

## CHAPTER II

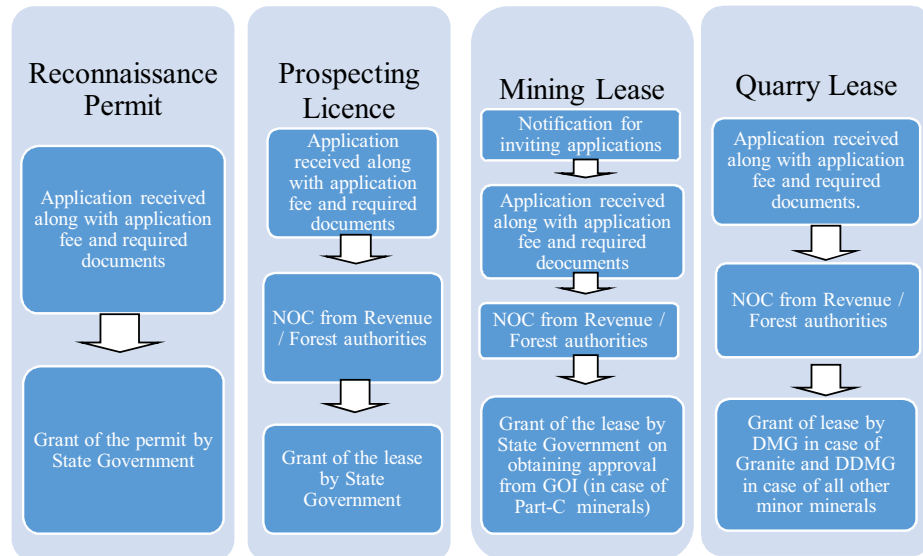
### ADMINISTRATION AND MANAGEMENT OF MINERAL CONCESSIONS

Mineral Concessions include reconnaissance permits (RP), prospecting leases (PL), mining leases (ML) and quarrying leases (QL). As per Section 10(1) of MMDR Act, 1957, an application for RP, PL or ML for any land in which minerals vest in the Government shall be made to State Government concerned in the prescribed form and shall be accompanied by prescribed fee. On receipt of an application, the State Government may, having regard to provisions of this Act and any rules made thereunder, grant or refuse to grant the permit, licence or lease as the case may be.

General principle followed in granting mineral concessions for minerals other than minor minerals is, other things being equal, the principle of ‘first come first serve’. However, a person who has undertaken reconnaissance operations under an RP has a preferential right for obtaining PL, and similarly, a person who has prospected for the mineral under a PL has preferential right for obtaining an ML. ML may be granted without first granting a PL, if State Government is satisfied that there is evidence to show that area for which the lease is applied for has been prospected earlier or the existence of mineral contents therein has been established otherwise than by means of prospecting such area.

Activities relating to processing of mineral concession applications are shown in the flowcharts:

#### Processing of Mineral Concession Applications



As per Socio-Economic Survey 2012-13 of Andhra Pradesh, there were 2,059 MLs for major minerals and 9,805 QLs for minor minerals covering an extent of 1,34,722 ha and 18,021 ha respectively. Out of these, 1,133 MLs and 6,702 QLs covering 76,166 ha and 17,737 ha respectively were active. Administration

of mineral concessions includes inspection of mines and quarries and scrutiny of returns.

## **2.1 Grant of leases**

### **2.1.1 Delay in disposal of mineral concession applications**

As per Rule 63-A of MCR, 1960, State Government should dispose of applications for RP, PL and ML within six, nine and 12 months respectively from date of receipt of application. As per G.O.Ms.No.181 of Industries and Commerce (Mines-I) Department dt. 28 May 1998, the ADMG, immediately after receiving an application for PL, ML or QL should send one set of application to Mandal Revenue Officer (MRO)/Tahsildar to report within 30 days on category and availability of land for grant of such lease. In case of delay in receipt of reports, matter is to be brought to the notice of District Collector. In turn District Collector will ensure that the MROs send their reports within the specified time. In any case applications have to be disposed of within time limits prescribed in the rules.

Audit scrutiny revealed that (March 2012) in 15 ADMG offices<sup>12</sup>, out of 27,485 applications received between 2006-07 and 2011-12, 7,570 applications (27.5 per cent) for grant of mineral concessions<sup>13</sup> were pending with the ADsMG and the delay ranged from 30 days to over two years. Delay, as stated by ADsMG, was mainly due to non-receipt of No Objection Certificate (NOC) from revenue authorities. Audit did not find any documentary evidence indicating that the ADsMG brought these cases of delay to the notice of District Collector as was instructed<sup>14</sup> by State Government.

