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WP-2663-2014

IN THE HIGH COURT OF MADHYA PRADESH  
AT GWALIOR

BEFORE

HON'BLE SHRI JUSTICE MILIND RAMESH PHADKE

ON THE 23<sup>rd</sup> OF JUNE, 2026WRIT PETITION No. 2663 of 2014*M/S SHANTI SEEDS PVT.LTD**Versus**THE STATE OF MADHYA PRADESH AND OTHERS*

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Appearance:

Shri Vinay Kumar - Advocate for the petitioner.

Shri Dharmendra Nayak - Govt. Advocate for the respndent/State.

Shri Pradeep Kumar Shrivastava - Advocate for the respondent [R-3].  
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ORDER

The present petition under Article 227 of the Constitution of India has been filed by the petitioner challenging the order dated 21.06.2005 passed by the learned Board of Revenue, Gwalior in Appeal Nos. 46, 47 and 48 of 2005, whereby the orders passed by the Collector of Stamps, Bhopal dated 02.08.2001 and the Additional Commissioner (Revenue), Bhopal dated 12.11.2003 directing payment of stamp duty amounting to Rs. 2,45,000/- on each of the three mortgage deeds have been affirmed.

2. The facts, in brief, are that the petitioner, M/s. Shanti Seeds Private Limited, is a company incorporated under the Companies Act, 1956 and registered as a private limited company. The principal object of the company is to undertake agricultural operations, including seed production through farming activities. In the year 1997, the petitioner company obtained a loan



of Rs. 49 lakhs from the Bank of Baroda, Bhopal for agricultural purposes. To secure the loan, certain agricultural lands owned by the Managing Director and Directors of the company were mortgaged in favour of the Bank. At the time of execution and registration of the mortgage deeds, no stamp duty was charged on the ground that the mortgagors were farmers possessing agricultural holdings of less than ten hectares and were, therefore, entitled to exemption under the applicable notification. Subsequently, during the audit conducted by the office of the Accountant General, Madhya Pradesh, Gwalior for the year 1999–2000, an objection was raised regarding the grant of exemption from stamp duty on the mortgage deeds. On the basis of the audit objection, the Deputy Registrar communicated the matter to the Collector of Stamps, Bhopal, who levied stamp duty of Rs. 2,45,000/- on each mortgage deed vide order dated 02.08.2001. According to the petitioner, the said demand was raised without affording any opportunity of hearing. Thereafter, on 30.01.2004, the petitioner received a recovery notice requiring payment of the aforesaid amount and stating that, in the event of default, the mortgaged property would be subjected to public auction. Aggrieved by the order of the Collector of Stamps, the petitioner preferred an appeal before the Additional Commissioner, Bhopal, which came to be dismissed by order dated 12.11.2003. The petitioner thereafter filed three separate appeals before the Board of Revenue, Gwalior. The Board of Revenue, by the impugned order dated 21.06.2005 dismissed the appeals and affirmed the orders passed by the authorities below. Being dissatisfied with the said order, the petitioner has approached this Court by filing the present



petition.

3. Learned counsel for the petitioner submits that Shri Ashok Kumar Jain is the Managing Director, and Shri Ram Charan and Smt. Shanti Devi, the Directors of M/s. Shanti Seeds Pvt. Ltd., own agricultural lands in their individual names, each holding less than ten hectares of land. These lands were mortgaged with the Bank of Baroda for obtaining the loan in question. It is contended that the registering authority rightly granted exemption from payment of stamp duty, treating the mortgagors as farmers falling within the category specified in the exemption notification.

4. It is further submitted that the loan was obtained exclusively for agricultural activities relating to seed production. The petitioner company is engaged in cultivation and production of certified and high-quality seeds of wheat, soybean and gram, which are supplied to the Madhya Pradesh State Seeds Corporation. According to the petitioner, such activities constitute agricultural operations and not commercial trading. It is argued that in a trading activity, goods are purchased and subsequently sold, whereas in the present case, the seeds are produced through cultivation and farming operations carried out on agricultural land. The Bank itself had recognized the loan as one advanced for seed production and agricultural purposes, and the mortgagors, being farmers holding less than ten hectares of land, were entitled to exemption from stamp duty.

5. The petitioner further contends that the audit objection raised by the Accountant General's office is merely technical in nature and proceeds on an incorrect understanding of the exemption notification issued by the State



Government. The purpose of the notification was to provide relief to small farmers owning less than ten hectares of land by exempting them from payment of stamp duty on mortgage deeds executed for obtaining agricultural loans. It is argued that the authorities failed to appreciate the true object and spirit of the notification. The petitioner also submits that even assuming stamp duty was payable, the demand of Rs. 2,45,000/- on each mortgage deed is arbitrary and excessive, particularly when the total loan amount was only Rs. 49 lakhs. According to the petitioner, under the relevant notification, stamp duty, if chargeable, ought to have been calculated at the rate of one percent of the loan amount.

6. It is also submitted that M/s. Shanti Seeds Pvt. Ltd., its Managing Director and its Directors are inseparably connected in the present transaction. The loan was raised by mortgaging the agricultural lands owned by the Directors in their capacity as farmers, and the funds were utilized for agricultural activities undertaken by the company. Since the company is engaged in seed production through cultivation and not in trading activities, the exemption notification ought to have been applied. The petitioner therefore contends that the audit objection and the consequential demand of stamp duty are unsustainable in law.

