

Chapter 2

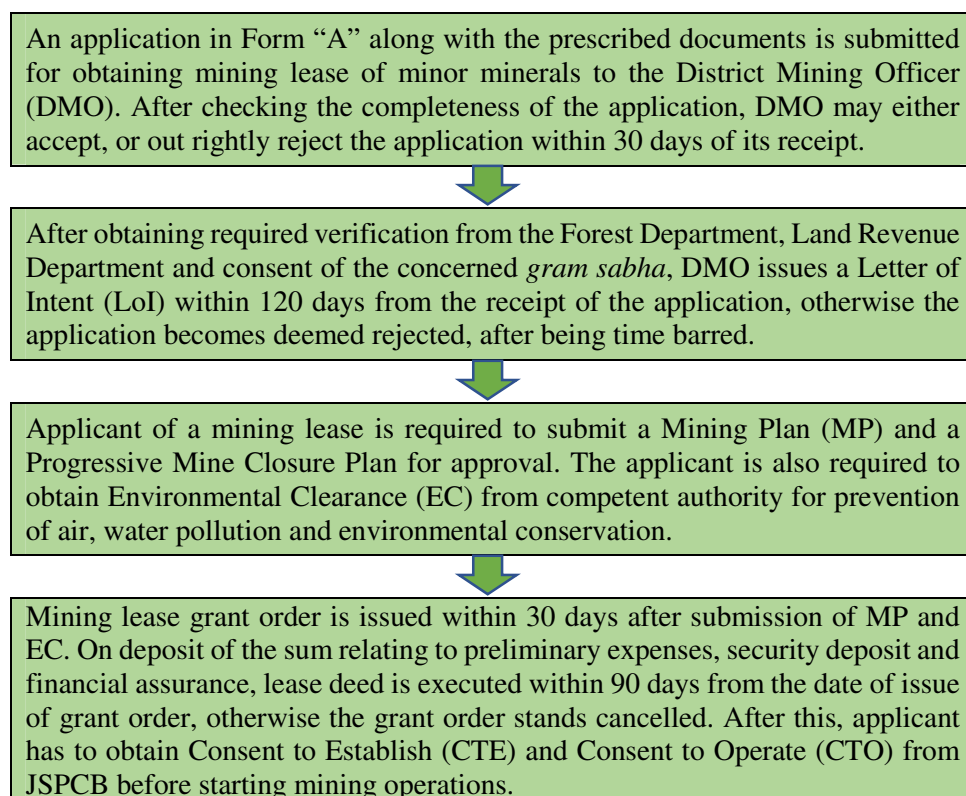
Allotment of mining leases

Section 15 of the MMDR Act, 1957 empowers a State Government to make rules for regulating the grant of quarry leases, mining leases or other mineral concessions in respect of minor minerals and for the purposes connected therewith. Accordingly, the GoJ framed the Jharkhand Minor Mineral Concession (JMMC) Rules, 2004 which have been amended from time to time. According to JMMC Rules, 2004 lease in respect of stone, *morrum* and soil over *raiya* land up to three hectares (Ha.) is granted by the Deputy Commissioner (DC) and leases in other cases of minor minerals irrespective of area and title of land, are granted through e-auction by the Director, Mines under the provisions of Jharkhand Minor Minerals (Auction) Rules, 2017 (JMMAR, 2017) framed (notified on 16 August 2017) by GoJ.

2.1 Grant of leases of minor minerals (Non-auction cases)⁹

A flow chart depicting the Standard Operating Procedure (SOP) required to be adopted for grant of mining lease of minor minerals in non-auction cases by DCs is shown in **Chart-2.1**.

Chart-2.1: SOP for non-auction cases of grant of mining leases for minor minerals



⁹ Grant of mining leases by Deputy Commissioner over *raiya* land.

Audit noticed from the data/information available on JIMMS portal (November 2023) that a total of 599 leases of minor minerals were operating in the State.

Scrutiny of data/information furnished by six DMOs¹⁰ revealed that 89 mining leases of minor minerals were granted during 2017-22. Out of these 89 cases, Audit test checked 40 cases (45 per cent of the total leases granted during the audit coverage period). Besides these, Audit also test checked 79 other cases, where mining lease was granted pre-2017 but these leases were either operational or had been renewed during the audit period (2017-22). Details of mining leases in test checked districts are shown in Table-2.1.

Table-2.1: Showing details of minor minerals leases in test checked districts as on 31 March 2022

District	No. of operating leases of minor minerals as on 31.03.2022	No. of mining leases granted during 2017-22	No. of leases test checked out of no. of mining leases granted during 2017-22	No. of leases test checked allotted prior to 2017 (part of sampled leases)
Chaibasa	11	00	00	10
Chatra	13	03	02	08
Dhanbad	62	12	12	12
Pakur	51	24	07	20
Palamu	54	30	04	21
Sahibganj	78	20	15	08
Total	269	89	40	79
Total leases test checked			119	

Source: information provided by DMOs

During the examination of these 119 cases, Audit noticed several irregularities in 44 cases of grant of mining leases, which are shown in Table-2.2 and discussed in detail in subsequent paragraphs.

