

**KARNATAKA LOKAYUKTA**

No. COMPT/LOK/BCD/89/2007

Multi-Storied Building,  
Dr. B.R. Ambedkar Veedhi,  
Bangalore - 560 001.

Dated 27th July, 2011

**REPORT ON THE REFERENCE MADE BY THE GOVERNMENT  
OF KARNATAKA UNDER SECTION 7(2-A) OF THE  
KARNATAKA LOKAYUKTA ACT, 1984  
(PART - II)**

- Ref:** (i) Govt. Notification No. CI 164 MMM 2006,  
dated 12/03/2007
- (ii) Govt. Notification No. CI 164 MMM 2006 (Part),  
dated 09/09/2008
- (iii) Govt. Notification No. CI 164 MMM 2006 (Part),  
dated 24/12/2008 and
- (iv) Government Order No. CI 164 MMM 2006 (Part),  
dated 19/07/2010

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In exercise of powers conferred under Section 7(2-A) of the Karnataka Lokayukta Act, 1984 (hereinafter referred to as the 'Act'), the Government of Karnataka, had referred the following issues for investigation and for submission of a report by the Lokayukta to the Government with specific recommendations, vide Government Order No. CI.164.MMM.2006 dated 12/03/2007. The scope of investigation, as per the said Government Order, covers the period from 01/01/2000 to 22/07/2006. Subsequently, vide G.O. No. CI 164 MMM 2006 (Part), dated 09/09/2008, the scope of investigation was extended till 09/09/2008 and vide No. CI 164 MMM 2006 (Part), dated 24/12/2008, the scope of investigation was further extended till 24/12/2008. Thereafter, vide No. CI 164 MMM 2006 (Part), dated 19/07/2010, the scope of investigation is

further extended till 19/07/2010, after including one more term of reference, in addition to those contained in the G.O. dated 12/03/2007. The terms of reference as per G.O. No. CI 164 MMM 2006, dated 12/03/2007 are as follows:

The facts leading to the reference as well as the terms of reference are as follows:

*“(i) The spurt in the international prices of steel and iron ore during last 3-4 years has made the mining and export of high quality iron ore from the mining in Bellary, Tumkur and Chitradurga Districts very lucrative. With the average cost of production of iron ore at around Rs.150 per ton, and the royalties to be paid to the Government being abysmally low at Rs.16.25 per ton for different grades there have been serious systemic distortions due to the high profit margins. This has led to allegations of large scale corruption and complaints of profiteering through illegal mining with the complicity of the authorities in all levels of Government.*

*(ii) The Government in its orders vide notification No. CI 16 MMM 2003 and No.CI 33 MMM 1994 both Dated: 15.03.2003, de-reserved for private, mining an area of 11620 square km in the State, meant for State exploitation/ mining by the public sector and notified the surrender of an area of 6832.48 hectares of prime iron ore bearing lands respectively, which has paved way for distribution of public assets to select private individuals,/ entities without regard to their professional or technical or business background.*

*(iii) The entire exercise was undertaken in a manner so as to benefit only a select few individuals/entities. The main objectives behind de-reservation i.e. to encourage mining based industries to create more employment opportunities in private sector, to attract private capital and professional management for optimal use of state mineral resources were given a go by and allotments were made to the applicants on considerations other than merit.*

*(iv) It has been alleged that in the name of issuing temporary transportation permits to lift and transport iron ore in patta lands [which by itself is not permissible in law], large scale illegal mining activity was allowed to be carried out for certain period, even in the forest areas, having no link to the survey numbers of patta lands and for transportation of the illegally mined ore from the forest areas on the strength of such forest passes/ transport permits.*

*(v) It has been reported that the State has been deprived of its revenues. There have been many complaints from transporters associations regarding overloading of Transport vehicles, that illegal gratification was sought for allowing overloading of iron etc., and the repeated complaints and representations by transporters associations, it has been alleged to have not been seriously considered by the Government. It is also alleged that most of the ore not accounted for and transported illegally in excess was the out come of illegal mining activities.*

*(vi) In the inspection report of the Accountant General of Karnataka for the years 2003-2004 and 2004-2005 on Mysore Minerals Limited (MML), a public sector undertaking, several lapses were pointed out regarding various Memorandum of Understandings (MOUs), raising and marketing contracts, joint ventures etc., between Mysore Minerals Ltd., and Private Companies, wherein the interest of MML was compromised to deprive the PSU of the Contractual Entitlements, dividends and profits due to one sided agreements, non-revision or sub-optimal revision of prices resulting in losses amounting to crores of rupees at a time when the mining sector was generating huge profits.*

*(vii) It has also been noticed that the Iron Ore fines and mud stocks/ low grade ore far in excess of the quantity were allotted arbitrarily to select individuals through Mysore Mineral Ltd., much below the prevailing market price and MMTC price and even below the prices fixed from time to time by MML itself. There have been complaints of certain influential individuals who were part of the power structure within the Government, by manipulating the records and interfering in the affairs of MML, caused huge loss to the Corporation and the State, Similarly major and minor minerals such as granite, manganese and other minerals of the state, for the past several years, have been misused, indiscriminately exploited for benefiting a selected few resulting in loss of revenue to MML and the State.*

*(viii) This has led to serious allegations and extensive debate on the floor of both the Houses of Legislature with references made to large scale illegalities, irregularities leading to enormous loss to State exchequer and plundering of state mineral wealth. Allegations have been leveled against various authorities of Government of complicity in illegal mining activities, which led the Hon'ble Chief Minister to give an assurance on the floor of the House that in order to ensure highest level of fairness and probity, an impartial inquiry will be ordered in to the illegalities which have taken place in Bellary, Tumkur and Chitradurga Districts.*

The issues referred for investigation and report are as follows:

*(a) Various alleged illegalities, irregularities, events, issues and executive and other decisions set out in clause (i) to (viii) and to assess the quantum of losses to the Government and to suggest remedial measures to undo such irregularities and illegalities.*

*(b) To enquire into the affairs so the Mysore Minerals Ltd., (MML) and its commercial activities carried out in a manner to cause losses to the company and the instances of direct/ indirect political interference/ patronage in the commercial affairs of the company. To fix responsibility and initiate suitable action, both, civil and/ or criminal as may*

*be appropriate, against all persons found responsible, including private contracting parties.*

*(c) To fix responsibility and initiate suitable action against all public servants including ministers whether in office or otherwise state, its instrumentalities or State owned Companies/Corporations or other bodies and authorities, either in collusion with private parties or otherwise for various acts of omission and commission leading to various illegalities, irregularities, events and executive decisions set out in clause (i) to (viii) and also pertaining to issues such as:*

*(1) The process and timing of disposal of applications, both in case of notified areas and free areas, for grant of Mining Lease, Reconnaissance Permits and Prospecting Licenses;*

*(2) the irregularities reported in issue of permits by both Forest and Mines departments;*

*(3) the irregularities reported in transportation of minerals such as overloading, the issue of informal "token systems", transportation without permits etc;*

*(4) the entire range of the various aspects of illegal mining ranging from encroachments, mining without necessary permits and clearances, mining outside the permitted areas, mining beyond*

*permitted quantities, illegal transportation of minerals etc.*

*(5) the mining and transportation of major minerals from Patta lands without valid mining leases etc;*

*(6) the legality in transfer of leases from one lease holder to another. This will include the case wise examination of legality and validity of grant of mining leases, with reference to the basic policy/ objectives behind the decisions taken to de-reserve the areas meant for exploitation by the public sector held and surrendered areas and the instances of direct or indirect political interference.*

*(d) All instances where the mandatory regulations and statutory provisions have been given a go-by and not observed, including environmental and other clearances, to directly or indirectly facilitate and/ or encourage illegal and/ or unregulated mining operations and to suggest remedial measures and suitable action against persons found responsible for their commissions and omissions.*

*(e) Any other related issues, event and/ or instance which the Hon'ble Lokayukta may deem fit and proper to go into the illegal and un-regulated mining and related issues, including de-reservation of the areas meant exclusively for public sector in Karnataka's mining regions ask mentioned above.*

*(f) To comprehensively inquire into the charges, allegations, complaints of misuse and abuse of the office, if any elected representatives, ministers and officers who held or hold offices of profit for pecuniary benefit pertaining to illegal/ unregulated mining and incidental issues thereof, resulting in loss of revenue to the Government of Karnataka and Public Undertakings under the Government of Karnataka.*

*(g) Illegal granite quarrying in Bangalore Rural District and other Districts.*

Subsequently, by the G.O. dated 19/07/2010, the following issue has been referred for investigation.

*“ರಾಜ್ಯದಲ್ಲಿ ಅಕ್ರಮ ಗಣಿಗಾರಿಕೆ, ಖನಿಜಗಳನ್ನು ಸಾಗಿಸಲು ನೀಡಿರುವ ಪರವಾನಿಗೆಯ ಪ್ರಮಾಣಕ್ಕಿಂತ ಹೆಚ್ಚಿನ ಪ್ರಮಾಣದಲ್ಲಿ ಖನಿಜಗಳು ರಾಜ್ಯದಿಂದ ರಫ್ತಾಗಿರುವ ಖನಿಜ ಸಾಗಾಣಿಕೆ ಬಗ್ಗೆ”*

*“Illegal mining in the State, mineral exported from the State in excess of the quantity permitted for transport.”*

My earlier report (Part-I) dated 18/12/2008 on certain issues covered in the reference made by the Government has been sent to the Government. This is my second and final report on the reference made by the Government. Certain issues referred for investigation in the reference made by the Government could not be considered for the reason that despite repeated requests, the officers concerned did not furnish the records relating to the matter.



After the receipt of G.O. dated 19/07/2010, public notices are once again issued in three Kannada and three English reading dailies having wide publicity in the State calling for statements relating to the issue referred for investigation from the persons acquainted with the said subject matter.

The services of the following officers/officials have been availed in the present matter under Section 15(3)(a) of the Karnataka Lokayukta Act, 1984, for the purpose of this part of the investigation.

1. Sri K.R. Chamayya, former Law Secretary, GOK and former Vice Chairman, Hon'ble Karnataka Administrative Tribunal
2. Dr. U.V. Singh, IFS, Chief Conservator of Forests, Lake Development Authority, Bangalore.
3. Sri Bishwajit Mishra, IFS, Deputy Conservator of Forests, Bannerghatta National Park, Bangalore
4. Sri Vipin Singh, IFS, Deputy Conservator of Forests and Project Director, Karnataka State Wide Area Network (KSWAN), e-Governance, DPAR, Bangalore
5. Sri K. Uday Kumar, Deputy Conservator of Forests, Lake Development Authority, Bangalore.
6. Sri K. Madhukar Shetty, IPS, Supdt. of Police, Karnataka Lokayukta, Bangalore City Division, Bangalore and his team

## **II Matters pertaining to various aspects of mining**

Services of the Police Officers are also availed considering the magnitude of the investigation and the requirement of their services.

