

TUESDAY | 17 JUNE 2025
Case Update

Hon'ble Madhya Pradesh High Court Grants Relief to L&T Subsidiary in Challenge to Coal India's Rs. 300/Tonne 'Singrauli Punarasthapan Charge'



On 17.06.2025, the Madhya Pradesh High Court at Jabalpur granted interim relief to Nabha Power Limited ("NPL") (L&Ts 1400MW Power Project) in a writ petition challenging the imposition of an additional charge by Coal India Limited ("CIL"). The Court stayed the operation and recovery of the "Singrauli Punarasthapan Charge" of ₹300 per tonne levied under a price notification dated 27.02.2025 (No. CIL/M&S/Pricing/557) by CIL ("**notification dated 27.02.2025**"), affecting all consumers procuring coal from the mines of Northern Coalfields Limited ("NCL"), a CIL subsidiary. Notification dated 27.02.2025 was a Price Notification unilaterally imposing an additional ₹300 per tonne surcharge on coal sourced from the mines of NCL, one of its subsidiaries, with effect from 01.05.2025. Termed the 'Singrauli Punarasthapan Charge', this levy was introduced without any statutory basis, stakeholder consultation, or cost disclosure. Nabha Power, which sources coal from NCL under a Fuel Supply Agreement dated 06.01.2022 ("**FSA**"), challenged the charge on several constitutional and statutory grounds, contending that it was arbitrary, lacked legal authority, and was imposed without transparency or consultation.

It was highlighted that invoices raised after 01.05.2025 by NCL included the surcharge, despite the existence of an earlier interim order by the same Court in W.P. No. 14964 of 2025 that had stayed the very same notification. Consequently, the petitioner had made payments under protest to avoid disruption in coal supply essential for its power generation obligations under the Power Purchase Agreement.

Nabha Power's submissions were anchored in the argument that CIL, as a public sector undertaking and a State instrumentality under Article 12 of the Constitution, is obligated to act in a fair, non-arbitrary, and transparent manner — even in its commercial dealings. The imposition of the Singrauli Punarasthapan Charge without regulatory approval or cost disclosure, was argued to be in violation of Article 14.

The petitioner also relied on judicial precedents, including the Supreme Court's observations in *Ashoka Smokeless Coal India (P) Ltd. v. Union of India*, (2007) 2 SCC 640, where the Court had cautioned CIL against exercising its monopoly status to enforce arbitrary levies. Moreover, similar surcharges by CIL had been previously quashed by the Calcutta and Patna High Courts on the grounds of arbitrariness and lack of statutory backing.

It was further contended that the surcharge disproportionately affected only consumers of NCL, without any intelligible differentia, thereby constituting

hostile discrimination against similarly situated power producers procuring coal from other CIL subsidiaries. No evidence was presented to show any direct nexus between NCL's consumers and the rehabilitation efforts in Singrauli for which the charge was ostensibly imposed.

The petitioner argued that CIL, being a sole domestic supplier of non-coking coal to thermal power plants, was abusing its dominant position by unilaterally altering the commercial terms. It was further pointed out that the levy was not part of the originally agreed pricing under the FSA. Clause 9 of the FSA allows CIL to determine coal prices but is silent on levies without statutory or policy sanction. The charge, imposed in disregard of stakeholder rights, was therefore argued to be coercive and legally unsustainable.

The petitioner also highlighted that the additional cost burden undermines the economic viability of thermal power plants sourcing coal from NCL. This distortion in input pricing affects tariff parity across power generators and ultimately burdens end-consumers of electricity, contrary to the principle of reasonableness enshrined in Article 19(1)(g) of the Constitution.

The High Court, taking note of the apparent contravention of its earlier stay order and the urgent commercial implications, granted interim relief to Nabha Power. The order restrains NCL from recovering the ₹300 per tonne surcharge pending further hearing in the matter. The matter has been tagged with similar petitions challenging the notification dated 27.02.2025.

Click [here](#) to read the Madhya Pradesh High Court Order

Nabha Power Limited was represented before the Madhya Pradesh High Court by Shri Venkatesh (Founding Partner & Head of Disputes Practice), Ashutosh K. Srivastava (Partner) and Aashwyn Singh (Associate) of the SKV Law Offices Team.