Table-2.2: Showing brief of irregularities in grant of minor minerals

Sl. No.	Brief of irregularities	District	No. of Cases
1	The Deputy Commissioner (DC) was not competent to grant mining lease over an area above three Ha. of Raiyati land ¹¹ but the same was granted by the DC. (Paragraph 2.1.1.1)	Sahibganj	1
2	Mining lease was granted where DMO <i>suo moto</i> reduced the applied area. (Paragraph 2.1.1.2)		1
3	Mining lease was granted over forest land against the provisions of Rule 5(3) of JMMC Rules, 2004 and Forest Conservation Act 1980. (Paragraph 2.1.2)	Palamu	7
		Chatra	1
4	Mining lease was granted on incomplete set of mandatory documents. (Paragraph 2.1.3)	Chaibasa	4
		Chatra	4
		Dhanbad	6
		Pakur	4
		Palamu	1
		Sahibganj	11

¹⁰ Chaibasa, Chatra, Dhanbad, Pakur, Palamu and Sahibganj.

¹¹ Nature of land (belongs to individual) as shown in Register 2, a government revenue record.

Table-2.2: Showing brief of irregularities in grant of minor minerals

Sl. No.	Brief of irregularities	District	No. of Cases
5	Mining lease was granted to the defaulters. (Paragraph 2.1.3 bullets)	Dhanbad	2
		Pakur	2
Total			44

2.1.1 Irregular grant of leases

Audit observed frequent changes in the JMMC Rules, 2004 in respect of grant of lease of stone quarries. Period-wise changes in Rules and their impact on lease applications and authority of DC to grant mining lease over *raiya*ti land is explained below:

- **JMMC Amendment Rules, 2017: During 02 March 2017 to 11 December 2017**
 - (i) Application for mining lease below five Ha. of *raiya*ti land could be made to the DC who was empowered to grant the same.
 - (ii) Any applications, for grant of lease over an area exceeding five Ha. of *raiya*ti land that were pending on the date the amendment came into effect, became deemed ineligible, except those cases where LoI had been issued subject to a condition that applicant would have to submit MP and EC within 180 days from the date of notification *i.e.*, 01 September 2017 otherwise it would be deemed rejected.
- **JMMC (2nd Amendment) Rules, 2017: During 12 December 2017 to 13 March 2019**
 - (i) Application for mining lease below five Ha. of *raiya*ti land could be made to the DC and he was empowered to grant the same.
 - (ii) All pending applications for mining leases irrespective of area over *raiya*ti land became deemed ineligible except those cases where LoI had been issued subject to a condition that applicant would have to submit MP and EC within 180 days from the date of notification *i.e.*, 12 December 2017 otherwise it would be deemed rejected.
- **JMMC (Amendment) Rules, 2019: From 14 March 2019 to till date**
 - (i) DC can grant mining lease for stone, *morrum* and soil only over *raiya*ti land having area up to three Ha.

Under the provisions of Rule 62 of the JMMC Rules, 2004, an applicant could file an appeal before the Mines Commissioner for review of rejection of application, within 60 days of the rejection order or within 75 days of deemed rejection.

From the scrutiny of lease files in DMO, Sahibganj, Audit noticed two cases where leases for minor minerals were irregularly granted as discussed below:

2.1.1.1 Irregular grant of mining lease over an area of three Ha.

An applicant had applied (September 2017) for stone mining lease over an area of 4.74 Ha. of *raiyati* land for which DMO, Sahibganj issued LoI (October 2017). Meanwhile the second amendment to JMCC Rules was issued (12 December 2017) vide which the applicant had to submit the MP & EC within 180 days from the date of issue of LoI. Since the applicant failed to submit the MP and EC by the due date of 11 June 2018, his application became deemed rejected (June 2018). However, it was noted that despite being deemed rejected, the applicant applied for EC to SEIAA in October 2019, which was subsequently granted in November 2019.

In the meantime, Rule 9(1) (क) of JMMC Rules, 2004 was again amended (w.e.f. 28 September 2020), stating that if an application for mining lease could not be disposed of due to non-submission of MP and EC within 180 days from the date of issue of LoI, and if there was no fault on the part of the applicant for delay, the Mines Commissioner may consider the application on the merit of the case.

The applicant filed (October 2020) a revision petition before the Mines Commissioner, Jharkhand who, after review, remanded back (22 December 2020) the case to the DC, Sahibganj with a direction to examine the matter afresh, subject to the submission of statutory clearances as per the provisions laid down in the JMMC Rules. In response to the instructions of the Mines Commissioner, DC, Sahibganj granted (February 2021) mining lease on the basis of proposal note presented (December 2020) by DMO, Sahibganj. Subsequently, lease deed was executed (April 2021) for the period from 08 April 2021 to 07 April 2031.