Records relating to the subject matter of investigation have been secured from the Department of Commerce and Industries, Department of Forest, Environment and Ecology,

Director of Mines and Geology, Revenue Department, Office of the Principal Chief Conservator of Forests, Director (Investigation), Income Tax Department, Bangalore, all Banks connected with the investigation including Reserve Bank of India, Ports and Customs Department, Directorate of Revenue Intelligence, Bangalore.

I may mention here that in a reference like this no notice is necessary to be given to the public servants who are indicted (*Dr. K. Chowappa Vs State of Karnataka and others – ILR 1990 KAR 798*). However, in some cases where it was felt necessary to obtain clarifications, comments have been secured from the concerned public servants after issuing notices to them and the same have been considered by me before recording my findings.

### **III OPENING REMARKS**

In my report dated 18/12/2008, in regard to irregularities and illegalities in the mining in the districts of Bellary, Chitradurga and Tumkur, I had explained in detail my findings on those issues, which include;

- (1) Grant of mining lease/prospecting license, permitting of raising contracts, an act of unknown to Mines and Geology (Development and Regulation) Act, 1957 (hereinafter referred to as the 'M&M(D&R) Act' for short) and Mineral Concession Rules, 1960 (hereinafter referred to as the 'MC Rules' for short).
- (2) Irregularities in mining beyond the leased area, including by trespassing into the forest area;

- (3) Illegalities in transport of the minerals and consequent damage to roads and environment
- (4) Illegalities in granting transport permit to transport and permitting transport of illegally mined ore either from regular leased mines or from patta lands.
- (5) Illegalities in agreements entered into by Mysore Minerals Limited (for short 'MML') with private companies and loss suffered there from.
- (6) Irregularities in de-reservation and allotment of such de-reserved areas to different applicants.
- (7) Illegalities in transfer of mining leases.

Apart from the above, in the said report, I had conveyed my conclusions, suggestions and recommendations. But, I am sorry to say that apart from filing few criminal cases against some mining companies, no concrete actions have been taken, consequent to which the illegal mining as pointed out in the report herein above, has continued to exist. As a matter of fact, the reasons to be mentioned herein below, supported by documents, after my first report, illegalities in mining has increased and there is total failure of supervisory machinery in controlling all the above illegalities/irregularities.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

**EXPORT OF ILLICIT IRON ORE OF KARNATAKA ORIGIN**  
**DURING THE YEARS 2006-07 TO 2010**

**INTRODUCTION**

This Report primarily records the various methods used by the people involved in the mining industry to illegally lift, transport and export iron ore during the period 2006-2010 from the State of Karnataka. This report is based on the investigation report submitted by Dr. U.V. Singh and his team who have made an extensive study and have submitted very elaborate report supported by documentary evidence.

2) Supplies of iron ore for exports and for domestic consumption can only be sourced from leases granted by the Government. These leases are either in forest area, revenue lands or in patta lands (private lands). Extraction of ore from a lease is as per approved mining plan. Extraction of iron ore in a year has to be within an annual permitted quantity. Any quantity extracted beyond this annual permitted quantity is illicit. Further any quantity extracted and dispatched without paying royalty is illegal. The quantity of ore transported without transit permits (trip sheets, Form 31, Form 27) means non-payment of royalty and also theft of State property, hence has to be treated as illegal.

3) All operations within a lease area need to adhere to the lease conditions agreed by the lessee in the Lease Deed Agreement. Any mining activity, including extraction and transport in contravention of lease conditions is illegal. For example, mining operations carried out outside the leased area or mining operations carried out through “raising contractors”, production and dispatch without payment of royalty and not covered by permits are all illegal.

4) Transport of iron ore from one place to another requires an authorized transit permit. No iron ore can be anywhere transported anywhere without having valid permits. These permits are issued by the Department of Mines and Geology (DMG) and also by the Forest Department, in leases given in Forest Land. Mineral Dispatch Permits (MDP) are bulk dispatch permits with a time limit of one month for completion of transportation. An MDP is issued to either a lessee or a registered stockyard owner and contains name of the lessee/ stockyard owner, source of iron ore, quantity and grade of ore, name of the party in case of sale, and destination of consignment, route etc. Along with a MDP individual trip sheets should accompany the vehicles which are permitted to carry 16 Metric Tons (MT) consignment of ore, in case of other heavy vehicles, there is higher permissible load. In addition, if a lease area falls within a notified forest, Forest Transit Permits are issued by Forest Department on the basis of MDP issued by the DMG. Like a trip sheet, Forest Transit Permits are issued for each lorry depending upon its legally permissible load or if it is less, the quantity will be mentioned specifically.

5) The starting point in all cases of iron ore transportation is either a lease or a registered stockyard of iron ore and no permits to transport iron ore can be issued from any other location. In exceptional cases permits may be issued for transporting ore from locations other than lease or registered stockyard in cases when illegally seized iron ore is auctioned. The destination point is usually a port, registered stockyard, domestic consuming units like steel plants, etc. Iron ore that is transported when permits have not been issued is illicit. Moreover iron ore transported in contravention of the stipulations mentioned in the MDP are also illicit.

6) Like exporters of other commodities, exporters of iron ore have to register with the Director General of Foreign Trade and obtain an Import Export Code (IEC) Number. Due to the nature of the commodity, invariably, iron ore is exported through sea ports in bulk.

7) An exporter files shipping bill with customs for each export consignment of iron ore. The shipping bill is a customs document that contains, name and the address of the exporter, quantity and grade of iron ore to be exported, customs duty paid, name and the address of the consignee, destination port and country etc. The shipping bill also mentions state of origin of iron ore.

### **Methodology**

8) For the purpose of this enquiry, the enquiring team has examined the MDPs issued to ports as destination and have taken them as the basis for calculation of quantity of iron ore legally permitted for export. In many cases benefit of doubts is given where there is no mention of port. Permits issued to the locations of ports (town, city, place, etc.) are also taken into consideration. Further shipping bills of iron ore exports having Karnataka as the State of origin have been taken as the basis for calculation of quantity of iron ore exported from the State. The investigating team has reported that the DMG did not have readily available compiled records of MDPs. Therefore, a database of MDPs for the period 2005-06 to 2010-11 was prepared during the enquiry (Annexure-1 of Chapter-1 of Dr. U.V.Singh's Report). Shipping bills in respect of iron ore exports having Karnataka as the State of origin were obtained from the Custom Offices of all Ports through which iron ore of Karnataka origin is exported (Annexure-2 of Chapter-1 of Dr.

U.V.Singh's Report). These ports are Chennai, Ennore, New Mangalore, Murmagao, Panaji, Kakinada, Visakhapatnam, Krishnapatnam, Belekeri and Karwar. Information on exports of iron ore of Karnataka origin was also obtained from all the above port authorities. In addition responses of exporters to queries regarding procurement of iron ore for exports were considered. From the available data and information obtained, the investigating team has reported that;

- (i) Information on exports available for periods prior to 2006 is incomplete for various ports. Therefore exports prior to 2006-07 have been excluded from this computation. The information of permit details with DMG is also not available for the period 2000 to 2004-2005.
- (ii) In Goa, the Karnataka origin iron ore is blended with Goa origin iron ore to improve its Fe content in large quantity. Hence it is difficult to estimate the quantity of Karnataka origin iron ore exported through Murmagao and Panaji ports. Due to this reason, exports of Karnataka origin iron ore from Murmagao and Panaji ports have not been included in this chapter of the report. However, data on transport of iron ore to Goa through Railways has been compiled and analyzed in separate chapter.
- (iii) M/s Obulapuram Mining Company (OMC) and M/s Y. Mahabaleshwara (YM) are big exporters of iron ore, who have mining leases in Andhra Pradesh that is adjoining to Karnataka. As per the available Customs data, they have exported

iron ore of Karnataka origin. However, as per the permits database, no permits were issued to M/s OMC and M/s YM as party from Director of Mines & Geology, Karnataka.

- (iv) As per the available data, the total exports of iron ore of Karnataka origin by M/s OMC during 2006-07 to 2010-11 is 71,61,455 MT, which includes 21,44,789 MT from Chennai Port. The total exports of iron ore of AP origin by M/s OMC from Chennai between 2006-07 and 2010 (till Dec) 2,17,660 MT only. (Annexures 3, 3A, 3B of Chapter-1 of Dr. U.V.Singh's Report) The investigating team has reported that these export details requires further investigation. It is also stated that CBI is dealing with the matter in this regard and the said agency may take note of it.
- (v) The total exports of iron ore of Karnataka origin by M/s Y Mahabaleshwara during 2006-07 and 2010 (till Dec) is 7,05,133 MT (Annexure-4 of Chapter-1 of Dr. U.V.Singh's Report).
- (vi) In view of the above, the investigating team has excluded the exports of Karnataka origin iron ore by M/s OMC and M/s YM from the computation made by them.
- (vii) In view of the above consideration, exports as per the customs data are compared with the permit data to compute port wise annual export of illicit iron ore for the period 2006-07 to 2010.



## Export of Iron Ore of Karnataka Origin

9) Iron ore of Karnataka origin is exported through following ports:

Sl. No.	Name of Port	Located in State
1	Belekeri	Karnataka
2	Chennai	Tamil Nadu
3	Ennore	Tamil Nadu
4	Kakinada	Andhra Pradesh
5	Karwar	Karnataka
6	Krishnapatnam	Andhra Pradesh
7	Murmagao	Goa
8	New Mangalore	Karnataka
9	Panaji	Goa
10	Visakhapatnam	Andhra Pradesh

10) The table below gives the annual exports and total exports of iron ore of Karnataka origin through different ports as per the data obtained from respective Customs Offices. **The total export of iron ore of Karnataka origin during the period 2006-07 till 2010 was 12.57 Crore MT.** *The figures exclude exports through Murmagao and Panaji ports and exports by M/s Obulapuram Mining Company and M/s Y Mahabaleshwara.*

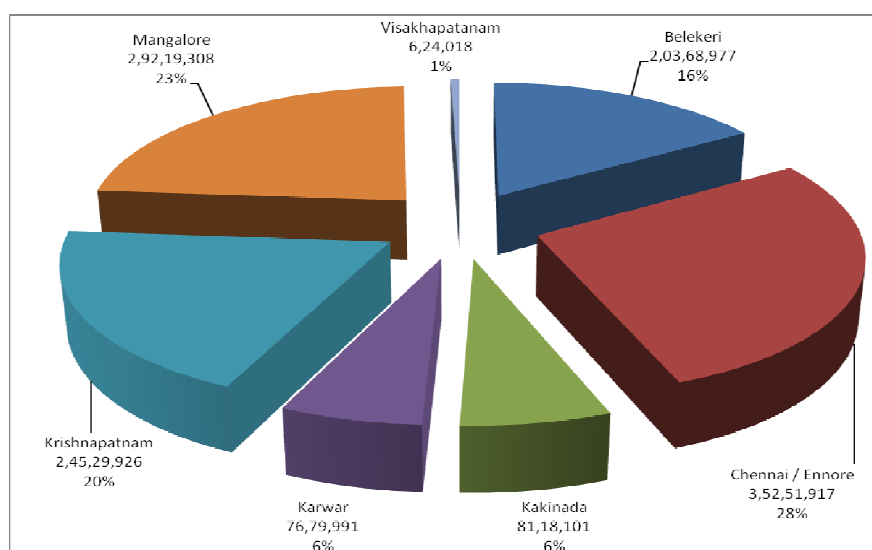
Table – Total export of iron Ore of Karnataka Origin in Metric Tons (MT)

