will be permitted to withdraw the amount. If it is the other way round, appropriate orders will be passed by this Court. This will also effectively bring to an end the challenge that has been made in the Writ Petition. There shall also be a direction to the learned counsel for the writ petitioners to file a calculation memo by explaining the amount that will be due and payable pursuant to the Award passed by the sole Arbitrator.

7. Post this case under the caption "for orders" on 25.02.2026."

7. Pursuant to the said order dated 16.2.2026, both the Department as well as the lessee filed two separate memo of calculation along with all the details and the same were taken on file on 10.8.2026 and the matter was directed to be listed for final hearing today.

8. The learned counsel appearing for the lessee submitted that the impugned letter dated 12.4.2023 demanding the assignment fees on the basis of the alleged minimum assignment fees and penalty thereon runs contrary to the arbitral award passed on 16.9.2021; that the Department is attempting to reiterate their original stand that was

taken before the learned Arbitrator by claiming for the minimum assignment fees; that the Department further reiterated it by filing a memo of calculation before this Court; that already a sum of Rs. 71,12,115/- stands to the credit of the Department and according to the lessee, a sum of Rs. 43,65,900/- is payable towards the assignment fees and Rs. 8,81,960/- is payable towards the ground rent and in total, only a sum of Rs. 52,47,860/- is payable for the entire lease period till 2029; and that the excess amount to the tune of Rs. 18,64,255/- is available with the Department.

9. Per contra, the learned Additional Solicitor General appearing behalf of the Department submitted that the award passed by the learned Arbitrator does not mention about the actual assignment fees payable by the lessee; that the lessee has been directed to pay the assignment fees and the ground rent as prescribed; that the lessee is bound to pay the minimum assignment fees even if the production is NIL or falls below the minimum quantity prescribed; that therefore, the lessee cannot be permitted to give a different interpretation to the award passed by the learned Arbitrator to suit their convenience; that the consequential demand by the Department is perfectly in order; that the impugned communication dated 12.4.2023 does not require the interference of this Court; and that the said sum of Rs. 15 lakhs lying to the credit of O.A. No. 201 of 2018 may be permitted to be withdrawn as prayed for in in the present application namely A. No. 1587 of 2025.

10. This Court has carefully considered the submissions of the learned counsel on either side and perused the materials available on record and more particularly the impugned orders.

11. The entire controversy in this case revolves around the minimum assignment fees that is charged by the Department.

12. In order to understand as to whether the Department can charge the minimum assignment fees and consequently justify the demand made by them, this Court has to look into the subject matter of challenge before the learned Arbitrator and the award passed on 16.9.2021.

13. The subject matter of challenge before the learned Arbitrator is the proceedings dated 26.9.2017. By virtue of the proceedings of the Assistant Salt Commissioner, Chennai, apart from terminating the lease, a demand was also made against the lessee towards the minimum assignment fees to the tune of Rs. 10,80,399/-.

14. The claim petition was filed before the learned Arbitrator questioning the proceedings dated 26.9.2017 and seeking for a mandatory injunction to the Department to take all necessary steps to clear and de-silt the water channels. In this claim petition, the Department reiterated that the lessee should pay the minimum assignment fees, which were quantified at Rs. 10,80,405/- apart from

the ground rent.

15. The learned Arbitrator, while dealing with this issue, took note of the lease deed dated 21.8.2009 marked as Ex.C.4 and the relevant clauses were considered. At paragraphs 25(l), (k), (m) and (o) of the award, the following findings were rendered by the learned Arbitrator:

"25.

(k) The above answer given by RW1 proves the case of the claimant that the assignment fee under Ex.C4 is revisable. Further Ex.C4 agreement do not prescribe a minimum assignment fee. In clause 1(iii) which is extracted above minimum prescribed fee in left blank. In this connection it will be useful to extract the evidence of RW1 in cross-examination.

Q.16 : Please refer clause 1(iii). Does it prescribe a minimum quantity per acre?

Ans : No. There is no such clause.

Q.18 : Please refer Ex.R.4 pg. no. 45, There is an X mark in Clause 1(i) and 1(v) X mark places are explained near the said portion, isn't it?

Ans : Yes.