Audit observed that the applicant filed review petition after deemed rejection of the application, which was remanded back to DC, Sahibganj with a direction to examine the matter afresh. The DMO, Sahibganj, however, misinterpreted the order and recorded that the Commissioner had not held the applicant responsible for delay in getting the EC and forwarded the proposal note to the DC. Audit, however, noticed that the delay was on the part of the applicant as he had applied (October 2019) for EC after lapse of 10 months when the application had already become deemed rejected. As such, DMO, Sahibganj presented incorrect and misleading fact in his proposal note forwarded to DC, Sahibganj, who granted (February 2021) the lease without verifying the intent/content of orders of the Commissioner.

Audit further observed that in terms of Rule 9(1) of JMMC (Amendment) Rules, 2019, the DC was not competent to grant mining lease over an area

of three Ha. and above. Mining lease over an area of three Ha. and above was required to be put to e-auction. However, DC, Sahibganj granted the mining lease (4.74 Ha. on *raiya* land) over the area beyond his authority in gross violation of Rules *ibid*. Compliance to the procedure for grant of lease over areas of three Ha. and above, through e-auction, could have generated higher revenue.

2.1.1.2 Grant of mining lease by irregular reduction in applied area

An applicant had applied (02 March 2019) for mining lease over an area of 3.136 Ha. on *raiya* land for which DMO, Sahibganj issued (June 2019) LoI for an area of 2.833 Ha. and EC was issued in October 2019. The mining lease was granted by DC, Sahibganj and grant order was issued by DMO, Sahibganj (July 2021). Subsequently, lease deed was executed (August 2021) for the period of 10 years from the date of execution of lease deed.

Audit observed that in terms of Rule 9(1) of JMMC (Second Amendment) Rules, 2017 and Rule 9(1) of JMMC (Amendment) Rules, 2019 effective from 14 March 2019, all applications for mining lease over an area of three Ha. and above should have become deemed ineligible and those areas should have been settled through e-auction. However, DMO, Sahibganj not only entertained the application but also issued LoI by arbitrarily reducing the area to 2.833 Ha. without any request from the applicant for reduction of the lease area. Thus, reduction in the applied area was indicative of connivance between the district administration and applicant to circumvent the provisions for grant of lease through e-auction. Responsibility for misleading competent higher authorities and granting undue favour to the applicant, needs to be fixed.

2.1.2 Irregular grant of lease over forest land

Rule 5(3) of JMMC Rules, 2004 stipulates that no mining lease will be granted on protected and conserved forests without prior approval of the Central Government. Further, MoEFCC issued letter (F.No.11-28/2005-FC, GoI) stating that the legal status of any land recorded as forest or *Jungle Jhar* in revenue records could not be changed without the prior approval of the Central Government as per provisions of the Forest Conservation (FC) Act, 1980. The GoJ conducts surveys for updating the nature of lands. Based on these surveys, the nature of land is periodically updated, replacing the old ones from the date of notification. New survey document would become effective only after it is notified, without which, such document would not be valid.

In DMOs, Chatra and Palamu, eight leases of stone were granted on the basis of reports of Circle Officer (CO) wherein nature of land was described as *Gair-Mazarua Parti Kadim*, *patthar pahar*, *tand-II*, *purani parati* and

dhanhar-II. Audit examined these cases and observed that these leases were granted on the land which were *Jungle Jhar* and fell under the category of forest land under the provisions of the FC Act, 1980. Details of examination of these leases are shown in **Table-2.3**.

Table-2.3: Cases of Irregular grant of mining leases over forest land

Sl. No.	Details of lease and Date of Grant	District	Nature of land as per CO's Report	Audit observation
A. Audit scrutinised the cases due to complaints of villagers found in the records				
1	Ravi Shankar Singh, Mauza-Kharwadih, Circle-Chhatarpur, Old Khata No- 18 and Plot No.- 515	Palamu	<i>Patthar Tand-II and Dhanhar-II</i>	Scrutiny of cadastral map (year 1915-16), which was based on the old survey report revealed that the nature of land was depicted/ symbolized as <i>Jungle Jhar</i> .
2	Ashutosh Stone Mines, Mauza-Dalkoma, Circle-Hunterganj, Khata No.- 31 & 34, Plot No. 223 & 221/238, Date of grant- 09.06.2014	Chatra	<i>Gair Mazarua-Parti Kadim</i> ¹²	From the inquiry report (November 2022) of Sub-Divisional Officer conducted at the instance of villagers' complaint, Audit noted that nature of land was described as <i>Jungle Jhar</i> in the revenue records, but DMO did not take any action against the lessee.
B. Audit scrutinised the cases misreporting of nature of land by the CO on the basis of un-notified new survey report				
3	Raj Kumar Khurana, Mauza- Munkeri, Circle-Chhatarpur, old Khata No.- 218, Plot No.-1480, Date of grant-07.08.2013	Palamu	<i>Patthar</i>	In response to the Audit queries Assistant Settlement Officer, Palamu informed that the nature of land in four cases could not be ascertained as the <i>Khatiyani</i> was torn. Audit noticed that the nature of land as reported by the CO was based on a new survey report that had not been notified. However, scrutiny of cadastral map (year 1915-16), which was based on the old survey report revealed that the nature of land was depicted/ symbolised as <i>Jungle Jhar</i> .
4	Chandra Bhusan, Mauza-Munkeri Circle-Chhatarpur, old Khata No.- 218, Plot No.- 1505 & 1507. Date of grant- 15.02.2016		<i>Patthar pahar</i>	
5	Mahadeo Construction Mauza- Munkeri, Circle-Chhatarpur, old Khata No.- 218, Plot No.- 2751, Date of grant- 21.12.2015		<i>Purani Parti, Gai. Aam</i>	
6	Anup Singh, Mauza-Munkeri, Circle-Chhatarpur, old Khata No.- 218, Plot No. 110, Date of grant- 21.12.2015		<i>Pahari</i>	