Port / Years	2006-07	2007-08	2008-09	2009-10	2010	Grand Total
<b>Belekeri</b>	43,09,527	62,01,908	17,71,256	65,01,805	15,84,481	2,03,68,977
<b>Chennai / Ennore*</b>	62,29,020	1,05,84,118	86,50,900	80,20,479	17,67,401	3,52,51,917
<b>Kakinada</b>	32,17,681	15,88,389	11,58,892	16,04,008	5,49,131	81,18,101
<b>Karwar</b>	13,78,776	18,51,025	24,23,995	15,58,061	4,68,134	76,79,991
<b>Krishna patnam</b>	6,29,830	19,69,078	65,26,577	1,00,86,277	53,18,164	2,45,29,926
<b>New Mangalore</b>	53,15,222	83,17,818	89,11,456	56,28,426	10,46,386	2,92,19,308
<b>Vishaka patnam</b>	4,31,076	51,155	9,191	50,644	81,951	6,24,018
<b>Total</b>	<b>2,15,11,131</b>	<b>3,05,63,491</b>	<b>2,94,52,267</b>	<b>3,34,49,700</b>	<b>1,08,15,648</b>	<b>12,57,92,238</b>

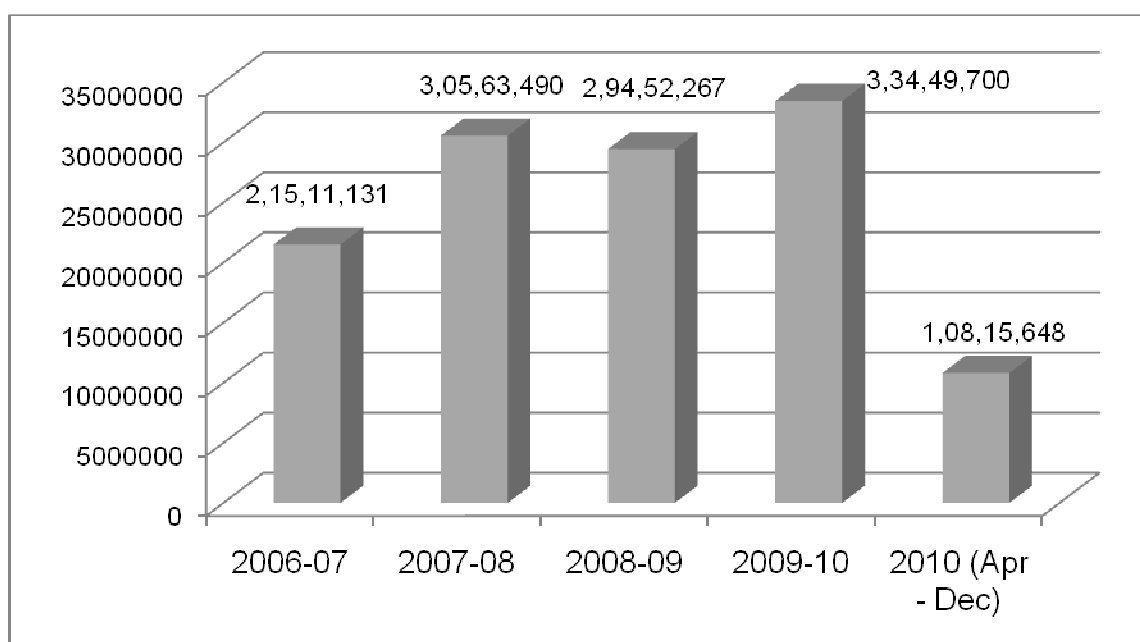
\* Destination in Mineral Dispatch Permits (MDP) in many instances is Chennai though material may have been exported through Ennore and vice versa. Hence export figures of Chennai and Ennore are clubbed.

11) The proportional share of exports through various ports is depicted through a pie chart below:

Figure - Port wise Share in Export of Iron Ore during 2006-07 to 2010 (till Dec)(Quantity in MT)



The bar chart below shows the year wise comparison in quantity  
**Figure – Year wise Export of Iron Ore of Karnataka Origin (Quantity in MT)**



## Permits for Domestic Consumption

12) The table depicted below shows year wise issue of permitted quantity in MT for domestic consumption (where destination name is given as name of any domestic destination in the state and other states) is given below.

*Table – Permits for domestic destinations (Quantity in MT)*

Year	2006-07	2007-08	2008-09	2009-10	2010-11
Permits to Domestic Destinations	88,52,169	1,68,05,157	1,65,09,162	1,88,26,875	70,60,005

13) The above information reveals that permits for domestic destinations in MT increased from 88.52 Lakh MT in 2006-07 to 1.68 Crore MT in 2007-08. Thereafter the permits issued for domestic consumption in MT remained steady between 1.68 Crore MT and 1.88 Crore MT in the period 2009-10. Permits issued for domestic consumption in 2010 (April to July) were 70.6 Lakh MT. Hence there were no large fluctuations in permits issued for domestic consumption in the last 5 years.

### 1. Export of Illicit Iron Ore of Karnataka Origin

14) The tables below show the year wise exports, permits and exports in excess of permitted quantity for each of the ports.

<b>Iron Ore Exports (MT)</b>					
Port	2006-07	2007-08	2008-09	2009-10	2010 (Apr-Dec)
Belekeri	43,09,527	62,01,908	17,71,256	65,01,805	15,84,481
Chennai / Ennore	62,29,020	1,05,84,118	86,50,900	80,20,479	17,67,401
Kakinada	32,17,681	15,88,389	11,58,892	16,04,008	5,49,131
Karwar	13,78,776	18,51,025	24,23,995	15,58,061	4,68,134
Krishnapatnam	6,29,830	19,69,078	65,26,577	1,00,86,277	53,18,164
Mangalore	53,15,222	83,17,818	89,11,456	56,28,426	10,46,386
Vishakapatnam	4,31,076	51,155	9,191	50,644	81,951
<b>Mineral Dispatch Permits (Iron Ore permits for ports) (MT)</b>					

Destination Port	2006-07	2007-08	2008-09	2009-10	2010 (Apr-Jul**)
Belekeri	32,43,296	45,58,414	15,53,093	28,50,965	4,25,040
Chennai/Ennore	90,01,445	97,71,492	71,72,969	62,01,921	13,79,816
Kakinada	19,54,027	17,12,296	10,94,536	14,46,144	2,79,504
Karwar	20,32,015	24,74,833	21,57,436	9,98,038	3,07,824
Krishnapatnam	1,07,883	15,29,335	40,18,416	49,54,122	27,49,176
Mangalore	48,94,448	61,64,277	70,02,262	37,21,270	7,85,618
Vishakhapatnam	1,38,965	38,089	11,400	1,03,200	2,64,000
Ports Not Known*	3,80,565	13,47,750	10,88,704	4,27,200	-

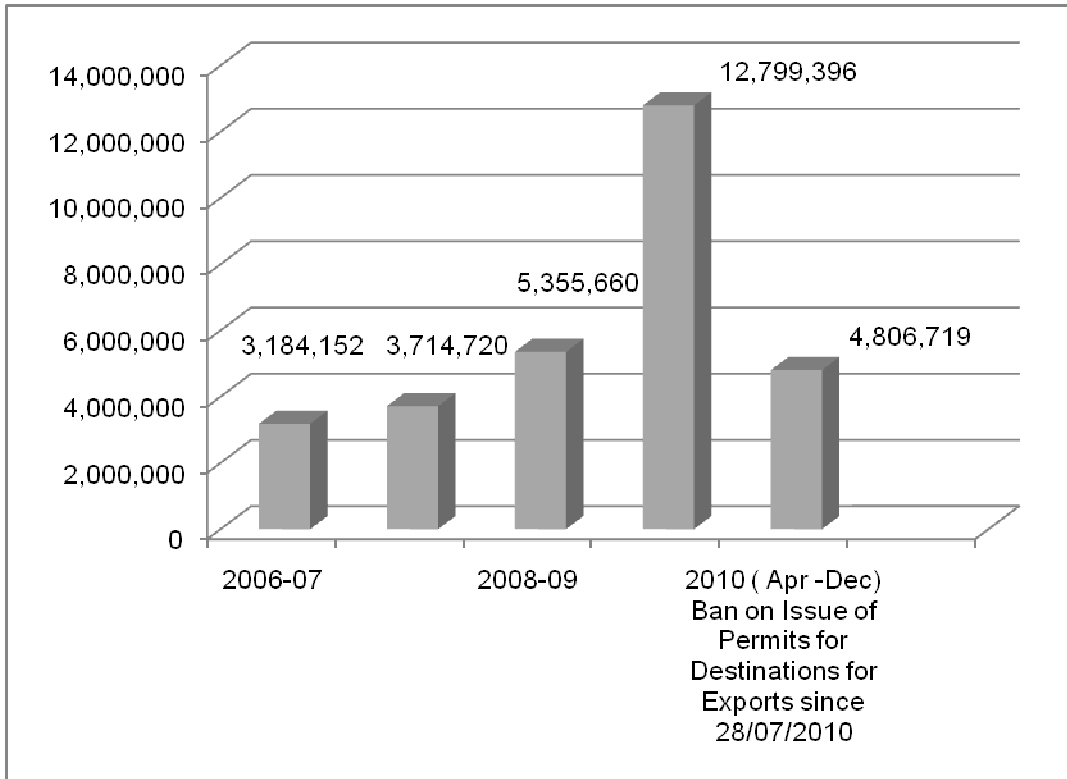
\* Quantity in respect of permits where name of port is not clearly identified

\*\* Ban of issue of permits for destinations for exports since 28-07-2010

Table showing exports of illicit iron ore port wise year-wise.