Six thousand nine hundred and twenty three applications were still pending as on 1 April 2013. Government replied (May 2013/February 2014) that action was taken to dispose of applications.

### **2.1.2 Grant of mining leases without obtaining mining plan and non-adherence to mining plans**

As per Rule 12 of Granite Conservation and Development Rules (GCDR), 1999, no mining lease shall be granted or renewed by State Government unless there is a mining plan duly approved by it. As per Rule 16(2), mining operations for granite cannot be commenced in any area except in accordance with an approved mining plan. Further, in terms of Rule 16(3), leaseholder is required to apply to State Government for making modifications in mining plans. As per Rule 22-A of Mineral Concession Rules, mining operations shall be undertaken in accordance with approved mining plan and modification of approved mining plan during operation of a mining lease also requires prior approval.

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<sup>12</sup> Banaganapalle, Dachehalli, Guntur, Hyderabad, Karimnagar, Kurnool, Miryalaguda, Nandigama, Ongole, Rajahmundry, Srikakulam, SPSR Nellore, Tadipatri, Tandur and Vijayawada.

<sup>13</sup> Reconnaissance Permit-26, Prospecting License-1490, Mining Lease-2243, Quarrying Lease-3811.

<sup>14</sup> G.O.Ms.No.181, Ind. & Com. (Mines-I) Department, Dt. 28 May 1998.

During scrutiny of files related to grant of granite leases, audit noticed in six ADMG offices<sup>15</sup> that out of 442 granite leases which were granted during April 2006 to March 2012, seventy eight granite leases were granted without obtaining mining plans.

Audit further noticed that in four ADMG offices<sup>16</sup>, production of minerals (iron ore, limestone and ball clay) in eight out of 54 leases test checked was more than quantity approved in mining plans by 11.39 lakh MTs (27.95 per cent excess). Prior approval for production of excess quantity from the competent authority<sup>17</sup> was not obtained in any of the cases.

The matter was brought to notice of Government (October 2012). The Government replied (February 2014) that notices were issued in 72 cases. Out of these, leaseholders in 30 cases had submitted approved mining plan subsequently. The DMG had determined 25 leases. Draft mining plan was submitted by one leaseholder. In 16 cases, action was pending. Government had earlier replied (May 2013) that out of eight cases of excess production over the approved mining plan, five leaseholders had submitted modified mining plan/scheme of mining between March 2013 and April 2013 and in the remaining cases notices were issued for compliance.

Granting of leases and allowing mining without obtaining mining plans was in contravention to the rules.

### **2.1.3 Grant of Mining/Quarry leases without obtaining reports from revenue authorities**

As per Government order<sup>18</sup>, ADMG, immediately after receiving an application for PL/ML or QL, should send one set of application to MRO/Tahsildar to report on the category and availability of land for grant of lease. It was noticed (March 2012) by audit that MLs for Limestone (Cement Grade) were granted<sup>19</sup> by State Government to two companies on basis of reports stating availability of land for three years for purpose of prospecting, against which MLs were granted for 30 years. Further, three quarry leases in Ongole were granted by DDMG, Guntur, between February 2009 and December 2010 based on reports of MROs issued in July 1998 and November 2000 for 10 years each, which had expired by the time the leases were granted in 2009 and 2010 respectively. Availability of these lands was not reconfirmed and leases were granted on basis of old reports of MROs for carrying out quarrying activities for 30 years each.

Government replied (May 2013) that there was no fixed time frame for the MRO report. Reply does not address the issue highlighted in audit about granting of leases for mining / quarrying without obtaining fresh reports about availability of land at that point of time.

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<sup>15</sup> Anantapur, Dachepalli, Hyderabad, Kurnool, Tadipatri and Ongole.

<sup>16</sup> Anantapur, Eluru, Yerraguntla and YSR Kadapa.

<sup>17</sup> Indian Bureau of Mines in case of iron ore /Joint Director of Mines and Geology in case of limestone and ball clay.

<sup>18</sup> G.O.Ms.No.181 of Industries and Commerce (Mines-I) Department dt. 28 May 1998.