¹² A nomenclature of nature of land.

Sl. No.	Details of lease and Date of Grant	District	Nature of land as per CO's Report	Audit observation
7	Shyam Stone Mines, Mauza- Karmakala, old Khata No.- 152, Plot No.- 994, Date of grant- 09.06.2015	Palamu	<i>Patthar</i>	In this case, Assistant Settlement Officer, Palamu informed that the nature of land was changed from <i>Jungle Jhar</i> (as shown in old survey report) to <i>Patthar Pahar</i> in the new survey report. However, the CO reported the nature on the basis of new survey report that had not been notified.
8	Ramashish Singh, Mauza- Madhya, Circle- Chhatarpur, old Khata No.- 40, Plot No.- 653(P), Date of grant- 27.02.2016		<i>Patthar Pahar</i>	The CO reported the nature of land as <i>Patthar Pahar</i> on the basis of new survey report, however, Audit checked and observed that in <i>Jharbhoomi</i> ¹³ portal the nature of land was still shown as <i>Jungle Jhar</i> .
In all these six cases (Sl. No. 3 to 8) the nature of land was misreported on the basis of a new survey report which was not notified (as of October 2023) hence should not have been taken into consideration.				

In view of the above, effecting the change in the legal status of the land recorded as *Jungle Jhar* in revenue records, without prior approval of the Central Government was in violation of the FC Act, 1980.

Audit also noticed that though the Department had introduced an automated system (JIMMS) for simplification of the complex mining process and records, but the facility for online application for mining lease/renewal had not been provided. Besides this there was also no integration of the JIMMS with the data of the Department responsible for maintaining land records. Resultantly, DMOs were dependent on CO's report for ascertaining the nature and use of land, for granting/not granting mining leases.

In reply, DMO, Palamu informed (June 2024) that a committee was constituted by DC, Palamu for examining the cases pointed out by Audit. The Committee had found that all the seven leases were irregularly granted over forest land. Out of these seven leases, one lease has expired, six leases were cancelled, and action was being taken to fix the responsibility on the erring officials. No reply regarding the remaining one case has been received either from the Department or from the DMO.

2.1.3 Incomplete set of mandatory documents

Under the provisions of Rule 9(1) of JMMC Rules, 2004 a person had to apply for mining lease of minor minerals along with a set of documents prescribed under Rule 9(2) to 9(8) like two separate affidavits, valid Royalty

¹³ Web-portal of Revenue and Land Reforms Department, GoJ.

Clearance Certificate¹⁴ (RCC), letter of consent of landlords *etc.* Rule 9(9) also stipulates that the competent authority should outrightly reject the application within 30 days from its receipt if the complete set of documents is not enclosed with the application.

Audit noticed from scrutiny of 119 test checked lease files in all six selected districts that, in 30 cases, complete sets of mandatory documents (Detailed in **Appendix-2.1**) were not enclosed with the application form as shown in **Table-2.4**.

Table-2.4: Grant of lease based on incomplete sets of mandatory documents

Sl. No.	District	Number of cases in which complete set of mandatory documents not enclosed
1	Chaibasa	4
2	Chatra	4
3	Dhanbad	6
4	Pakur	4
5	Palamu	1
6	Sahibganj	11
Total		30

Source: Information provided by DMOs.

Thus, in the absence of the complete sets of documents, these applications should have been rejected by the competent authority (DMO concerned) within 30 days from their receipt. However, it was noticed that despite insufficient documentation leases were irregularly granted by the concerned DCs.