7. Per contra, learned counsel appearing for the State submits that the exemption notification has no application to the facts of the present case. It is contended that the petitioner is a company incorporated under the Companies Act, 1956 and is a separate juristic entity distinct from its Directors and shareholders. The company itself does not own any agricultural land and,



therefore, does not satisfy the eligibility criteria prescribed under the notification. The exemption is available only to borrowers who are Bhumiswamis holding agricultural land up to ten hectares. Since the petitioner company is not the owner of any agricultural land, it cannot claim the benefit of the exemption.

8. It is further argued that the settled principle of company law recognizes a company as a legal person separate and distinct from its Directors and shareholders. Consequently, agricultural lands owned by the Directors in their individual capacities cannot be treated as lands belonging to the company. The petitioner cannot seek to derive the benefit of exemption by relying upon the personal holdings of its Directors. According to the State, the petitioner has attempted to bring itself within the scope of the exemption by misrepresenting the factual position.

9. The State also contends that the exemption is available only in respect of loans obtained for agricultural purposes by eligible farmers. In the present case, the loan was obtained by a company engaged in business activities and not by individual farmers for their personal agricultural operations. Therefore, the essential conditions prescribed under the notification are not fulfilled. On these grounds, it is submitted that the orders passed by the authorities below are legal and justified and do not warrant interference under Article 227 of the Constitution of India. Accordingly, it is prayed that the present petition be dismissed.

10. Heard counsel for the parties and perused the record.

11. A perusal of the record demonstrates that the petitioner



consistently pleaded before all the authorities that the loan was obtained exclusively for seed production and agricultural operations. It was specifically contended that the company was engaged in cultivation and production of certified seeds through agricultural activities undertaken on agricultural land and such activity constituted agricultural operations. It was further asserted that the mortgaged properties belonged to persons holding agricultural land within the prescribed limits and the benefit of exemption was therefore available.

12. This Court finds that while deciding the matter, the Collector of Stamps proceeded primarily on the basis that the borrower was a company incorporated under the Companies Act and, therefore, was not entitled to claim exemption. However, the Collector failed to undertake any examination regarding the true nature of the activities for which the loan had been sanctioned and whether the same fell within the ambit of “agricultural purpose” as contemplated under the governing notification.

13. The notification dated 25.09.2006 defines “Agricultural purpose” in an expansive manner. The notification provides that:

*“‘Agricultural purpose’ means making land fit for cultivation, carrying out cultivation on land, and improving land, including the development of irrigation sources; the raising and harvesting of crops; horticulture; forestry plantations and agricultural operations; animal breeding; livestock rearing; dairy farming; seed farming; fisheries; beekeeping; sericulture; pig farming; and poultry farming; and the acquisition of equipment and machinery in connection with any such activity, excluding trucks, mini-trucks, metadors, and drilling machines.”*

14. The aforesaid definition specifically includes “seed farming” within the expression “agricultural purpose”. The petitioner's categorical case



throughout has been that the loan in question was obtained for seed production and seed farming activities. Whether the petitioner satisfies the requirements of the notification and whether the benefit of exemption is available in the facts of the present case are matters which necessarily required consideration by the competent authority in light of the aforesaid definition.

15. This Court is of the considered opinion that the foundation order passed by the Collector of Stamps suffers from a material infirmity inasmuch as the relevant notification dated 25.09.2006 and the wide definition of “agricultural purpose” contained therein were not taken into consideration while adjudicating the liability of the petitioner. The authority failed to examine whether the activity of seed production undertaken by the petitioner constituted seed farming and agricultural operations within the meaning of the notification. The order, therefore, stands vitiated on account of non-consideration of a relevant and material statutory notification having direct bearing on the controversy.

16. Once the foundational order passed by the Collector of Stamps is found to be legally unsustainable, the consequential appellate orders affirming the same cannot survive independently. The Additional Commissioner as well as the Board of Revenue merely affirmed the findings recorded by the Collector without addressing the applicability and effect of the notification dated 25.09.2006 and the definition of “agricultural purpose” contained therein. Consequently, the orders passed by the appellate authorities are also rendered unsustainable.



17. In view of the aforesaid, the order dated 02.08.2001 passed by the Collector of Stamps, Bhopal is hereby quashed. Consequently, the order dated 12.11.2003 passed by the Additional Commissioner (Revenue), Bhopal and the order dated 21.06.2005 passed by the Board of Revenue, Gwalior are also quashed and set aside.

18. The matter is remanded to the Collector of Stamps, Bhopal for fresh consideration. The Collector shall reconsider the entire matter afresh in accordance with law after affording adequate opportunity of hearing to all concerned parties and shall specifically examine the applicability, scope and effect of the notification dated 25.09.2006. The Collector shall pass a reasoned and speaking order uninfluenced by any observations made in the earlier orders which have been set aside by this Court.

19. With the aforesaid directions, the present petition stands **allowed and disposed of.**

(MILIND RAMESH PHADKE)  
JUDGE

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