<sup>19</sup> G.O.Ms.No.159 Ind. & Com. (M.II) Dept. Dt. 21 June 07 & G.O.Ms.No.95 Ind & Com. (M.III) Dept. Dt. 27 March 2006.

#### **2.1.4 Irregular rejection of applications for mining lease**

State Government issues notifications for receiving applications for mineral concessions from interested parties who at times submit such applications prior to the issue of such notifications. Section 11(2) of the MMDR Act provides for treating such applications as having been received on date of notifications for purpose of assigning priority.

State Government issued (June 2007) a Notification<sup>20</sup> calling for applications for grant of a mining lease (iron ore) in Survey No. 1 & 2 of Siddapuram and Malapanagudi villages of Anantapur District. Out of 26 applications, three applications received before date of Notification were rejected as 'premature'. Out of remaining 23 applications received after the date of Notification, 21 applications were rejected as these were received after the date of submission as mentioned in Notification. The remaining two applications were considered and mining leases were granted<sup>21</sup> for iron ore for a period of 20 years over an extent of 68.50 ha. Non-consideration/rejection of three applications received prior to date of notification on the grounds of their being premature was contrary to the provisions of MMDR Act.

Government's reply (February 2014) did not address the issue raised in the audit observation as it did not furnish reasons for not considering the applications received before the notification under Section 11(2).

## **2.2 Administration of leases**

### **2.2.1 Short levy of mineral revenue**

During audit scrutiny of Mineral Revenue Assessments<sup>22</sup> (MRA) in 12 ADMG offices following discrepancies were noticed.

- As per Rule 9 of MMDR Act, 1957, holder of a mining lease granted shall pay royalty in respect of any mineral removed or consumed by him or by his agent. In four cases two ADsMG<sup>23</sup> did not take into account quantity of minerals despatched as reported in the Annual returns submitted by the lessees for the year 2007-08 which resulted in short levy of royalty of ₹ six lakh.
- GoAP revised rates of seigniorage fee/royalty from 13 August 2009. Seven ADsMG<sup>24</sup> finalised eight MRAs of 2006-07, 2007-08, 2008-09 and 2009-10 at pre-revised rates which resulted in short levy and collection of seigniorage fee/ royalty of ₹72.65 lakh.
- Lumpsum amount paid by the lessees at the beginning of the year is deducted against the permits issued for transporting minerals. Two

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<sup>20</sup> No. 2 of Anantapur District Gazette Dt. 12 July 2004.

<sup>21</sup> G.O.Ms.No.151 Ind. &Com. (M.III) Dept., Dt. 18 June 2007.

<sup>22</sup> The annual assessment of dispatch of minerals and the royalty/seigniorage fee paid thereof.

<sup>23</sup> Kurnool and Vizianagaram.

<sup>24</sup> Banaganapalle, Chittoor, Mahaboobnagar, Tadipatri, Vijayawada, Visakhapatnam and YSR Kadapa.

ADsMG<sup>25</sup> while deducting amount of royalty<sup>26</sup> / seigniorage fee<sup>27</sup> had incorrectly arrived at the balance amount, which resulted in excess credit of ₹ 6.10 lakh to two lessees during 2010-11.

- As per Rule 10(4)(b) of APMMC Rules, when a QL is granted, seigniorage fee or dead rent<sup>28</sup>, whichever is higher shall be charged on all minor minerals despatched or consumed from the land at rates specified. It was seen that dead rent for the year 2009-10 was not levied for six non-working QLs by ADMG, Khammam as there was no mining activity. The non-levy of dead rent amounted to ₹ 3.21 lakh.
- As per Rule 64-A of MCR, simple interest at 24 *per cent* per annum is to be levied on arrears of royalty. ADMG, Anantapur while finalising MRA for 2009-10 of a lessee did not levy interest of ₹ 16.90 lakh on arrears of royalty.

Above omissions resulted in short assessment of mineral revenue of ₹ 1.05 crore.

Government admitted (February 2014) the audit observation in 16 cases, revised the MRAs and recovered ₹ 74.53 lakh. The remaining five cases have been contested.

### **2.2.2 Non-forfeiture of security deposit**

As per Rule 12(5) (h) (xii) of APMMC Rules, 1966, in case of any breach on the part of licensee or lessee of any covenant or conditions contained in the grant, Director may, after giving an opportunity to defaulter, cancel the license or lease, take possession of premises under license or lease and forfeit the Security Deposit.