As per Rule 9 (5) of JMMC Rules, 2004 applicants were required to submit a valid RCC for last year, but DMOs did not adhere to the provisions of JMMC Rules, 2004, and four leases were granted to applicants who had mining dues in same or in other districts at the time of application, as discussed in the following paragraphs:

- At DMO, Dhanbad, Asit Kumar Mandal and Azad Ansari had jointly applied for three stone mining leases between February and March 2016. For these leases, three affidavits were submitted with the applications wherein in two affidavits it was noted that Mr. Azad Ansari (co-applicant) had declared that he did not have any mining lease in the State, in case of the third affidavit, Mr. Ansari stated that he was holding one lease in Jamtara. As such, on the basis of the third application, it may be seen that Mr. Ansari had made false declarations in his first two affidavits submitted with first two applications. In all the three cases the RCC was not submitted

¹⁴ RCC is a certificate issued by DMO which certifies that the applicant does not have any mining dues.

by the applicants. Hence, the affidavits in respect of two applications were incorrect and one affidavit was not supported by the required RCC. Thus, all the three applications were liable to be rejected due to non-submission of these documents under the provisions of Rule 9(9) of JMMC Rules, 2004. However, DMO, Dhanbad granted (August 2017) the three leases to the applicants. Audit obtained information from DMO, Jamtara which revealed that dues amounting to ₹ 2.97 lakh were outstanding against Azad Ansari at the time of application.

- In another case at DMO, Dhanbad, Rameshwar Mahto had applied (December 2020) for mining lease for Stone. The applicant was holding a mining lease in Bokaro district and submitted an RCC but, this was issued in June 2016 by DMO, Bokaro instead of being an RCC for the year 2019-20. The DMO Dhanbad granted (January 2022) the lease on the basis of old RCC, instead of seeking the latest RCC. Audit obtained updated information from DMO, Bokaro which revealed that Rameshwar Mahto had outstanding dues amounting to ₹ 0.76 lakh at the time of application.
- At DMO, Pakur, M/s Black Diamond Stone Works had applied (June 2016) for mining lease for stone without enclosing RCC from Mahbul Sheikh, one of the partners in the firm. Audit noticed from the scrutiny of Register IX¹⁵ that Mr. Mahbul Sheikh was a defaulter in payment of dues of ₹ 10.74 lakh in two certificate cases registered in the same district. Despite the fact that one of the partners of the applicant firm, M/s Black Diamond Stone Works was a defaulter in the same district, mining lease was granted (September 2017) without submission of RCC as required under Rule 9 (5) of JMMC Rules, 2004. As the document was deficient in terms of submission of RCC by co-applicant, the application should have been outrightly rejected, but the DMO did not adhere to the provisions resulting in grant of lease to a defaulter.
- In another case at DMO, Pakur, M/s Bajrang Stone Works had applied (February 2016) for mining lease for stone. In the application Form submitted, Mr. Somraj Bhagat was declared as a partner of M/s Bajrang Stone Works and affidavit in respect of only Mr. Somraj Bhagat was submitted. DMO, while processing the application, did not enquire about other partners of the firm and granted (September 2019) the mining lease. Audit noticed that surface rights of the land (over which application was submitted for seeking mining lease) were in the names of Mr. Somraj Bhagat and Mr. Dilip Kumar Bhagat (father of Somraj Bhagat). Further scrutiny of Register IX revealed that Dilip Kumar Bhagat had defaulted (as proprietor of the firm M/s Bajrang Stone Works) in payment of mining dues of

¹⁵ Register maintained at DMO to watch progress of Certificate cases initiated for recovery of mining dues which contains details of defaulters, amount to be recovered and nature of default *etc.*

₹ 3.99 lakh in two certificate cases (registered in the same district). Thus, there were deficiencies in the scrutiny of applications and visible facts by the DMO due to which mining lease was irregularly awarded despite deficient documents attached with the application.

Audit noticed that though Rule 9 (5) of JMMC Rules, 2004 mandates submission of valid royalty clearance of all mining leases held by applicants in Jharkhand with every application, there was no system in place for verification of leases held by applicants, unless the applicant himself offers a declaration regarding holding any lease either presently or previously. There was also no system in place to check for any omission of information by the applicant or, if he/she already held leases and had defaulted in payment of royalty.

A centralised/defined system for issuance of royalty clearance certificate either manually or electronically was absent in the State. Further, there were no cross checks or control measures in place while granting mining lease, due to which defaulters were able to obtain new leases despite having mining dues.

2.2 Management of mining leases

According to the provisions of the JMMC Rules, 2004, as amended from time to time, extension of leases of minor minerals (mentioned in Schedule-2) over government land and *raiyati* land above five Ha. could be extended up to 31 March 2022 and renewal over *raiyati* land having area of up to three hectares is granted by the Deputy Commissioner (DC).

2.2.1 Irregular renewal of mining lease

Rule 9(1)(क) of the JMMC (Amendment) Rules, 2017 (date of notification, i.e., effective from 2 March 2017), stipulates that mining lease for minor minerals (stone, *morrum* and soil) over an area of more than five Ha.¹⁶ of *raiyati* land would be granted by Director, Mines through e-auction.

Scrutiny of records revealed that a stone mining lease over an area of 6.026 Ha. of *raiyati* land under DMO, Sahibganj valid up to 9 October 2017, was renewed on the approval of DC, Sahibganj in October 2017 for a period of 10 years, despite the fact that the DC was not competent to grant lease over *raiyati* land exceeding five Ha.