Exports of Illicit Iron Ore (MT)						
Port	2006-07	2007-08	2008-09	2009-10	2010 (Apr-Jul)	Grand Total
Belekeri	10,66,231	16,43,494	2,18,163	36,50,840	11,59,441	77,38,169
Chennai / Ennore	***	8,12,626	14,77,931	18,18,558	3,87,585	44,96,699
Kakinada	12,63,654	***	64,356	1,57,864	2,69,627	17,55,501
Karwar	***	***	2,66,559	5,60,023	1,60,310	9,86,892
Krishna patnam	5,21,947	4,39,743	25,08,161	51,32,155	25,68,988	1,11,70,994
Mangalore	4,20,774	21,53,541	19,09,194	19,07,156	2,60,768	66,51,433
Visakha patnam	2,92,111	13,066	***	***	***	3,05,177
Grand Total	35,64,717	50,62,470	64,44,364	1,32,26,596	48,06,719	3,31,04,866
*** Quantity in permits exceed export quantity. This may be due to data gap in exports or some other reasons. This needs further investigation.						
Less Permits for Port Not Known	3,80,565	13,47,750	10,88,704	4,27,200	-	32,44,219
<b>Exports of Illicit Iron Ore (MT)</b>	<b>31,84,152</b>	<b>37,14,720</b>	<b>53,55,660</b>	<b>1,27,99,396</b>	<b>48,06,719</b>	<b>2,98,60,647</b>

**A bar graph depicting Year wise exports without permits is given below:**



Based on the figures compiled from the Customs and Department of Mines and Geology, it is computed that 2,98,60,647 Metric Tons (around 2.98 Crore MT) of Illicit iron ore was exported during the period 2006-07 to 2010.

**2. Estimated Value of the Iron Ore quantity exported illicitly**

15) An estimate of the value of iron ore exported illicitly has been made by taking average annual export sale rate (in US Dollars) of iron ore across all ports and the corresponding average annual INR value of US Dollar as computed in the table below.

**Table – Computation of Rupee Value of Illicit Iron Ore Exported**

<b>Year</b>	<b>Quantity of illicit iron ore exported during the year</b>	<b>Average Sale Rate for Export of iron ore across all ports during the year (US \$)</b>	<b>Average Rupee Value of US \$ during the Year</b>	<b>Value in Rs</b>
2006-07	31,84,152	56.71	45.11	8,14,56,59,755
2007-08	37,14,720	115.70	40.12	17,24,32,99,332
2008-09	53,55,660	94.28	45.89	23,17,13,12,262
2009-10	1,27,99,396	76.38	47.42	46,35,86,39,228
2010 (till Dec)	48,06,719	124.70	45.65	27,36,25,12,277
			<b>Total</b>	<b>1,22,28,14,22,854</b>

As computed in the table above, estimated value of 2,98,60,647 Metric Tons of illicit iron ore exported during the period 2006-07 to 2010 is Rs 1,22,28,14,22,854/-

### **3. Analysis of Transport of Illicit Iron Ore for Export**

16) The illicit iron ore transported to Port for exports could have been transported either through;

- a) Vehicles travelling with permits but carrying ore in excess of the quantity permitted per truckload i.e. overloading; or
- b) Vehicles travelling without any permit;
- c) Vehicles travelling with forged permits

All such transports at (a), (b) and (c) above have contributed towards transportation of illicit iron ore to the ports as computed above. Therefore, the investigating team has made an analysis to assess the illicit iron ore that might have been transported as overloading or without any permits or with forged permits. The investigating team has observed that quantity thus computed is purely suggestive and is based on the overloading in vehicles carrying iron ore to Belekeri port during Oct 2009 – May 2010.

17) As per the data seized from computers of M/s Adani Enterprises Ltd and M/s Shree Mallikarjun Shipping Pvt Ltd, the average per truckload quantity received in Adani plots and Shree Mallikarjun plots in Belekeri port was 20.26 MT as against permitted load of 16 MT. The data pertains to 2,99,255 trips to Belekeri port between the period October 2009 to May 2010. The team has assessed that the total 2.986 Crores of MT of illicit iron ore that was transported to ports in excess of permitted quantity, significant quantity of illicit ore might have been transported through vehicles overloading. It is pertinent to note that the computed figures point towards large scale transport without any permit or with forged permit in the two years of 2009 and 2010.

**4) List of Exporters with the quantity of Iron Ore (of Karnataka Origin) who have exported through various Ports**

18) List of exporters with the quantity of iron ore as per permits issued for various ports during the period 2006-07 to 2010 (till Dec) has been enclosed by the investigating team at page numbers 16, 17, 18, 19, 20, 21, 22 and 23 of Chapter-1. A profile of the exporters as per the Director General of Foreign Trade (DGFT) is at Annexure 5 of Chapter-1.

**5) List of exports after imposition of ban on issue of permits for destinations for exports by the Government from 28/07/2010.**

19) According to the investigating team, there were 83 exports of iron ore after the ban on issue of permits for destinations for exports. It is pertinent to note here that due to large scale of exports of illicit iron ore the State Government took a decision on 28/07/2010 to ban issue of permits to destinations for

exports. In that context, exports after this date have been obtained from all the ports and it is found that there were 83 exports with a total quantity of 17,58,336 MT of iron ore. Out of this quantity, the maximum exports have taken place from Krishnapatnam port which is administered and managed by a private company i.e. Krishnapatnam Port Company Limited (KPCL). The quantity exported from this port alone was 14,85,076 MT. This specific matter requires further investigation for finding out illegalities and persons responsible/behind it.

20) A list of exports that took place after “ban on issue of permits for destinations for exports” by the Government from 28/07/2010 is given by the investigating team in the Table shown herein below.

List of Exports of iron ore after the Ban on Issue of permits for destinations for exports by the Government on 28/07/2010					
Sl No	Exporter 1	Date of Export	Quantity Exported (MT)	Vessel Name	Port of Origin
1	Billion Wealth Minerals	29-07-2010	56,142	MV. CAPE COSMOS	Krishnapatnam
2	RB Sheth	29-07-2010	47,485	MV. HUA JIN CHUN	Krishnapatnam
3	Swastik Steels Hospet	30-07-2010	29,630	MV. CHENG GONG	Krishnapatnam
4	Lakshminarayana Mining	02-08-2010	16,000	MEDI CORK	Chennai
5	SSTA Logistics India	04-08-2010	24,761	MV. CHENG GONG	Krishnapatnam
6	Dream Logistics India	04-08-2010	9,500	MV. VINALINES STAR	Krishnapatnam
7	Dream Logistics India	04-08-2010	33,600	MV. TIAN LI HAI	Krishnapatnam
8	SB Logistics	07-08-2010	87,600	MV. TOP FLIGHT	Krishnapatnam
9	Arihant Tiles & Marbles	07-08-2010	28,000	MV. TOP FLIGHT	Krishnapatnam
10	Vaishnavi Anand Projects	07-08-2010	49,025	MV. CHENG GONG	Krishnapatnam
11	PEC	07-08-2010	34,146	MV.MARITIME TOBONIO	Krishnapatnam
12	PEC	09-08-2010	14,500	MV.NAVIA ELIZA	Krishnapatnam
13	PEC	09-08-2010	500	MV. LISBON TRADER	Krishnapatnam
14	Hothur Traders	10-08-2010	37,260	CAPE COSMOS	Chennai



	(EOU)				
15	BGH Exim	10-08-2010	18,130	MV. LISBON TRADER	Krishnapatnam
16	Sesa Goa (EOU)	10-08-2010	60,500	MV. NAVA ELIZA	Krishnapatnam
17	Cauvery Coffee Traders	10-08-2010	6,000	MV. INTA	Krishnapatnam
18	Rajmahal Silks	11-08-2010	12,000	MV. DONG JIN	Krishnapatnam
19	Taurian Iron & Steel	11-08-2010	24,100	MV. FLORINDA	Krishnapatnam
20	Prathyusha Associates	11-08-2010	38,500	MV.FLORINDA	Krishnapatnam
21	Prathyusha Associates	11-08-2010	10,195	MV.AVENTICUM	Krishnapatnam
22	Swastik Steels Hospet	12-08-2010	42,200	MV.CAPE SANTA MILAGRIA	Krishnapatnam
23	ILC	12-08-2010	39,600	MV.GENCO PIONEER	Krishnapatnam
24	KIOCL	12-08-2010	49,900	MT MAPLE HILL	Mangalore
25	Sesa Goa	13-08-2010	15,000	MV.GENCO PIONEER	Krishnapatnam
26	Parakrish Mineral Enterprises	16-08-2010	1,000	IN SANTOS	Chennai
27	Deccan Mining Syndicate	16-08-2010	38,800	FIVE STARS GALAXY	Chennai
28	Bharat Mines & Minerals	16-08-2010	39,000	MV.HUA XIN	Krishnapatnam
29	Rajmahal Silks	16-08-2010	17,500	MV.ORIENT PEARL	Krishnapatnam
30	Bharat Mines & Minerals	17-08-2010	35,000	CHENG GONG	Chennai
31	Bharat Mines & Minerals	17-08-2010	39,600	MARITIME NEWANDA	Chennai
32	Bharat Mines & Minerals	17-08-2010	7,700	MARITIME NEWANDA	Chennai
33	Muneer Enterprises	17-08-2010	30,443	MV. ORIENT PEARL	Krishnapatnam
34	Srinivas Minerals Trading Co	17-08-2010	21,000	MV MAHA DEEPA	Krishnapatnam
35	Deccan Mining Syndicate	17-08-2010	26,500	MV.NORD SPRING	Krishnapatnam
36	SB Logistics	17-08-2010	49,500	MV.KEN SIRIUS	Krishnapatnam
37	Rajmahal Silks	18-08-2010	14,000	MV.YONG PING 5	Krishnapatnam
38	RR Global Enterprises	18-08-2010	31,000	MV.YONG PING 5	Krishnapatnam
39	Terapanth Foods	19-08-2010	31,500	MV.IRENE	Krishnapatnam
40	Prathyusha Associates	20-08-2010	31,200	MV.BOSCO SUN	Krishnapatnam
41	RR Global Enterprises	20-08-2010	2,000	MV.BOSCO SUN	Krishnapatnam
42	Trident Minerals (EOU)	23-08-2010	28,000	NOVO MESTO	Chennai
43	Trident Minerals (EOU)	23-08-2010	20,000	NOVO MESTO	Chennai
44	Rajmahal Silks	23-08-2010	1,110	MV.BOSCO SUN	Krishnapatnam
45	Bagadiya Brothers	23-08-2010	8,930	MV.IRENE	Krishnapatnam