Audit scrutiny revealed in eight ADMG offices<sup>29</sup> that a sum of ₹ 44.39 lakh deposited towards security in respect of 79 quarry leases determined between December 1980 and March 2012 were not forfeited. Government accepted (May 2013/February 2014) the audit observation and intimated that ₹ 23.25 lakh was forfeited and credited to Government account in 21 cases subsequent to audit observation and action was in process in respect of remaining cases.

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<sup>25</sup> Ongole and YSR Kadapa.

<sup>26</sup> Royalty is a kind of levy payable to the State Government in proportion to the minerals worked. It is an imposition of tax or impost whether general or local or special. Royalty is charged on major minerals at the rates decided by the Government of India.

<sup>27</sup> Seigniorage fee: Charges payable to the state government for the quantity of minerals extracted from a mine/quarry for minor minerals. The rates are specified by the state government.

<sup>28</sup> Dead rent: A lump sum amount payable to the government in lieu of royalty/seigniorage fee during the period when no mining activities are being conducted in the mine/quarry.

<sup>29</sup> Anantapur, Guntur, Hyderabad, Karimnagar, Ongole, Rajahmundry, SPSR Nellore and Tandur.

### **2.2.3 Non-collection of dues/failure to produce proof of payment**

As per Section 21(5) of MMDR Act, where any person raises, without any lawful authority, any mineral from any land, State Government may recover from such person the mineral so raised and may also recover from such person, rent, royalty or tax, as the case may be, for period during which land was occupied by such person without any lawful authority.

In the office of ADMG (Vigilance), Hyderabad, it was noticed that two lessee companies exported (January-November, 2010) 1,68,000 MTs & 16,000 MTs of iron ore from Krishnapatnam port. As they initially contended that iron ores were from Karnataka but failed to produce any documentary evidence, ADMG (Vigilance), Hyderabad arrived at evaded royalty, including cost of mineral, as ₹ 60.99 crore (₹ 55.89 crore + ₹ 5.10 crore) and requested the DDMG, Hyderabad (April 2011) to take penal action against said companies. DDMG, Hyderabad sought clarification (June 2011) from DMG as to whether a show cause notice was to be issued by him (as the addresses of firms were of Hyderabad under the jurisdiction of ADMG, Hyderabad) or by DDMG, Guntur (as dispatch of mineral took place at Krishnapatnam Port, SPSR Nellore District under jurisdiction of DDMG, Guntur). When audit highlighted (March 2012) delay in clarifying the matter, DDMG, Guntur was directed (November 2012) to deal with the case, but no further development regarding recovery of dues had taken place (May 2013).

Government replied (February 2014) that DDMG, Guntur who had jurisdiction over place of export, had issued Show Cause Notices (December 2012 and March 2013) to both firms directing them to pay evaded royalty including cost of mineral. However, the arrears remained uncollected even after more than two years since irregularities were noticed by ADMG (Vigilance), Hyderabad.

### **2.2.4 Issue of permits during periods of suspension of mining operations**

The mining operations of a lessee were suspended in December 2009 by the Deputy Controller of Mines, IBM on account of violation of Rule 13(1) of MCDR, 1988 according to which mining has to be in accordance with approved mining plan. However, even during period of suspension of mining activities, ADMG, Kurnool, issued a dispatch permit (January 2010) for transportation of 1,054 MTs of iron ore. Issue of permits during the period of suspension of mining activities was irregular.

ADMG replied (February 2014) that permits were issued to lessee for dispatch of iron ore already available in the mine. However, issue of dispatch permits during period of suspension of mining activities was in violation of MCD Regulations.



## **2.2.5 Implementation of AP Revenue Recovery Act (APRR Act)**

**2.2.5.1** As per Government order<sup>30</sup>, ADsMG have been delegated with powers to recover mineral dues under Section 52-B of APRR Act, 1864. In twelve ADMG offices<sup>31</sup>, out of dues amounting to ₹ 103.31 crore up to 31 March 2012, cases pertaining to ₹ 24.72 crore were referred to revenue authorities for taking action under APRR Act during April 2006-March 2012. Against total amount, only ₹ 1.24 crore was collected in cases relating to five ADMG offices. No collection was made in remaining seven ADMG offices<sup>32</sup>. As powers to recover mineral dues were delegated to ADsMG, recovery processes were required to be initiated by ADsMG. Inaction on their part resulted in meagre collections under APRR Act.

