

CHAPTER XII: MINISTRY OF MINES

Bharat Gold Mines Limited

12.1.1 Inept handling of estate

Company's action of entrusting the Management of its huge estate in the hands of skeletal contractual staff resulted in inept handling leading to encroachment/non-collection of rent and loss of financial benefit of Rs.44.18 crore.

Bharat Gold Mines Limited (Company) was incorporated in March 1972 and was one of the major producers of gold in India. It was referred (1992) to BIFR¹ as its net worth was fully eroded. Based on the orders (June 2000) of BIFR/AIFR², the production activities were stopped w.e.f., October 2000 and the Company was closed from 1 March 2001. The Employees Union of the Company challenged the closure in the High Court of Karnataka which upheld (September 2003) the closure and made certain recommendations to the Government of India (GOI) regarding estate of the Company.

Audit noticed that, the Company's inept handling of its estate after the closure of its production activities resulted in:

➤ **Unauthorised occupation/encroachment –**

- The Company after a survey (April 2009) of its Town ship at Kolar Gold Fields, Karnataka, found that 502.48 acres of land³ (valued at Rs.26.27 crore @ Rs.12 per Sq.ft) encroached by outsiders. However, a similar exercise of surveying the balance vacant land was not done.
- 3609 quarters were under un-authorised occupation by outsiders/private agencies. The annual recurring loss of rental income worked out to Rs.8.66 lakh⁴.

➤ **Inability to collect rentals-**

- 4410 quarters were allotted to ex-employees on monthly rental basis between 1981 and 2005. Only 79 allottees were regular in payment of rent. An amount of Rs.4.93 crore was overdue from defaulters as at the end of December 2008 (against this a deposit of Rs.1.91 crore was held by the Company). Details of demand and collection of rent from January 2009 were not on record. The Company failed to evict the defaulters and take possession of its property.

¹ Board for Industrial and Financial Reconstruction

² Appellate Authority for Industrial & Financial Reconstruction

³ Out of total holding of 12187.30 acres of land, 10968.57 acres (cost price Rs.55 lakh) was stated to be vacant

⁴ Based on the minimum rent of Rs.20 p.m. /quarter fixed for quarters allotted by the Company in other parts of its township

- The Company leased commercial establishments and residential accommodation to 777 outsiders on monthly rental basis of which only 100 parties were regular in remittance of monthly rent. The dues from the defaulters till December 2008 amounted to Rs.1.10 crore. The basis for fixing the monthly rental was not on record, as the monthly rentals was as low as Rs.0.50 per month. Details of demand and collection of rent from January 2009 were not on record. Leases have not been renewed.
- **Incorrect assessment of sale value of houses-**
- As per the recommendations (September 2003) of the High Court of Karnataka the Central Government (Ministry of Mines) could consider transfer/conveyance of the quarters/houses allotted to the employees of the Company on sital area basis considering this as a retirement package at a concessional rate of Rs.10 per sq.ft for sital area up to 1000 Sq.ft., Rs.20 per sq.ft for sital area between 1000 and 3000 sq.ft. and Rs.30 per sq.ft for sital area above 3000 sq.ft. The Court had also recommended that nothing might be charged towards the value of structures as they were very old and in a dilapidated condition. The Ministry had the discretion to modify the recommendation. The Ministry accorded approval (August 2006) to implement the recommendations of the High Court. Despite a clear recommendation by the High Court to charge for sital area, the Company made an issue of absence of clarity on recommendation and decided (April 2007) to charge only for plinth area of the building excluding courtyard/vacant land without getting the issue clarified legally. Accordingly, possession of 2829 quarters was handed over to the retired employees.
- After five years of High Court's recommendation, the Company obtained a legal opinion on the issue in November 2008, which clarified that sital area includes courtyard/vacant land. The inaccuracy in the implementation of recommendation has not been informed to the Ministry for approval (November 2009). The amount recoverable for the vacant land/courtyard on 2829 houses handed over worked to Rs.13.52 crore where as only Rs.2.27 crore was worked out considering only the plinth area of the buildings. This has resulted in loss of revenue amounting to Rs.11.26 crore. Even out of Rs.2.27 crore due, the Company could recover/adjust only Rs.1.65 crore from the terminal benefits of the retiring employees leaving an overdue amount of Rs.0.62 crore.

Thus, inept handling of the estate resulted in loss of financial benefit of Rs.44.18 crore to the Company.

The Company stated (July 2009):

- That when the operations were closed, there were no functional departments and contract personnel were inducted for administrative work;
- As regards sale of quarters, it was stated that the rates 'other than for the plinth area' would be dealt in due course before effecting the transfer of ownership. It further stated (November 2009) that a Chief Security Officer (CSO) had been appointed recently to ward off thefts and pilferage of property and a proposal was

submitted to the GOI for appointing the CSO as the Estate Officer under Public Property Act to get the houses vacated under the provisions of the Act.

The reply of the Company is not convincing as:

- Company's action of placing the management of its huge estate in the hands of skeletal contractual staff resulted in inept handling leading to encroachment/non-renewal of rent rates and non-collection of rent etc.
- The Company failed to incorporate a suitable clause in the allotment letters issued to the employees to the effect that the sale was subject to the rate for 'area other than plinth area'.

In view of soaring value of real estate, the Ministry/Company needs to take concerted steps to see that the Company's property is protected by evicting the encroachers. An appropriate system to reassess the rent/lease amount/sale value of quarters sold should be enforced for collection of dues and effective management of its real estate.

The matter was reported to the Ministry in August 2009; their reply was awaited (November 2009).