46	Sri Venkateswara Exports	23-08-2010	18,000	MV.SPAP JADE	Krishnapatnam
47	Sri Chitra Agri Exports	23-08-2010	9,000	MV.SPAP JADE	Krishnapatnam
48	Sri Vijayalakshmi Sortex	23-08-2010	9,000	MV.SPAP JADE	Krishnapatnam
49	BGH Exim	26-08-2010	5,000	MV. ROSY FALCON	Krishnapatnam
50	Seabase Impex	26-08-2010	15,413	MV. SAGAR KIRAN	Krishnapatnam
51	Shantadurga Transport	27-08-2010	32,000	MV. SAGAR KIRAN	Krishnapatnam
52	State Trading Corporation	28-08-2010	28,420	MV. SAGAR KIRAN	Krishnapatnam
53	Mineral Enterprises	04-09-2010	18,900	MV. SAGAR KIRAN	Krishnapatnam
54	Mineral Enterprises (EOU)	04-09-2010	9,900	MV. CONSTANTINOS G	Krishnapatnam
55	Mineral Enterprises (EOU)	04-09-2010	7,700	MV. QUEEN KOBE	Krishnapatnam
56	Sri Kumaraswamy Mineral Exports	13-09-2010	23,100	MV. QUEEN KOBE	Krishnapatnam
57	Stemcor India	27-09-2010	35,200	MV. GOVIND PRASAD	Krishnapatnam
58	Shivashankar Minerals	12-10-2010	42,000	MV.CHENG GONG	Krishnapatnam
59	Mineral Enterprises	13-10-2010	8,800	MV.MEISTER	Krishnapatnam
60	Mineral Enterprises	13-10-2010	300	MV. LIVANITA	Krishnapatnam
61	Mineral Enterprises	13-10-2010	400	MV.CHIOS JOY	Krishnapatnam
62	Mineral Enterprises (EOU)	15-10-2010	751	MV. RAINBOW LUCKY	Krishnapatnam
63	Mineral Enterprises (EOU)	03-11-2010	3,900	MV. CHRISTINA IV	Krishnapatnam
64	Mineral Enterprises	03-11-2010	12,550	MV. ETERNAL OCEAN	Krishnapatnam
65	KGC Enterprises	04-11-2010	6,050	MV. VLADIMIR	Krishnapatnam
66	Mineral Enterprises	11-11-2010	1,645	MV.CAPE COSMOS	Krishnapatnam
67	Bharat Mines & Minerals	11-11-2010	10,000	MV.LUMOSA KARVNIA	Krishnapatnam
68	Lakshminarayana Mining Co (EOU)	11-11-2010	13,700	MV. RISHIKESH	Krishnapatnam
69	Shivashankar Minerals	12-11-2010	30,000	MV. OCEAN PRELUDE	Krishnapatnam
70	Sree Minerals	12-11-2010	21,000	MV. IYO WIND	Krishnapatnam
71	Prathyusha Associates	13-11-2010	11,300	MV. IYO WIND	Krishnapatnam
72	Sree Minerals	17-11-2010	2,000	MV TUAN DAO WAN	Krishnapatnam
73	Get Minerals & Coal	19-11-2010	18,900	M.V.Chimes	Krishnapatnam

74	PEC	02-12-2010	36,000	MV. INTREPID	Krishnapatnam
75	PEC	04-12-2010	1,000	MV. HONG KONG STAR	Krishnapatnam
76	Mineral Enterprises (EOU)	16-12-2010	1,100	MV. ANNOULA	Krishnapatnam
77	Mineral Enterprises	16-12-2010	3,900	MV.MAJOR	Krishnapatnam
78	Alpine International	18-12-2010	14,000	MV.FINE STAR	Krishnapatnam
79	Vibhutigudda Mines	20-12-2010	3,600	MV. JINWAN	Krishnapatnam
80	KGC Enterprises	20-12-2010	1,250	MV. DUBAI FORTUNE	Krishnapatnam
81	Mineral Enterprises	21-12-2010	500	M.V.DUBAI FORTUNE	Krishnapatnam
82	BGH Exim	23-12-2010	22,000	MV.CIELODIMON FALCON E	Krishnapatnam
83	Upkar Mining	24-12-2010	22,000	M.V.AZIZI	Krishnapatnam
Total			17,58,336		

**6) List of Consignees with quantity of iron ore (Karnataka origin) imported through various Ports.**

21) There are 228 consignees that have imported iron ore of Karnataka origin. A list of such consignees and quantity imported during the period 2006-07 and 2010 (till December) (See Table – 9 of Chapter – 1 of Dr. U.V. Singh's Report).

22) From the above said facts and circumstances, the following conclusions are drawn by the investigating team.

1. Since 2006-07 to 2010 (Till Dec), the total exports of iron ore of Karnataka origin is about 12.579 Crores MT from the ports of Belekeri, Chennai, Ennore, Kakinada, Karwar, Krishnapatnam, New Mangalore and Visakhapatnam ports. The exports from Murmagao and Panaji ports are not included in this quantity.

2. Based on the permits issued by the Mines and Geology Department, the computation has been

done separately for each port. The difference between permit issued and export made for the said period comes approximately to 2,98,60,647 MT. This is the illicit iron ore exported during 2006-07 to 2010 (till December) from the ports as mentioned in Para 1.

3. It is stated here that there is an approximate quantity of 32,44,219 MT of iron ore, where there is an ambiguity with regard to exact destination to specific ports. However, giving the benefit of doubt this quantity has been subtracted from the total quantity of export of illicit iron ore and the quantity in Para 2 has been arrived accordingly.

4. Out of the 5 Financial Years for which computations have been done, the highest quantity of exports of illicit iron ore has taken place in Year 2009-10, which is approximately 1,27,99,396 MT. Further it is equally pertinent to note that in Year 2010-11( when permits for destinations for exports were issued for 4 months), the quantity of illicit iron ore that was exported was approximately 48,06,719 MT, which is higher than the exports of illicit iron ore for entire year of 2006-07, 2007-08 and almost equal to the entire year of 2008-09. This indicates the continuity of magnitude of exports of illicit iron ore even after the raids conducted by the Lokayukta at Belekeri in February 2010 and the issue widely reported in the media.

5. The approximate loss to the state government due to illegal exports comes to approximately

**Rs. 1,22,28,14,22,854** for the above said period. The loss is calculated by taking the yearly average export rates / MT from all the ports.

6. The loss to the tune of **Rs. 1,22,28,14,22,854** caused to the state government due to illegal iron ore exports for the period should be recovered from the exporters/suppliers/traders/lessees and others after following due process of law. Further any other contemplated actions required against the said responsible persons/ companies/firms/others should also be taken up under the relevant Acts and Rules.

7. There were about 252 Exporters engaged in export of iron ore of Karnataka origin during the period from all the ports.

8. There are about 228 consignees who have imported iron ore of Karnataka origin.

9. During the port wise examination with regard to illegal export, it is found illicit iron ore has been proportionately exported more from the Belekeri and Krishnapatnam ports. Both the ports are run by private companies.

10. There is ban on issue of permits for destinations for exports since 28/07/2010. But it is observed that there were 83 exports with a total quantity of 17,58,336 MT of iron ore after this date. Out of this quantity the maximum exports have taken place from Krishnapatnam port which is

administered and managed by a private company i.e. Krishnapatnam Port Company Limited (KPCL). The quantity exported from this port was 14,85,076 MT. This specific matter requires further investigation for finding out the illegalities and persons responsible behind it.

11. Having carefully studied the contents of the exhaustive report submitted by the investigating team, the report of which is annexed to this report of mine, I am in agreement with the findings and suggestions made by the team and I recommend that a thorough audit be made in regard to all the issues that have been discussed hereinabove. The perpetrators of these illegal exports of iron ore which has caused the State to suffer huge financial loss should be identified and the loss should be recovered from such companies/persons. It is relevant to state herein that the Hon'ble Supreme Court had appointed a Central Empowered Committee (CEC) to look into such irregularities. The Committee in one of its report has suggested to the State, that the value to be recovered from such persons responsible for illegalities should be five times the value prevailing at the time of the commission of offence and their respective lease, licence, permits should be withdrawn forthwith. This suggestion of the CEC, I think, is appropriate and hence, I recommend the same to the Government.

23) Having recorded the overview of the irregularities herein above, I will consider the irregularities and illegalities committed by the companies/individuals, specifically.

24) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

25) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-

(N.SANTOSH HEGDE)  
LOKAYUKTA

**EXPORT OF ILLICIT IRON ORES FROM BELEKERI PORT**

In the report of Dr. U.V. Singh committee found at Chapter-2 at pages 1 to 65, large scale irregularities and illegalities that have taken place in a small port situated at Belekeri, South of Karwar in Uttara Kannada District. While this Report of mine is in continuation of my first report submitted by me in the month of December 2008, the happenings at Belekeri port has a special significance for this report. Hence, I attach a lot of importance to this part of the Report.

2) As stated in Dr. U.V. Singh's team report referred to above, the Belekeri is a fair weather port. In this port, the Government has leased out certain areas within its limits to private companies, who are port service providers in this port. They are;

- (1) M/s. Shree Mallikarjun Shipping Private Limited (SMSPL);
- (2) M/s. Adani Enterprises Limited (AEL);
- (3) Sri Salgaonkar Mining Industries Private Limited; and
- (4) M/s. Raj Mahal Silks.

These service providers provide infrastructural facilities like Jetties, barges, shelter, road and other basic amenities, including loading of cargo onto the ships. The service provider companies maintain the data of truck wise quantity received, name of the supplier, place of origin of sources of iron ore, name of the transporter, invoice holder name, name of the exporter, ship details, quantity loaded in ship and particulars of the company who are loading the iron ore, particulars of barges used for transshipment, payments made and the method of payment i.e., cash/cheque to various stake holders. The



practice of loading minerals in the ships which carry them to other countries, at Belekeri port is that these ships which are berthed in deep sea are loaded with cargo by taking the cargo from the port through barges. The activities of the port are supposed to be controlled by the Port authorities under the Karnataka Ports (Landing and Shipping Fees) (Amendment) Rules, 2006 and other related enactments. The port is not equipped with Coast guards for monitoring of movement of vessels and others activities as found in ports like Mangalore. There is no watch tower and other infrastructure to keep control of illegal activities in the port. Dr. U.V. Singh's team report cited above has observed that Belekeri port should not have been allowed to export iron ore, until security and other arrangements are upgraded. It is a factor to be taken note of, by the Government.

3) On 20<sup>th</sup> February 2010, the Lokayukta police raided the Belekeri port and seized documents and computers, etc while the Forest Department seized certain quantities of iron ore, which was illegally extracted and transported during 2009-10. It is because of this, a separate chapter is included in this report. The facts discovered here speak for themselves. On 20<sup>th</sup> February 2010, on a complaint by one Sri Desai and also on the reliable information, the Lokayukta police conducted a raid at Belekeri port and seized certain documents and computers, etc. A forest offence case was registered in FIR 17/2009-10 dated 15/3/2010 by forest department against the Port Conservator of Belekeri port. On 20/3/2010, iron stored in the port area was seized and the Forest Department handed over the iron ore seized to the Port Conservator, Belekeri for safe custody. In June 2010, it was found that large portion of the seized iron ore was stolen from the port. Subsequently, cases of theft and other

offences have been registered against the Port Conservator and companies/firms and others by the jurisdictional police. Various agencies including CID, Forest Department are conducting investigation of the said case.