Government replied (February 2014) that poor recoveries under APRR Act were due to unavailability of contact details of previous leaseholders. However, despite delegation of powers, ADsMG did not take action on their own and referred the cases to revenue authorities.

**2.2.5.2** Audit noticed in office of ADMG, Banaganapalle, that a lessee company had produced 34.29 lakh MT of Limestone (Cement Grade), during 2006-07 to 2011-12. Royalty of ₹ 18.16 crore was due to be paid to Government on extraction of minerals, which the Company had failed to do. As on March 2012, royalty of ₹ 5.18 crore, interest of ₹ 7.21 crore besides dues on account of cess, taxes etc. of ₹ 27 lakh totalling to ₹ 12.66 crore were payable for the period 2006-07 to 2011-12. Although demand notices were issued year after year, no action under RR Act was initiated for recovery of Government dues.

Government replied (May 2013) that DDMG, Kurnool had issued Show Cause Notice to the defaulter (July 2012) to pay arrears of mineral revenue and the ADMG, Banaganapalle, had initiated all preventive steps to avoid further accumulation of arrears. However, Government did not furnish details of preventive steps taken by ADMG.

## **2.3 Transfer of Leases**

As per Rule 37(1) of MCR, 1960, lessee in the case of mining lease for any mineral specified in Parts A and B of the First Schedule to the Act, shall not, without the previous consent of State Government or previous approval of Central Government:

- (a) assign, sub-let, mortgage, or in any other manner, transfer the mining lease, or any right, title or interest therein; or
- (b) enter into or make any bona fide arrangement, contract or understanding whereby the lessee will or may be directly financed to a substantial extent by, or under which the lessee's operations or understandings will or may be substantially controlled by any person or body of persons other than the lessee.

<sup>30</sup> G.O.Ms.No.66, Revenue Department, Dt. 02 June 2005.

<sup>31</sup> Anantapur, Banaganapalle, Dachepalli, Eluru, Hyderabad, Kurnool, Miryalaguda, Ongole, SPSR Nellore, Tadipatri, Tandur and Yerraguntla.

<sup>32</sup> Banaganapalle, Dachepalli, Eluru, Ongole, SPSR Nellore, Tadipatri and Tandur.

As per rule 27 (5) of MCR 1960, if lessee makes any default in payment of royalty or dead rent or commits a breach of any of the conditions and if the royalty or dead rent or breach is not remedied within sixty days from date of receipt of notice, State Government may determine lease and forfeit Security Deposit.

Following discrepancies in respect of transfer of leases were noticed:

### **2.3.1 Transfer of mining leases without prior consent of Government**

Audit scrutiny in two ADMG Offices<sup>33</sup> revealed that mining rights were transferred from original lessee to another entity due to change in ownership of lease or due to transfer of rights of mining operations in three cases as explained in the following points:

**2.3.1.1** In Office of ADMG Anantapur, a mining lease for Iron ore covering 6.5 ha was given to a partnership firm with two partners in July 2006 with retrospective effect from August 2003. Two original partners of the firm retired within a span of three days in July 2005 and two new partners took over ownership of the firm. Thus, there was an outright transfer of mining rights in favour of the new partners which required prior consent of Government in absence of which lease was liable to be cancelled for transfer of rights. Government did not take any steps towards cancellation of mining rights for breach of the implied conditions.

Government replied (May 2013) that retiring of the original partners and induction of new partners took place in accordance with the Indian Partnership Act, 1932. However, the fact remains that induction of new partners or change of partners is governed by Indian Partnership Act, but mining rights were given to original partners under MCR which could not be transferred without prior consent of the Government under Rule 37 (i)(b) of MCR.

**2.3.1.2** In Anantapur, mining lease for iron ore covering 4.17 ha was given (June 2007) to a partnership firm consisting of three partners. Lease was executed in September 2007. Out of three partners, two partners retired on 30 April 2008 and on the same date four new partners were inducted into partnership with their substantial share of 95 *per cent* and the remaining partner was left with five *per cent* share. Thus the original lessee firm had entered into an arrangement/agreement whereby the finances of the firm were substantially controlled by the persons newly inducted. Prior consent of Government was not obtained for this arrangement. This was in contravention of Rule 37(1) (b) of MCR and lease was liable for cancellation under Rule 27(5) of MCR, but Government did not take any action for breach of the implied conditions.