Irregular renewal deprived the exchequer of chances of collection of higher revenue by grant of lease through auction process. Responsibility needs to be fixed for violation of extant provisions of Rule 9(1) of JMMC Rules by erring officials.

¹⁶ This limit was amended to three Ha. vide gazette notification no. 218 dated 14 March 2019.

2.2.2 Irregular cancellation of mining lease

As per Rule 9(1)(घ) of JMMC (Amendment) Rules, 2017 effective from 02 March 2017 all applications for grant of mining lease over Government land or *raiyati* land having area of five Ha. and above (later applicable to all cases irrespective of area applied through 2nd Amendment effective from 12 December 2017) will be deemed ineligible as the amended Rules provide for settlement of such mines through e-auction only. Further, leases, having area of five Ha. and above, pending renewal, due to want of EC/MP shall be granted extension up to 31 March 2020 under the provisions of Rule 9(1)(घ).

In case of one stone mining lease at DMO, Sahibganj, the lessee had applied (September 2017) for renewal of his mining lease over an area of 2.023 Ha. of *raiyati* land. This lease was going to expire in December 2017. The DC, Sahibganj granted renewal (on 01 December 2017) for a further period of 10 years but the renewal was later cancelled (August 2018) in light of JMMC (2nd Amendment) Rules and extension was granted only up to 31 March 2020.

Audit observed that provisions of Rule (extension of lease period) were not applicable in case of renewal of leases for an area of less than five Ha. of *raiyati* land. Furthermore, the renewal order (01 December 2017) in this case was passed before the issue of notification (12 December 2017) of JMMC (2nd Amendment) Rules. Hence, the cancellation of renewal of lease was irregular and deprived the lessee of renewal of lease for 10 years. The irregular action also caused potential revenue loss to exchequer for the remaining period of seven years as the mine remained idle after expiry of extended period.

2.2.3 Irregular extension of lease period

Audit observed frequent changes in the JMMC Rules, 2004 in respect of renewal of lease and period of lease (or extension of lease period) of stone mines. Period-wise changes in Rules and their impact on lease period in renewal cases is shown in **Table-2.5**.

Table-2.5: Amendments in Rule 9(1)(च) and (छ) of JMMC Rules, 2004 and impact thereof

Period	Rule 9(1)(च) and (छ) of JMMC Rules, 2004		
	Applicable for determining period of those leases whose renewal application became time barred due to non-obtaining of EC/MP prior to the notification.		
	0 to < 3 Ha. (<i>raiya</i> land)	≥ 3 and < 5 Ha. (<i>raiya</i> land)	Govt. land and <i>raiya</i> land above 5 Ha.
1st Amendment 2017 02 March 2017 to 11 December 2017	Up to original period of lease	Up to original period of lease	Up to original period of granted/ renewed lease or 31 st March 2020 which is later.
2nd Amendment 2017 12 December 2017 to 29 September 2020	Up to original period of granted/renewed lease or 31 st March 2020 which is later.		
30 September 2020 to 31 st March 2022	Up to original period of granted/renewed lease or 31 st March 2022 which is later (in those cases only where extension of lease period granted up to 31 st March 2020)		

In six sampled districts, Audit test checked 44 cases out of 78 cases where extension of lease period was granted under the amended Rule 9(1)(च) and (छ) of JMMC Rules, 2004 during 2017-22 as shown in **Table-2.6**.

Table-2.6: Number of mining leases extended during 2017-22 and test checked during audit

District	No. of mining leases where extension of lease period was granted during 2017-22	No. of cases test checked	No. of ineligible applicants
Chaibasa	02	02	01
Chatra	00	00	00
Dhanbad	12	10	10
Pakur	39	12	10
Palamu	05	05	05
Sahibganj	20	15	07
Total	78	44	33

Source: information available on records of DMOs.

As detailed in **Table-2.6**, Audit noticed in 33 out of 44 stone mining leases in five test checked districts¹⁷ (lease end period ranged between August 2014 and December 2021) that lessees had submitted applications for renewal/extension between March 2018 and June 2021 *i.e.*, after the date of notification of the JMMC (First and Second Amendment) Rules, 2017. The extension of lease period (up to 31 March 2020 and further up to 31 March 2022) was granted to all these 33 lessees.

As per the provisions of Rule 9(1) of JMMC (2nd Amendment) Rules, 2017 extension of lease period was allowable only to those lessees, whose renewal applications were made prior to the date of notification of the

¹⁷ Chaibasa, Dhanbad, Pakur, Palamu and Sahibganj.

amendments but had become time barred due to non-submission of EC/MP. In these 33 cases, lessees had applied for renewal/extension after the date of notification of amendments, hence, grant of extension in all these cases was not allowable. The DMOs concerned, however, granted extension of lease period in these cases in violation of the provisions of JMMC (Amendment) Rules, 2017; JMMC (Second Amendment) Rules, 2017 and JMMC (Amendment) Rules, 2020 (**Appendix-2.2**).