4) During the raid on 20/2/2010, the Lokayukta Police have seized computer and other documents, including forged permits, from the office of the Adani Enterprises and SMSPL. From the seized electronic records, lot of materials, including the mode of illegality in export of iron ore by the said company was noticed. Investigating team, sought details of Adani Enterprises and Mallikarjun Shipping Private Limited (SMSPL) from the period 20/2/2010 till the date of furnishing the information. The information received are annexed to the report of Dr. U.V. Singh in this regard. From the information gathered, it was seen that 2.30 crores of MTs of iron ore was exported from Belekeri port between 2006-07 and April-May 2010. As against this, the total permits issued for transport of iron ore to Belekeri port during the same period was for 1.26 crores MTs. Therefore, it is clear that 77.38 Lakhs MTs of illicit iron ore was exported from this port during the above said period. From Table-1 of the report of Dr.U.V. Singh, it is seen that M/s. Adani Enterprises and M/s. Sri Mallikarjun Shipping Private Limited, has on an average received 20.26 MTs of iron ore per lorry as against 16 MTs per truck load permitted. The data received also refers to 2,99,255 trips of loaded lorry carrying iron ore to Belekeri port between the period 2009 and May 2010. The data also indicates that over loading of trucks carrying iron ore is a routine practice leading to substantial iron ore theft.

5) The information gathered also indicates the number of trucks used and their Registration numbers. As per this

information 16,383 truck registration numbers are mentioned, the name and address of the Transport Company/ owners of these trucks, who were also responsible for transporting illicit iron ore, should be obtained from these numbers and further investigation in regard to their involvement should be carried out. There may be many forged registration numbers or duplicate numbers, involving in illegal transportation.

6) From the experience gathered during the course of investigation, it cannot be believed that the load as shown in lorries are correct, on the contrary is bound to have overloaded material which can be proved by various documents. As per Table-1, 77,38,139 MTs of illicit iron ore was exported through Belekeri port between 2006-07 and April-May 21010. It is also noted that majority of illegal transportation of iron ore without any legitimate permit has occurred during 2009-10 upto April-May by a process called "Risk Amount". In regard to this system, there is discussion in this report in other chapters.

7) There had been instances of Xerox copies of bulk permits purportedly issued from Andhra Pradesh being used for transportation of illicit iron ore. The details of which have been given in Annexure-3 of Chapter-2 of Dr. U.V. Singh's report. Most of the time, the iron ore illegally extracted and transported have come from Hospet, Sandur, Bellary, Koppal and some other places. Some samples of such permits are enclosed to the report of Dr. U.V. Singh, which indicates the origin of the iron ore. The iron ores, which were seized from the premises of Belekeri port from Sri Mallikarjun Shipping Private Limited and M/s. Adani Enterprises on 20/2/2010. Such permits were used in 2008-09. It is further noticed that in the months of April – May 2010, 15.84 Lakh MTs of iron ore was exported through

Belekeri port, out of which 11.59 Lakhs MTs was illicit. Similarly, in 2009-10, 65.01 Lakh MTs of iron ore was exported through Belekeri out of which 36.50 Lakh MTs was illicit. The illicit ore include iron ore brought without permit or forged permits and iron ore brought by forged permits in the vehicle, which had permits for illicit ore. This elaborately shows all the Lorries that were carrying illicit iron ore are in violation of Laws.

8) Table - 2 of the Report of Dr. U.V. Singh names the transport companies involved in such illegal transportation. Table-3 indicates the name of companies/firms, using the forged permits, out of which most of them were accompanied by a voucher issued by M/s.Manjunatheshwara Minerals and M/s. Shafia Minerals. The list in Table-3 is not exhaustive one because it pertains to a short period. For further particulars in regard to the irregularities in transport and export of iron ore, Annexures of Chapter-2 to the report of Dr. U.V. Singh's team referred to in this report may be perused.

9) Something significant that is noticed from Tables 4, 5 and 6 are that 44 companies/firms were supplying iron ore exclusively to Adani plot of Belekeri port, 30 companies/firms were supplying iron ore exclusively to Mallikarjun plot and 8 companies/firms were supplying iron ore to both at Adani and Mallikarjun plot. It is also to be seen that in most of the cases, the quantity supplied by the companies were much more than the quantity for which they had obtained permits for the corresponding period, indicating that illicit iron ore was being exported. There is also material to come to the conclusion that in many cases, permits have been issued later while the iron ore was supplied earlier. In such cases, permits of large quantities were issued during March and corresponding quantity of

material was not supplied thereafter against those permits. This clearly indicates that such companies/firms had obtained permits to cover up the earlier transportation of illicit iron ore. It is also noticed that this cover up was done in response to the Lokayukta raid in February 2010 and subsequent actions. The suspect companies in this regard are Bharat Mines and Minerals, Rajmahal Silks, SSTA, VSL, Twenty First Century, Eagle and Balaji Enterprises, the details of which are found in Table-7 of Dr. U.V. Singh's Report.

10) Out of the seized data of Belekeri port, some records indicate the source of iron ore i.e. mining lease or stockyard. Table 8 of the report has made detailed examination of various companies and mines and transporters involved in this type of irregular illegal export of iron ore, where the source lease or stockyard is mentioned in the records. The details of which are as under:-

Shree Mallikarjun Shipping Private Limited (SMSPL)

1. Name of the Company/firm :DLC
  - a) Name of the Lease from whom iron ore was allegedly transported : Gogga Gurushanthaih and Brothers:

As per the electronic records seized on 20/2/2010, a total of 14,797 MTs of iron ore was supplied, between 16/11/2009 to 28/11/2009, at SMSPL's Plot in Belikeri port, in the name of DLC (GG Mines). The term "GG Mines" clearly indicates that the material has come from mine belonging to Gogga Gurushanthaiah and Brothers. On verification of permit records, it is found that no

permits for Belekeri were issued from the said lease, with DLC as party, during the above said period. This indicates that the iron ore was illicit.

- b) Name of the Stockyard from which the iron ore allegedly transported is Continent Impex Private Limited

As per the electronic records seized, a total of 2,723 MTs of iron ore was supplied, between 9<sup>th</sup> January and 14<sup>th</sup> January 2010 at SMSPL's Plot in Belekeri Port, in the name of DLC CIPL (VDHALLI). The term "CIPL" clearly indicates that the material has come from stock yard belonging to Continent Impex Private Limited. On verification, it is found that no permits for Belekeri were issued from the said stockyard, with DLC as party, during the above mentioned period. This indicates that the iron ore was illicit.

- c) Name of the Lease from whom the iron ore was allegedly transported: Shanthalakshmi Jairam:

As per the electronic records seized, a total of 13,507.8 MTs of iron ore was supplied between 6<sup>th</sup> January and 18<sup>th</sup> February 2010, at SMSPL's plot in Belekeri Port in the name of DLC NAGAPPA. The term "Nagappa" clearly indicates that the material has come from "Nagappa Mine" belonging to lessee Shanthalakshmi Jairam. ON verification, it is found that no permits for Belekeri were issued from the said lease, with DLC as party, during the above

mentioned period. It indicates that the iron ore was illicit.

- d) Name of the Lease from which the iron ore was allegedly transported: S.B Minerals, Lease No. 2515.

As per the electronic records seized, a total of 410.5 MTs of iron ore was supplied, between 26<sup>th</sup> October and 12<sup>th</sup> November 2009, at SMSPL's Plot in Belekeri port, in the name of DLC SVK. The term "SVK" clearly indicates that the material has come from SVK Mines, belonging to lessee SB Minerals, lease No.2515. On verification, it is found that no permits for Belekeri were issued from the said lease, with DLC as party, during the above mentioned period. This indicates that the iron ore was illicit.

- e) Name of the Stockyard from which the iron ore was allegedly transported: Dream Logistics:

As per the electronic records seized, a total of 1,37,954.71 MTs of iron ore was supplied between 29<sup>th</sup> October and 3<sup>rd</sup> December 2009 at SMSPL;s Plot in Belekeri port, in the name of JUNJUNBAIL DLC, (S2), (S3), (S3A). The term "JUNJUNBAIL" clearly indicates that the material has come from the stockyard of "Junjunbail belonging to Dream Logistics (DLC). On verification it is found that no permits for Belekeri were issued from the said stockyard, with DLC as party, during the above mentioned period. This indicates that the iron ore was illicit.

- f) Name of the Lease from whom the iron ore was allegedly transported: S.B. Minerals, Lease No.2550.

As per the electronic records seized, a total of 16,683.9 MTs of iron ore was supplied, between 13<sup>th</sup> November 2009 and 18<sup>th</sup> February 2010, at SMSPL's Plot in Belekeri Port, in the name of DLC with supplier at SVK JAISINGPURA. The term "SVK JAISINGAPURA" clearly indicates that the material has come from "SVK JAISINGPURA Mine" belonging to Lessee S.B. Minerals with Lease No.2550. ON verification, it is found that no permits for Belekeri were issued from the said lease, with DLC as party, during the above mentioned period. This indicates that the iron ore was illicit.

- g) Name of the Lease from which the iron ore was allegedly transported: S.B. Minerals, Lease No.2515.

As per the electronic records seized, a total of 13,684.22 MTs of iron ore was supplied, between 27<sup>th</sup> October 2009 and 17<sup>th</sup> February 2010, at SMSPL's Plot in Belekeri Port, in the name of DLC with the supplier as SVK Danapur. The term "SVK DANAPUR" clearly indicating that the material has come from "SVK Mine" belonging to Lessee S.B. Minerals with lease No. 2515. On verification, it is found that no permits for Belekeri were issued from the said lease, with DLC as party, during the above mentioned period. This indicates that the iron ore was illicit.



2. NAME OF THE COMPANY/FIRM : V.S. LAD

Name of the Lease from which the iron ore was allegedly transported: V.S. Lad.

As per the electronic records seized, a total of 67,054.976 MTs of iron ore was supplied, between 19<sup>th</sup> November 2009 and 18<sup>th</sup> February 2010, at SMSPL's Plot in Belekeri Port, in the name of VSL. The term "VSL" clearly indicating that the material belongs to mining lease of "M/s. V.S. Lad ML No.2290". On verification, it is found that only 10,000 MT of permits for Belekeri were issued with VSL as party, during the above mentioned period. This indicates that rest of the iron ore was illicit.

3. NAME OF THE COMPANY/FIRM : SSTA

Name of the Lease from which the iron ore was allegedly transported: Nadeem Minerals.

As per the electronic records seized, a total of 2455.73 MTs of iron ore was supplied, between 13<sup>th</sup> January 2010 and 17<sup>th</sup> January 2010, at SMSPL's Plot in Belekeri Port, in the name of SSTA NADEEM. The term "NADEEM" clearly indicating that the material has come from "Nadeem Mine" belonging to Lessee Nadeem Minerals. On verification, it is found that no permits for Belekeri were issued from the said lease, with SSTA as party, during the above mentioned period. This indicates that the iron ore was illicit.

4. NAME OF THE COMPANY: SUNRISE

Name of the Lease from which the iron ore was allegedly transported: S.B. Minerals, Lease No.2515.

As per the electronic records seized, a total of 4978.29 MTs of iron ore was supplied, between 20<sup>th</sup> December 2009 and 6<sup>th</sup> January 2010, at SMSPL's Plot in Belekeri Port, in the name of Sunrise with the supplier as SUNRISE SVK. The term "SVK" clearly indicates that the material has come from "SVK Mine" belonging to Lessee S.B. Minerals with lease No. 2515. On verification, it is found that no permits for Belekeri were issued from the said lease, with SUNRISE as party, during the above mentioned period. This indicates that the iron ore was illicit.

