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An unlawful suspension of mining operations by the State, in violation of natural justice and without jurisdiction, entitles the lessee to restoration of the lost lease period as a matter of restitution, notwithstanding delay or statutory limits on lease extension.

Division Bench of the Odisha High Court

Compensatory Addition to Mining Lease Period for Wrongful State Action

Date: June 2, 2026

Dear Reader,

The Division Bench of the Odisha High Court, in a judgment dated May 15, 2026, in ***Sarda Mines Private Limited v. State of Odisha; WP (C) 17676/2024¹***, has allowed a writ petition seeking compensatory addition of 5 years and 10 months to a mining lease on account of wrongful suspension of mining operations by the State. The ruling clarifies the distinction between statutory extension under Section 8A of the Mines and Minerals (Development & Regulation) Act, 1957 (MMDR Act) and restitutionary relief arising from unlawful State action.

Facts:

Sarda Mines Private Limited (SMPL) was granted a mining lease executed on August 14, 2001 for a period of 20 years, expiring on August 13, 2021. SMPL had obtained all requisite statutory approvals, including an Environmental Clearance (EC) dated September 22, 2004 and a Forest Clearance dated June 21, 2001, both valid and co-terminus with the lease.

On March 31, 2014, the Deputy Director of Mines issued a Suspension Order directing stoppage of mining operations on the ground that SMPL lacked a valid EC. As a consequence, mining operations remained suspended until January 31, 2020, when they were permitted to resume pursuant to the Supreme Court's order in *Common Cause v. Union of India*.

SMPL thereby lost 5 years and 10 months of effective mining operations despite holding a valid and subsisting lease. Representations seeking restoration of this lost period having

¹ 2026 SCC OnLine Ori 2303

Acara Law LLP

**B-41, Soami Nagar South, New Delhi – 110017 | 2, 2nd Floor, 11/13, Botawala Building, Horniman Circle,
Mumbai – 400001**

www.acaralaw.com

elicited no response, SMPL approached the High Court seeking addition of the lost period to the lease tenure.

Findings:

1. *Suspension Order Void Ab Initio:* The High Court held that the Suspension Order dated March 31, 2014 was void ab initio as it was based on an erroneous factual premise, issued without jurisdictional basis, and passed in violation of principles of natural justice.

2. *Mining Lease as Constitutionally Protected Property:* The Court reaffirmed that a mining lease constitutes property within the meaning of Article 300A of the Constitution and enjoys constitutional protection. Any unlawful deprivation warrants restitution.

3. *Compensatory Addition Distinguished from Statutory Extension:* The Court held that the case concerned compensatory addition of time lost due to illegal State action and not an extension of the lease. Consequently, the cap under Section 8A of the MMDR Act does not apply to such restitutionary relief.

4. *Right to Enjoyment and Restitution:* The Court held that where a lessee is prevented from exercising its lawful rights due to wrongful State action, the period of deprivation must be added back to the lease tenure.

Relief:

The High Court directed the State to permit SMPL to operate the mining lease for an additional period of 5 years and 10 months, reckoned from January 31, 2020, subject to compliance with applicable requirements.

Conclusion:

The judgment underlines that regulatory enforcement must not be arbitrary and unlawful and strengthens the ability of mining leaseholders to claim restitution when state action unlawfully interrupts operations.

Yours sincerely,

Acara Law LLP.

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Mumbai – 400001**

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