This resulted in irregular extension of lease period with the approval of DC, an action fraught with risk of connivance between the district administration and applicant to circumvent the provisions for grant of lease through auction process.

2.3 Non-lapsing/cancellation of inoperative leases

As per terms and conditions (No. 24) of Part-VII of the Model Lease Deed annexed with JMMC Rules, if a lessee, without obtaining prior approval of competent officer or DC, does not carry out mining operation in his mine for a continuous period of one year, his lease may be cancelled.

During the scrutiny of lease files with allied records of two mining leases of minor minerals (earlier major minerals) at DMO, Chaibasa and two mining leases of stone at DMO, Sahibganj, Audit noticed that the lessees had discontinued mining operations for a continuous period of one to more than five years during the period 2017-23 as shown in **Table-2.7**.

Table-2.7: Showing details of leases that required to be declared lapsed

Sl. No.	District	Name of lease	Mineral	Area (in acre)	Lease period	Period of discontinuance as of 31.3.2023
1	Chaibasa	M/s Mangi Lal Rungta	China clay	226.81	Up to 15.07.2025	Since 2017-18 (six years)
2		Sri Keyur Sinha	Quartz	39.93	24.07.2009 to 23.07.2039	Since 2017-18 (six years)
3	Sahibganj	Sri Somnath Ghosh	Stone	4.00	06.02.2017 to 05.02.2027	Since 2020-21 to date (three years)
4		M/s Mahakal Stone	Stone	6.25	10.01.2022 to 09.01.2032	Since inception (one year)
Total				276.99		

Source: Information available on records of DMOs.

It was noticed during audit scrutiny that, DMOs/DCs, of both these districts did not declare the mining leases lapsed or take steps to cancel these leases. Thus, these leases over a mineralised area of 276.99 acre were lying idle resulting in blockage of State revenue and affecting mineral development and employment generation.

2.4 Grant of mining leases through auction

Government of Jharkhand has framed Jharkhand Minor Mineral (Auction) Rules, 2017 effective from 06 September 2017 for grant of mining leases through an e-auction process. These rules were to apply to all minor minerals except soil, brick earth, *morrum*, reh soil, clay for making Raniganj tiles and stone (boulder, *bajri*, shingle, stone brick, stone dust) over an area of less than three Ha. of *raiyati* land (amended through Rule 9(1) of JMMC (Amendment) Rules, 2019).

The Director, Mines/DC would initiate an e-auction process for grant of a mining lease with respect to an area within the district, if the mineral contents in such area have been established by Director, Geology under the provisions of Jharkhand Minor Minerals (Evidence of Mineral Contents) Rules (JMMEMC Rules), 2018.

Existence of mineral content is required to be established in an area for the purpose of auction of Mineral Blocks by carrying out exploration as per suggested geological parameters and exploration norms. JMMEMC Rules, 2018, provide for two stages of exploration *i.e.*, C2: General Exploration followed by C1: Detailed Exploration.

Further, Rule 6 of JMMEMC Rules, 2018 provides that an area shall be considered for granting a mining lease if, Detailed Exploration (C1) has been completed to establish Indicated/Measured Mineral Resource and a geological study report has been prepared in respect of such an area.

During the course of Audit, it was observed that the Department did not have any reliable data about the minor mineral reserves in the State. In response to an audit enquiry, the Department stated that previously minor minerals (which were major minerals prior to February 2015) reserve data was maintained by the Indian Bureau of Mines (IBM) but at present, neither IBM nor the State Government maintains minor minerals inventory.

The Directorate of Geology prepared¹⁸ 292 blocks of minor minerals after conducting General (C2) and Detailed (C1) explorations, during the period from 2018-19 to 2021-22, which were forwarded to the Director, Mines for auction process.

2.4.1 Delay in auction process

Out of 292 minor mineral blocks prepared, 278 were available for settlement during 2018-23, but auction process was initiated for only 47 stone blocks (16 *per cent*) and just 11 cases (3.77 *per cent*) were completed during this period. The details are shown in **Table-2.8**.

¹⁸ Identified the location and area; kind and grade of minerals; estimated the volume of mineral reserve *etc.*

Table-2.8: Showing details of minor minerals blocks prepared during 2018-23

Year	Mineral	Mineral blocks available for auction in beginning of year	No. of mineral blocks prepared	Total mineral block available for auction during the year	No. of mineral blocks put on auction	No. of blocks where auction process had been completed
2018-19	Stone	00	37	42	03	01
	Decorative stone		01		00	00
	Mica		02		00	00
	Quartz		01		00	00
	Mica & Quartz		01		00	00
	Total		42		03	01
2019-20	Stone	39	22	64	00	00
	Decorative stone		02		00	00
	Mica		01		00	00
	Total		25		00	00
2020-21	Stone	64	22	90	00	00
	Decorative stone		04		00	00
	Total		26		00	00
2021-22	Stone	90	199	289	11	00
	Total		199		11	00
2022-23	Stone	278	00	278	33	10
	Total		00		33	10
Grand Total			292		47	11

Source: Information provided by the Directorate of Geology.