5. NAME OF THE COMPANY : I.L.C.

a) Name of the Lease from which the iron ore was allegedly transported: S.B. Minerals, Lease No.2515.

As per the electronic records seized, a total of 18,169.65 MTs of iron ore was supplied, between 3<sup>rd</sup> December 2009 and 5<sup>th</sup> February 2010, at SMSPL's Plot in Belekeri Port, in the name of ILC with supplier as SVK Fines. The term "SVK" clearly indicates that the material has come from "SVK Mine" belonging to Lessee S.B. Minerals with lease No. 2515. On verification, it is found that no permits for Belekeri were issued from the said lease, with ILC as party, during the above mentioned period. This indicates that the iron ore was illicit.

- b) Name of the stockyard from which the iron ore was allegedly transported: ILC Stockyard at Bevinahalli.

As per the electronic records seized, a total of 1,16,639.83 MTs of iron ore was supplied, between 26<sup>th</sup> October 2009 and 18<sup>th</sup> February 2010, at SMSPL's Plot in Belekeri Port, in the name of ILC with the supplier as ILC BEVINAHALLI. The term "BEVINAHALLI" clearly indicating that the material has come from ILC Stockyard at Bevinahalli, Koppal. On verification, it is found that permits for only 7,752 MTs of iron ore was issued for Belekeri from the said stockyard, with ILC as party, during the above mentioned period. This indicates that the remaining 1,08,888 MTs of iron ore, which was transported was illicit.

- c) Name of the Lease from which the iron ore was allegedly transported: Trident Minerals.

As per the electronic records seized, a total of 2345.85 MTs of iron ore was supplied, between 30<sup>th</sup> December 2009 and 14<sup>th</sup> January 2010, at SMSPL's Plot in Belekeri Port, in the name of ILC with the supplier as ILC (TM). The term "T.M" clearly indicates that the material has come from "T.M Mines" belonging to Lessee Trident Minerals. On verification, it is found that no permits for Belekeri were issued from the said lease, with ILC as party, during the above mentioned period. This indicates that the iron ore was illicit.

- d) Name of the Stockyard from which the iron ore was allegedly transported: Stockyards at P.K.Halli.

As per the electronic records seized, a total of 27,782.25 MTs of iron ore was supplied, between 9<sup>th</sup> January 2010 and 18<sup>th</sup> February 2010, at SMSPL's Plot in Belekeri Port, in the name of ILC with the supplier as ILC (PK HALLI). The term "P.K.HALLI" clearly indicates that the material has come from "P.K. Halli" area which has few stockyards. On verification, it is found that permits for only 992 MT Lumps from Lakshmi Venkateshwara Minerals Stock yard on 2 February 2010 were issued to ILC, permit No.143366. This indicates that the rest of the iron ore was illicit.

- e) Name of the Lease from whom the iron ore was allegedly transported: Shanthalakshmi Jairam.

As per the electronic records seized, a total of 78,041.77 MTs of iron ore was supplied, between 29<sup>th</sup> October 2009 and 18<sup>th</sup> February 2010, at SMSPL's Plot in Belekeri Port, in the name of ILC with the supplier as ILC NAGAPPA. The term "NAGAPPA" clearly indicates that the material has come from "Nagappa Mine" belonging to Lessee Shanthalakshmi Jairam. On verification, it is found that no permits for Belekeri were issued from the said lease, with ILC as party, during the above mentioned period. This indicates that the iron ore was illicit.

f) Name of the Lease from whom the iron ore was allegedly transported: S.B. Minerals, Lease No.2515.

As per the electronic records seized, a total of 8330.62 MTs of iron ore was supplied, between 26<sup>th</sup> October 2009 and 6<sup>th</sup> February 2010, at SMSPL's Plot in Belekeri Port, in the name of ILC with the supplier as ILC SVK. The term "SVK" clearly indicates that the material has come from "SVK Mine" belonging to Lessee S.B. Minerals with lease No. 2515. On verification, it is found that no permits for Belekeri were issued from the said lease, with ILC as party, during the above mentioned period. This indicates that the iron ore was illicit.

#### 6. NAME OF THE COMPANY : SMSPL

Name of the Stockyard from which the iron ore was allegedly transported: Stockyards at Junjunbail.

As per the electronic records seized, a total of 13,415.98 MTs of iron ore was supplied, between 8<sup>th</sup> November 2009 and 13<sup>th</sup> February 2010, at SMSPL's Plot in Belekeri Port, in the name of Mallikarjun with the supplier as SMSPL (JUNJUNBAIL). The term "SMSPL (JUNJUNBAIL)" clearly indicates that the material has come from "Junjunbail, Kalaghatgi". On verification, it is found that no permits for Belekeri were issued from the said place, with SMSPL as party, during the above mentioned period. This indicates that the iron ore was illicit.

7. NAME OF THE COMPANY : ARSHAD

Name of the Lease from which the iron ore was allegedly transported: S.B. Minerals.

As per the electronic records seized, a total of 9,730.26 MTs of iron ore was supplied, between 18<sup>th</sup> December 2009 and 4<sup>th</sup> January 2010, at SMSPL's Plot in Belekeri Port, in the name of ARSHAD EXPORT, with the supplier as ARSHAD SBM. The term "SBM" clearly indicates that the material has come from "SBM Mines". On verification, it is found that no permits for Belekeri were issued from the said lease, with Arshad Exports as party, during the above mentioned period. This indicates that the iron ore was illicit.

**Adani Enterprises Private Limited (AEL):**

1. Company: ALPINE INTERNATIONAL

Name of the lease from which iron ore was allegedly transported: VESCO

As per the electronic data, a total of 714.06 MT of iron ore was supplied, in 24 Feb 2010 to 26 Feb 2010, at Adani Enterprises Private Limited (AEL) plot in Belekeri port, with the supplier name as ALPINE INTERNATYIONAL C-ORE (VESCO). The term "VESCO" clearly indicating that the material has come from VESCO mines. On verification it is found that no permits for Belekeri were issued from the said lease, with ALPINE as party, during the above mentioned period. This indicates that the iron ore was illicit.

2. Company: BMM

Name of the lease from which iron ore was allegedly transported: Bharath Mines & Minerals

As per the electronic data, a total of 2,11,422.88 MTs of iron ore was supplied, from 16 Nov 2009 to 15 May 2010, at Adani Enterprises Private Limited (AEL) plot in Belekeri port, with the supplier name as BHARATH MINES & MINERAL, (BMM). The term "BHARATH MINES & MINERAL" clearly indicates that the material has come either from its lease or has been purchased. On verification it is found that permits for only 16368 MT of iron ore, for Belekeri, were issued, with BMM as party, during the above mentioned period. This indicates that the remaining 127566.88 MT of the iron ore was illicit.

3. COMPANY: TAURIAN IRON & STEEL CO PVT LTD.

Name of the lease from which iron ore was allegedly transported: SB Minerals, lease No.2515.

As per the electronic data, a total of 10661.15 MT of iron ore was supplied, from 17 March 2009 to 29 March 2010, at Adani Enterprises Private Limited (AEL) port in Belekeri port, with the supplier name as TAURIAN IRON & STEEL CO PVT LTD (SVK). The term "SVK" clearly indicates that the material has come from "SVK MINE" belonging to lessee SB minerals with lease No.2515. On verification it is found that no permits for Belekeri were issued from the said lease, with TAURIAN IRON & STEEL CO PVT LTD. As party, during the above mentioned period. This indicates that the iron ore was illicit.

4. Company : SRI LAXMI VENKATESWARA  
MINERALS

Name of the lease from which iron ore was  
allegedly transported: HANUMAN MINE, Tumkur

As per the electronic data, a total of 17,550.66 MT of iron ore was supplied, from 24 April 2010 to 8 May 2010, at Adani Enterprises Private Limited (AEL) plot in Belekeri port, with the supplier name as SRI LAXMI VENKATESWAR MINERALS (HANUMAN L/G). The term "HANUMAN" clearly indicates that the material has come from lease HANUMAN Mine with lease No.2220. On verification it is found that no permits for Belekeri were issued from the said lease, with SRI LAXMI VENKATESWAR MINERALS as party, during the above mentioned period. This indicates that the material was illicit.

5) Company: ILC

Name of the lease from which iron ore was  
allegedly transported: SB Minerals, Lease No.2515

As per the electronic data, a total of 58,653.65 MT of iron ore was supplied, from 1 April 2010 to 28 May 2010, at Adani Enterprises Private Limited (AEL) port in Belekeri port, with the supplier name as "I L C INDUSTRIES LTD (SVK)". The term "SVK" clearly indicates that the material has come from "SVK Mine" belonging to lessee SB minerals with lease No. 2515. On verification it is found that no permits for Belekeri were issued from the said lease, with I L C INDUSTRIES LTD as party, during the above mentioned period. This indicates that the material was illicit.



6. Company: Sathya Granites

Name of the lease from which iron ore was  
allegedly transported: V S LAD mine

As per the electronic data, a total of 10,710.12 MT of iron ore was supplied, from 23 April, 2010 to 30 May 2010, at Adani Enterprises Private Limited (AEL) plot in Belekeri port, with the supplier name as "SATHYA GRANITES (V.S.L)". The term "V.S.L" clearly indicates that the material has come from V.S.LAD mine. On verification it is found that no permits for Belekeri were issued from the said lease, with SATHYA GRANITES as party, during the above mentioned period. This indicates that the iron ore was illicit. Further Satya granites were obtaining the permits and then surrendering it in a short period. This should be properly examined.

**Quantification of Theft of Seized Quantity in Belekeri Port**

On 20-03-2010 Iron ore was seized in Belekeri port on "as is where is basis" by Forest Department. The quantity seized as per the Port Conservator, Belekeri after obtaining information from four Port Land Lease holder/ Port user was 805991.083 MT (Annexure 4 of Chapter-2). Later on 2-6-2010 it was found that large quantity of iron ore seized was stolen and illegally exported. A theft case was registered at FIR No.189/2010 with Ankola police station which is under investigation by CID Bangalore.

The party wise quantity of iron ore stored on 20-3-2010 was provided by Port conservator as submitted by Four Port Lease holders. The Port was in operation and iron ore was being brought into the port and was getting exported. Meanwhile during the period part of the seized quantity was also exported. Belekeri Port being seasonal Port was closed in June month and thereafter state imposed a “ban on export” of iron ore.

The remaining quantity lying in Belekeri port was measured by expert team of officials from Department of Mines and Geology three times till date (by Lokayukta, by CID and by FD). As per the DMG official’s team report submitted to Forest Department Karwar Division on 22-5-2011 the remaining quantity is 272713.347 MT (Annexure 5 of Chapter-2). This quantity was calculated by multiplying Bulk Density (as measured in field) and volumetric measurement.