Government replied (May 2013) that Partnership deed was entered into between lease holder and other partners of the firm and that the firm had filed application for transfer of mining lease in the name of the new partner and the same could be disposed as per rules.

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<sup>33</sup> Anantapur and Hyderabad.



However, induction of four new partners who had substantial control over the firm with 95 per cent share without prior consent of the Government was in violation of extant rules.

**2.3.1.3** In Office of ADMG Hyderabad, mining lease for quartz and feldspar covering an area of 2.04 ha was given to a lessee in December 1997 for 20 years. In August 2004, lessee had entered into an agreement of sale of leased area along with mining rights with a company for carrying out mining operations on its behalf. Mining rights were transferred to that company without prior consent of Government which was required under Rule 37 of MCR and hence lease was liable for cancellation, but Government did not take any steps towards the same.

Government did not give any specific reply to the audit observation.

### **2.3.2 Transfer of lease without payment of dues**

Rule 37 (1-A) stipulates that State Government shall not give its consent to transfer of mining lease unless transferee has accepted all conditions and liabilities which the transferor was having in respect of such mining lease.

An application for transfer of ML for iron ore over an extent of 17.00 acres in Appalanarasimhapuram village of Khammam district held by a lessee in favour of a firm was submitted in March 2009. Before case could be finalised, penalty of ₹ 24.03 lakh was imposed on the lessee by Regional Vigilance and Enforcement Department in June 2009 for transporting excess quantity of iron ore. At the request of the lessee, Government stayed (July 2009) collection of penalty of ₹ 24.03 lakh. After obtaining assurance from lessee that he would pay the mineral revenue dues, if any, Government issued orders (December 2009)<sup>34</sup> for transfer of mining lease for the unexpired portion of lease period up to April 2023. Transfer of lease without clearance of dues or obtaining consent from transferee regarding acceptance of liabilities as provided in Rule 37 (1-A) was not in order.

Government replied (February 2014) that department would take action as per rules in force for recovery of dues payable by the firm. However, request for transfer of lease should not have been considered till the amount of penalty was paid.

## **2.4 Lapse and Renewal of Leases**

### **2.4.1 Delay in lapse of mining / quarry leases**

As per Rule 28(1) of MCR 1960 and Rule 17(1) of APMMC Rules 1966, where mining / quarrying operations have not been conducted within a period of two years / six months from the date of execution of lease deed or have been discontinued for a continuous period of two years / six months after commencement of such operations, the State Government / DDMG shall, by an order, declare the mine/quarry lease as lapsed. As per Rule 28-A(1) of MCR,

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<sup>34</sup> G.O.Ms.No.244 Dt. 4 December 2009.

1960, where a lessee is unable to commence mining operations within the specified period, he may submit an application to State Government explaining reasons within six months from the date of its lapse, provided that the lease has not been revived under this provision more than twice during the entire period of lease.

(i) Audit noticed that there were no mining operations for a period ranging from two to five years in respect of 387 out of 1,147 mining leases over a total extent of 13,433.215 ha in 17 ADMG offices<sup>35</sup>. There were no quarrying operations for more than six months in respect of 492 out of 2,365 quarry leases over a total extent of 1,639.818 ha in seven ADMG offices<sup>36</sup>. However, no action was initiated to declare these leases as lapsed leases as per rule.

Government accepted the audit observation and stated (February 2014) that action had been initiated in 306 mining leases and 382 quarry leases. Delay in action on part of Department had, however, resulted in blockage of mineral bearing areas.

(ii) It was observed in ADMG, Banaganapalle and Dachepalli that four MLs for Limestone (Cement Grade) were granted<sup>37</sup> to three lessees for 30 year periods between June 1999 and February 2002, with a condition to establish cement factories within two to three years from date of grant of lease. Companies neither established cement plants nor commenced mining activities even after extensions granted by Government ranging from five to nine years (Annexure). Non-establishment of cement plants resulted in blocking of the lease areas (4,061.300 Ha).

Government replied (May 2013) that on being satisfied about adequacy and genuineness of reasons for non-commencement of mining operations or discontinuance thereof, it had passed orders extending periods of these leases to the lessees. However, grant of extension more than twice was not covered under the rules.