(l) Thus in the considered view of this Tribunal, Ex.C4 lease deed has not prescribed any minimum assignment fee as could be seen from clause 1(iii).

(m) However, it is contended on behalf of the respondents and also RW1 tried to say in his evidence that the assignment fee is computable only when production exceeds minimum level. But unfortunately if we look at the evidence of RW in cross-examination the said statement is not correct. RW1's answer in cross-examination to Q. No. 14, 15 and 16 are reproduced herein which will speak for itself.

Q.14 : Please refer Ex.R.10, pg. no. 95. In the said show cause notice, have you referred above the computation of the assignment fee for the year 2014 & 2015 mentioned therein in accordance with clause 1(i) of the lease agreement and quantity referred by you in Ex.R18?

Ans : No. Computation of assignment fee arises only when the production exceeds minimum production limit.

Q.15 : Please refer Ex.R4. Please show one clause in the agreement states that computation of assignment fee arises only when the production exceeds minimum production limit?

Ans : There is no clause in the agreement.

Q.16 : Please refer clause 1(iii). Does it prescribe a minimum quantity per acre?

Ans : No. There is no such clause.

(o) Therefore, it is concluded that the terms of the agreement will prevail over the terms of the notice inviting tenders."

16. The learned Additional Solicitor General appearing on behalf of the Department brought to the notice of this Court the finding at paragraph 29 of the award and for proper appreciation, the same is extracted as hereunder:

"29. The above answer given by CW1 during cross-examination will show that the claimant has to pay the assignment fee even in case the production is nil or falls below the minimum prescribed viz 20 tonns per acre (Answer to Q. No. 9)."

17. It is, therefore, contended on the side of the Department that the award is not clear regarding the payment of the minimum assignment fees and that therefore, this Court cannot interpret the award and consequently, the lessee cannot question the demand made by the Department.

18. The finding that was relied upon by the learned Additional Solicitor General was an observation that was made by the learned Arbitrator while considering the evidence of C.W.1, who was the lessee examined before the learned Arbitrator. What is important is to see the official version regarding the claim made towards the minimum assignment fee. This official version was spoken to by R.W.1, who, in no uncertain terms, stated that there was no clause available in the lease deed prescribing the minimum assignment fees. In view of the same, the Department cannot be permitted to give one version before the learned Arbitrator, based on which, a finding has been rendered and continue to maintain the same stand regarding the minimum assignment fee and make a demand from the lessee.

19. The learned Arbitrator ultimately passed the award dated 16.9.2021 in the following terms:

"36. The next issue that has to be considered is "whether the claimant/respondent entitled to any cost and if so, what is the cost?"

This Tribunal while holding that there is no justification on the part of the respondents in terminating lease also held that the claimant is liable to pay assignment fee and the ground rent. In view of the above position this Tribunal is of the view that the both the parties have to bear their respective cost.

37. Thus this Tribunal holds that-

(a) The order dated 26.9.2017 of the first respondent determining the lease is not valid.

(b) The claimant is not entitled to any damage.

(c) The claimant is entitled to mandatory injunction as sought by him.

(d) The claimant has to pay assignment fee and ground rent as prescribed till date, after deducting the payment already made by the claimant and also deducting the payment of Rs. 15 lakhs as per the orders of the Hon'ble High Court, Madras dated 2.3.2018 made in O.A. No. 209 of 2018, if paid.

(e) The claimant is not entitled to any interest.

(f) The claimant/respondents have to bear their respective cost."

20. It is very clear from the above that the order dated 26.9.2017 was set aside and the termination of the lease was found to be not valid. The lessee was also found to be entitled to mandatory injunction as sought for by them and the learned Arbitrator directed the lessee to pay the assignment fees and the ground rent after deducting the payments already made and after deducting the deposit of Rs. 15 lakhs made to the credit of O.A. No. 201 of 2018.

