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COAL MINES (NATIONALISATION) ACT WILL NOT OVERRIDE THE COMPETITION ACT

(COAL INDIA LTD. V/S COMPETITION COMISSION OF INDIA¹)

The Supreme Court rejected the Coal India Ltd. contention that the Competition Act does not apply to them because of the Coal Mines (Nationalization) Act, 1973 (hereinafter referred as *Nationalization Act*)². The Nationalization Act cannot be reconciled with the Competition Act. The bench further stated that the Competition Act would be binding to PSUs³, government-owned businesses, and State monopolies.

FINDING OF THE COURT:

- In the abovementioned case, Coal India has previously been fined more than Rs 1,773 crore by the Competition Commission for including discriminatory or unreasonable terms in fuel supply agreements with non-coking coal power generators. Coal India asserted that because it operates mines that are subject to the Coal Mines Nationalization Act, it is exempt from the Competition Act.
- The Hon'ble Apex court held that the Coal India Ltd., being a government-owned business, will fit the definition of "person" defined under Section 2(l) and as a result would be considered an "enterprise" for purposes of Section 2(h) of the Competition Act, which defines an "enterprise" as a person engaged in activities related to the production, storage, supply, distribution, and control of goods. The bench by relying on the judgment in the case **Tara Prasad Singh and Ors. V Union of India**⁴ noted that the Nationalization Act was meant to distribute coal resources in a way that benefits everyone, not to exclude governmental organizations from the reach of competition rules.

TEAM MAJESTY LEGAL⁵

OFFICE : B-87, Alaknanda Apartment, G-1, Ganesh Marg/Moti Marg,
Bapu Nagar, Jaipur, Rajasthan-302015.
https://maps.app.goo.gl/BsUvY9RWyvUt6JcB9?g_st=iw

CHAMBER : 204, E-Block, Rajasthan High Court, Jaipur.

MOBILE No. : 9785461395

E-MAIL : mahi@majestylegal.in

WEBSITE : www.majestylegal.in

¹ CIVIL APPEAL NO.2845 of 2017, Dated: 15th June 2023

² The purpose of the Coal Mines (Nationalization) Act, 1973 is to vest the rights of lessees in coal mines with the Central Government. It aims to ensure the rational, coordinated, and scientific development and utilization of coal resources in line with the country's growing requirements. The Act seeks to promote the common good by distributing the ownership and control of coal mines to serve the interests of the nation.

³ Public Sector Undertaking

⁴ (1980) 4 SCC 179

⁵ Majesty legal is a LAW FIRM established in 2013 by Ms. Mahi Yadav. Objective of this legal update is to provide insights on law, statutes and is personal in nature, not to be deemed as legal advice.