#### **2.4.2 Renewal of inoperative mining lease**

In Kurnool district, a mining lease for iron ore<sup>38</sup> was granted<sup>39</sup> to a lessee for a period of 30 years in August 1974. Lease covered an area of 31.16 ha. As per approved mining plan, reserves available in the lease area amounted to 3.99 lakh MTs out of which only 23,234 MTs were mined till 1988 after which no mining activity took place for 14 years till 2001-02. No proposal was sent to Government by Department at any time during this period for lapsing the

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<sup>35</sup> Anantapur, Banaganapalle, Dachepalli, Eluru, Hyderabad, Karimnagar, Kurnool, Miryalaguda, Nandigama, Ongole, Rajahmundry, Srikakulam, Tadipatri, Tandur, Vijayawada, Yerraguntla and YSR Kadapa.

<sup>36</sup> Banaganapalle, Dachepalli, Guntur, Hyderabad, Kurnool, Tandur and Vijayawada.

<sup>37</sup> G.O.Ms.No.182 I&C (M-II) Dept. Dt. 09 June 1999, G.O.Ms.No.594 I&C (M-II) Dept. Dt. 30 November 2000, G.O.Ms No.136 to 139 I&C (M-I) Dept. dt. 15 February 2000 & G.O.Ms.No.60 I&C (M-I) Dept. Dt. 05 February 2002.

<sup>38</sup> In Sy. No. Compartment No. 77 of Emboy Reserve Forest of Kurnool district.

<sup>39</sup> G.O.Ms.No.595 Ind. & Com. (Mines-III) Department, Dt. 01 June 1974.

lease. Lessee, however, had restarted mining operations and mined only 730 MTs of ore in 2002-03, after which there was no mining till 2009-10.

In the meantime, lessee had applied (March 2004) for renewal of lease. Since land belonged to the Forest Department, Government renewed <sup>40</sup>(July 2010) the lease for another 20 years with effect from August 2004 after the Forest clearance was received<sup>41</sup> (February 2010). Renewal was granted despite the fact that the holder had not operated the mine for most of the original lease period.

Government replied (May 2013) that mine was kept idle for 14 years due to objections of Forest Department. Lease was renewed as renewal application was filed in time. However, instead of renewal, lease was liable to be determined for lapse under Rule 28(1) of MCR as the leaseholder had not operated the mine during most of the lease period. Further details of objections raised by Forest Department were not furnished by the Government.

#### **2.4.3 Non-notification of areas covered by expired / lapsed leases for re-grant**

In 11 ADMG offices<sup>42</sup>, audit noticed that 230 mining leases expired/ lapsed, in or after 1983<sup>43</sup>. None of these had been notified for re-granting of leases and reasons were not forthcoming from the files.

After audit observations were raised, ADsMG had notified the areas in 143 cases and had sent proposals to District Collectors concerned for notifying same in official Gazette, as noticed from their replies (between July 2013 and November 2013). Five other cases were notified in District Gazette in the month of October, 2012 and 22 cases could not be notified as the area was covered under forest land (two cases) or because of untraceable documents (20 cases). Remaining 60 cases have not been notified.

Thus, delay in re-notification resulted in possible loss of revenue to the Government in the shape of Dead Rent / Royalty.

#### **2.4.4 Non-disposal of renewal applications for mining /quarry Leases**

In terms of Rule 24 (9) of MCR, 1960, if renewal applications for mining leases are made within time prescribed, period of the lease shall be deemed to have been extended till State Government passes orders thereon.

Audit scrutiny revealed that in four ADMG offices<sup>44</sup> leaseholders had applied for renewal within the prescribed time limit for 38 mining and five quarry leases which expired between 1992 and 2012. These applications were neither

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<sup>40</sup> G.O.Ms.No.67 Ind. & Com. (Mines-III) Department, Dt.08 July 2010.

<sup>41</sup> G.O.Ms.No.44 EFST(For-I) Department, Dt. 25 February 2010.

<sup>42</sup> Anantapur, Banaganapalle, Dachehalli, Hyderabad, Kurnool, Miryalaguda, Nandigama, Ongole, Tadipatri, Vijayawada and YSR Kadapa.

<sup>43</sup> In respect of the remaining 20 leases in ADMG, Anantapur, the extent of the area was not made available to audit.

<sup>44</sup> Banaganapalle, Kurnool, Miryalaguda and Yerraguntla.

renewed nor rejected by State Government/DMG (May 2013). There is no time limit prescribed in the rules within which the renewals are to be granted by the Government, in the absence of which interest of the Department/Government may not be adequately protected.