21. The finding of the learned Arbitrator is quite clear and unambiguous. What was expected to be paid by the lessee was the assignment fees from 2013-14 upto 2025-26, which was at the rate of Rs. 147/- per tonne and also the ground rent from 2009. The production of the lessee for the respective years has been certified by the Deputy Superintendent of Salt, Adirampattinam and based on the same, the assignment fees payable by the lessee are tabulated as hereunder:

<i>Year</i>	<i>Production</i>	<i>Final rate of adjustment per tonne (147 per tonne)</i>
<i>2013-2014</i>	<i>5000</i>	<i>7,35,000</i>
<i>2015-2016</i>	<i>2400</i>	<i>3,52,800</i>
<i>2016-2017</i>	<i>2900</i>	<i>4,26,300</i>
<i>2017-2018</i>	<i>3000</i>	<i>4,41,000</i>
<i>2018-2019</i>	<i>3200</i>	<i>4,70,400</i>
<i>2019-2020</i>	<i>2500</i>	<i>3,67,500</i>
<i>2020-2021</i>	<i>3650</i>	<i>5,36,550</i>
<i>2021-2022</i>	<i>850</i>	<i>1,24,950</i>
<i>2022-2023</i>	<i>200</i>	<i>29,400</i>
<i>2023-2024</i>	<i>3700</i>	<i>5,43,900</i>
<i>2024-2025</i>	<i>800</i>	<i>1,17,600</i>
<i>2025-2026</i>	<i>1500</i>	<i>2,20,500</i>
	<i>Total</i>	<i>43,65,900</i>

22. In so far as the payment of ground rent is concerned, considering the revised ground rent, the amounts payable from 2009 to 2029 are tabulated as hereunder:

Year *Lease ground rent*

2009	44,098
2010	44,098
2011	44,098
2012	44,098
2013	44,098
2014	44,098
2015	44,098
2016	44,098
2017	44,098
2018	44,098
2019	44,098
2020	44,098
2021	44,098
2022	44,098
2023	44,098
2024	44,098
2025	44,098
2026	44,098
2027	44,098
2028	44,098
2029	44,098
Total	8,81,960

23. If the assignment fees and the ground rent are added up, a total sum of Rs. 52,47,860/- is payable by the lessee.

24. Even as per the calculation given by the Department, a total sum of Rs. 71,12,115/- has been paid by the lessee, which is inclusive of the said sum of Rs. 15 lakhs deposited to the credit of O.A. No. 201 of 2018 pursuant to the order of this Court dated 02.3.2018. This is evident from the calculation provided by the Department vide the impugned communication dated 12.4.2023. In such a scenario, the Department is having an excess of Rs. 18,64,255/- (Rs. 71,12,115/- minus Rs. 52,47,860/-) with them. The claim made by the Department for payment of Rs. 10,80,405/- per annum is illegal since this claim was found to be unsustainable by the learned Arbitrator and the Department will not be permitted to disregard the same and keep reiterating the payment of the minimum assignment fees.

25. In the light of the above discussions, the writ petition is partly allowed and the impugned proceedings dated 12.4.2023 issued by the second respondent is quashed. The proceedings dated 02.3.2023 is sustained. The Department is directed to give credit to the sum of Rs. 52,47,860/- against the sum of Rs. 71,12,115/-, which has already been paid by the petitioner. It is made clear that with respect to the

balance amount of Rs. 18,64,255/-, the same shall be adjusted towards the assignment fees that become payable from 2026-27 onwards and after the entire amount is set off, the writ petitioner - lessee shall pay the assignment fees as per the lease deed. There shall also be a direction to the Department to comply with the mandatory injunction relief granted by the learned Arbitrator so as to enable the writ petitioner - lessee to run the salt pan in the subject property till the end of the lease period. In the light of the order passed in the above writ petition, A. No. 1587 of 2025 stands disposed of by permitting the Department to withdraw the said sum of Rs. 15 lakhs, which shall form part of the total payments made by the writ petitioner - lessee and which shall be adjusted in the manner stated supra. No costs. Consequently, the connected WMPs are closed.

Disclaimer: While every effort is made to avoid any mistake or omission, this casenote/ headnote/ judgment/ act/ rule/ regulation/ circular/ notification is being circulated on the condition and understanding that the publisher would not be liable in any manner by reason of any mistake or omission or for any action taken or omitted to be taken or advice rendered or accepted on the basis of this casenote/ headnote/ judgment/ act/ rule/ regulation/ circular/ notification. All disputes will be subject exclusively to jurisdiction of courts, tribunals and forums at Lucknow only. The authenticity of this text must be verified from the original source.