From **Table-2.8**, it is evident that though 42 mineral blocks were prepared during 2018-19 but auction process could be initiated in three cases only. Further, 90 mineral blocks were available for auction during 2019-21 but, the auction process could not be initiated even in a single case during these two years. Furthermore, auction process was initiated in only 44 cases out of the 289 mineral blocks available during 2021-23. Thus, the department had initiated auction process only in 47 mineral blocks out of 292 blocks prepared for auction and only 11 blocks were settled during 2018-23 due to lackadaisical approach of the Department towards auction of mineral blocks. Delayed auction of available minor mineral blocks put stress on available functional leases and ultimately led to unscientific mining (as discussed in **Chapter 4**).

Audit observed that delay in auction process and low percentage of initiation and finalisation of auction cases was due to lack of monitoring by the Department and deficiencies in planning, which restricted effective conduct of auctions in a phased and time bound manner. This has not only adversely affected flow of revenue to the State but also impacted potential employment generation and development.

2.4.2 Incorrect estimation of mineral reserves and defective auction of mineral blocks

Out of 47 cases, Audit examined 13 cases (10 cases where auction process had been completed and three cases where auction process was in progress). During the scrutiny of estimation of Geological Reserve (GR) of these 13

cases, Audit noticed that in three cases there were irregularities in determination of allowable depth (mining activities below ground water are not permissible as per JMMC Rules) and arithmetical errors in reserve estimation, as detailed below:

(i) In two cases¹⁹ Audit observed that allowable depths (21 meter and 27 meters) of mining activities in the Mining Plans exceeded the ground water table (11.63 meters and 5.40 meters), reported by the Central Ground Water Board (CGWB), by 9.37 meters and 21.60 meters respectively. Based on these faulty Plans, the Department estimated GRs (February 2022), prepared mineral blocks and conducted auction for further settlement. As such, GR estimation, below the average depth of ground water table was irregular. Allowing the auction of these blocks raised the risk of unsustainable mining.

(ii) Arithmetical errors were noticed in estimation of GR in two old mineralised blocks²⁰, where auction process had been completed as detailed below:

- In one case, GR was wrongly computed (February 2022) by the Directorate of Geology as 7,280.77 m³ instead of 72,808.14 m³ which resulted in under estimation of mineral reserve by 65,527.37 m³.
- In another case, total estimated reserve was 1,24,212.22 m³ as per previous MP. However, there was depletion of reserve of 1,21,742.13 m³ due to previously excavated quantity and balance reserve was only 2,470.10 m³ but in the GR, this was computed as 2,04,491.48 m³ resulting in over-estimation by 2,02,021.38 m³.

Thus, these two GRs were defective in terms of reserve estimation. Further scrutiny revealed that auction had been conducted on the basis of incorrect estimation of resources made in GR as shown in **Table-2.9**.

Table-2.9: Showing financial impact of incorrect GR on key parameters

(₹ in lakh)

Particulars	Mineral Block	
	Sarmanda-A	Pandiasai
Correct quantity of reserve (m ³)	72,808.14	2,470.10
Incorrect quantity of reserve (m ³)	7,280.77	2,04,491.48
Difference (m ³)	65,527.37	(-) 2,02,021.38
Value of estimated reserve (VER) (₹ 448.09 per m ³)	(-) 293.62	(+) 905.24
Bid security (0.25% of VER)	(-) 0.73	(+) 2.26
Upfront payment (0.5% of VER)	(-) 1.47	(+) 4.53
Performance Security (0.5% of VER)	(-) 1.47	(+) 4.53
Total financial impact; short (-) and excess (+)	(-) 3.67	(+) 11.32

Source: GR and Comparative Statement of bid.

¹⁹ Bara Bhumari Stone Block and Pandiasai Stone Block.

²⁰ Pandiasai Stone Block and Sarmanda-A Stone Block.

It is evident from the above that incorrect estimation of reserve in GR had affected threshold value of key parameters of bidding, rendering the entire bidding process questionable. This incorrect estimation could lead to extraction of non-mineable resources in the second case where the actual mineable reserve was only 2,470.10 m³. Furthermore, such incorrect estimation of reserves would also lead to grant of irregular EC which may impact the environment adversely.

2.5 Recommendations

The Government/Department may:

- *implement a system of online application of mining lease and put in place a procedure for issuing/obtaining centralised royalty clearance certificates through JIMMS. The Department may also ensure integration of JIMMS with online land records;*
- *take necessary steps to cancel leases granted on Jungle Jhar/forest land and restore legal status of such land;*
- *cancel inoperative leases and expedite auctioning process of mineral blocks for revenue augmentation and mineral development in the State; and*
- *fix responsibility on erring officers who violated provisions of the relevant Acts and Rules by misreporting the nature of land to be leased for mining.*