The quantity of seized against the parties/companies was compared party-wise/company-wise with the quantity remaining in the port a comparative statement in Table-9 of Chapter-2 of Dr. U.V.Singh’s report, is drawn, which indicates the quantity of iron ore stolen and exported prima facie. The difference column of Table-9 indicates the quantity of iron ore i.e. 6,10,810 MTs, had been stolen from iron ore seized on 20/3/2010.

11) Dr. U.V. Singh's Report has also given particulars of the quantities seized against the parties/companies in Table – 9, as per which the Port lease holders, Adani Enterprises and Sri Mallikarjun Shipping Limited, Salagaonkar Mining Industries Private Limited, Rajmahal Silks and other companies by themselves have indulged in illicit transportation of at least 610810.09 MTs of iron ore as on 20<sup>th</sup> March 2010.

12) Table 11 of Dr.U.V. Singh's Report shows the export made since 20/3/2010 to May 2010. It is stated that the iron ore stolen out of the seized quantity has gone in the cargos as stated in Table-11 of Chapter-2 of Dr. U.V. Singh's report. The exporters from serial number 1 to 67 of Table 11 are responsible for the export of iron ore, which was seized. To fix the theft, the quantity exported and to name the exporter the concern agencies should further investigate.

13) The Lokayukta police conducted a raid on 20/2/2010, as stated above, and have seized the computer and other documents from M/s. Adani Enterprises and Sri Mallikarjun Shipping Private Limited. The digital data were recovered from the Hard disks of the seized computers. A file was retrieved from the computer attached with an e-mail, named 'cash a/c'. The file was sent from Accounts Section of Adani Enterprises, Belekeri on Friday, 28<sup>th</sup> March 2008 by Praveen Bajpai of Adani Enterprises to Samuel David, Mittal and Manoj Jha for getting approval of unaccounted payments made on behalf of Adani Enterprises, Belekeri port. The details of such payments have been reproduced at Annexure-6 of Chapter-2, which indicates that money has been regularly paid to Port authorities, Customs authorities, Police Department, Mines and Geology and even to MLAs/MPs. Major regulators of export activities are Customs

Department and Port Department. Before a ship sets sail, Customs have to give 'Let Export' permission and Port Authorities are the facilitator and controller of the activities of Port handlers/users. Regular payments were made by the port handler and stevedore to various regulating authorities and officials. The money was paid in different modes as follows:-

- (1) Payment of a ship-wise fixed amount.
- (2) Payment of an amount in proportion to quantity exported,
- (3) Payment of a month wise fixed amount,
- (4) Payment of lump sum amount at regular periods,
- (5) Payment of amounts once in a while.

14) The abstracts of payments alleged to have been made to various Departments is found from the document seized, the particulars of such payments are found in Annexure-6 to Chapter-2 of the Report submitted by Dr. U.V. Singh's team to the undersigned.

15) In regard to Port Department, it is stated that the payments were made on Ship-wise basis and different rates were fixed for different level of officer. The details of payment made date-wise is listed in Annexure-6 of Chapter-2. Further, the general mode of payment were, PD - Port Director, ₹50,000/- per ship sailed; PO-Port Officer, ₹25,000/- per ship sailed; DPC-Deputy Port Conservator, ₹5,000/- per shipment and Port staff ₹5,500/- per ship sailed. In regard to Customs Department, it is stated that the payments to Custom officials was done on the basis of number of shipments, as well as, quantity exported. The details of payments made date wise is listed in Annexure-6 of Chapter-2 of Dr. U.V. Singh's report. The general mode of payment to Customs Department was, before

26/5/2006, ₹12,000/- per ship; between 26/5/2006 and 11/1/2008, ₹6,000/- per ship plus ₹0.50 per MT; and from 11/1/2008 and onwards, ₹0.50 per MT plus ₹1,00,000/- quarterly to AC-Custom.

16) In regard to Police, it is very interesting to note that Superintendent of Police receives ₹1,00,000/- bi-monthly; Addl. Superintendent of Police, receives ₹25,000/- monthly; Deputy Superintendent of Police receives ₹10,000/- monthly; Circle Inspector of Police receives ₹14,000/- monthly and Outpost receives ₹2,000/- monthly. Mines and Geology officials were paid in lump-sum amount at regular intervals. MLAs/MPs were paid once in a while in a lump-sum amount, particulars of which are at Annexure-6 of Chapter-2. The said report of Dr. U.V. Singh's team also contains the payments made to CRZ, Weights and Measurement Department and other authorities.

17) The payment of bribe amounts to different departments has progressively increased from the year 2004-05 to 2007-08, which was ₹22,62,924 in the year 2004-05; ₹48,36,920/- in the year 2005-06; ₹66,31,144/- in the year 2006-07; ₹1,28,37,242/- in the year 2007-08. All these payments were not shown in the balance sheet of the company and were unaccounted and paid in cash. Dr. U.V. Singh's team has recommended for further investigation for the veracity of the documents and the alleged involvement of the concerned departments and individuals in regard to payment of bribe and I recommend the same.

18) From the above discussion, in regard to export of illicit iron ore from Belekeri port only, the following inferences can be drawn.

- (1) The total export from Belekeri port in the year 2006-07 to 2010-11 is about 2,03,68,977 MTs.
- (2) The total permits issued for the corresponding period to transport iron ore from various places to Belekeri port is about 1,26,30,808 MTs.
- (3) The illegal export in the corresponding period is about 77,38,169 MTs.
- (4) The illegal export for the year of 2009-10 is highest since 2006-07 and it is about 36,50,840 MTs i.e., almost more than double to the 2007-08
- (5) The illegal export for the 2010-11 (two months) is record breaking and it is about 11,59,441 MTs.
- (6) There is a theft of iron ore after seizure by Forest Department on 20/3/2010. The quantity stolen is about 6,10,810.09 MTs.
- (7) Presently, iron ore stored at Belekeri port is approximately 2,72,713.35 MTs.
- (8) The officials of Port department, Customs, Police, KSPCB, CRZ, Mines, Local politicians and others are involved in receiving the bribe money from M/s. Adani Enterprises. The money indicated in this chapter for bribe should be recovered and deposited into the State Exchequer. The criminal cases under the Prevention of Corruption Act should be filed against those who figured in the seized record of Adani Enterprises after proper identification and following the provisions of Law.

- (9) The Belekeri port is not having adequate infrastructure and also proper security hence the port should be closed till it is brought to the standard of ports managed by Central Government.
- (10) The seized quantity available at Belekeri port of various suppliers/exporters should be forfeited to State Government after following the procedure available in Law.
- (11) The Adani Enterprises has paid the bribes for getting undue favour for illegal exports. Action should be initiated against the company to cancel the lease granted at Belekeri port. The company should be black-listed and barred from participating in any future contract, grant or lease, etc by the Government.
- (12) All the four lease holders/ port service providers i.e., M/s. Shree Mallikarjun Shipping Private Limited (SMSPL); M/s. Adani Enterprises Limited (AEL); M/s. Salgonkar Mining Industries Private Limited and M/s. Raj Mahal Silks have been found to be actively involved in large scale illegal exports of the iron ore causing huge loss to the Government. All these leases granted to the said four companies should be cancelled by following due provisions of law and other contemplated action should be taken against them.
- (13) From the seized records (20/2/2010) it is found that forged permits were used to transport the illegal iron ore from various places in the State. Action should be initiated against the person involved under relevant provisions of law.

(14) The involvement of transporters in transport of over load and using forged permit should be assessed and action should be taken under the Motor Vehicle Act and any other applicable law.

(15) Any other action contemplated under the relevant law should be taken.

19) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Further, in this Chapter, wherever the names of the officers are stated and in some instances, designation of the officers are stated, it is recommended to the State Government to initiate action against such officer/officials under the Prevention of Corruption Act, 1988 or under the relevant Disciplinary Rules.

20) Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

21) The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.

22) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-

(N.SANTOSH HEGDE)  
LOKAYUKTA



**ILLEGALITIES IN TRANSPORT OF IRON ORE THROUGH  
RAILWAY TO GOA**

1) Dr. U.V. Singh's team has examined the issue of transportation of iron ore to Goa by Railways and has found certain deficiencies. The said report states;

2) Goa has many iron ore mines. Iron ore is also exported through the ports in Goa. The two important ports in Goa through which iron ore is exported are Mormagao and Panaji. Exports through Mormagao port is the highest in the country and a substantial portion of this iron ore is sourced from Karnataka.

3) The report also states that in view of the fact that in Goa, iron ore of Karnataka origin is blended with iron ore of Goa origin, to improve its Fe content before it is exported. They have opined, that it is difficult to estimate quantity of Karnataka origin iron ore exports through Mormagao and Panaji ports of Goa. The report further noted that comparison of exports of iron ore of Karnataka origin and permits issued is carried out for all the ports, but for the two ports at Goa, it could not be done due to the following constraints:

- (1) The data obtained from the Customs offices in Mormagao and Panaji had limitation of state of origin and completeness. It is found that the shipping bills of Mormagao was both manual as well as electronic and a large part of the manual shipping bills were not available. Moreover it was observed that the figures of export of iron ore of Karnataka origin, as depicted in shipping bill data of both the ports, were grossly underreported. This may be due to the fact that

the major portion of blended iron ore may have been shown as of Goa origin. Hence the custom data provided cannot be used for comparison as it does not accurately reflect the quantum of iron ore of Karnataka origin exported from Goa.

- (2) Iron ore is transported from Karnataka to Goa for both domestic consumption as well as exports from Goa. However the DMG permits issued does not clearly distinguish between domestic and export destinations. Since the destination mentioned in the permits is Goa, it is difficult to determine whether it was transported for domestic consumption or for exports. Therefore from the permit data it is not possible to determine the quantity of iron ore for which permits were issued for a port in Goa.
- (3) Further, a few large exporters have mining leases in Karnataka as well as in Goa. Besides some exporters also have steel units in Goa. Because of this it is difficult to accurately identify from the party name in the permits, whether the issued permit is for export or for domestic consumption unit in Goa.
- (4) Finally, the permits issued by DMG do not clearly indicate the mode of transport i.e. whether it is through railways or through road. It is observed that a major part of iron ore goes to Goa through goods train.

4) The report further states that Railway is a major mode of transport of iron ore from Karnataka to Goa. The two major railway destinations in this regard are Tinaighat and Soverdem. The investigating team has obtained details of transportation of iron ore through railways to Tinaighat and Soverdem, from the railway authorities, which is reflected in Annexure-1 of Chapter 3 of Dr.U.V.Singh's Report. From the said Annexure, information in regard to total quantity of iron ore transported by Railways from Karnataka to Goa during the period from April 2006 to March 2011 could be noticed. The report further observes that it has necessary information about month wise, consignor wise total quantity of iron ore transported by Railways from Karnataka to Goa via these two Railway Stations. This quantity includes iron ore transported for both exports and domestic consumption. The investigating team has also done the consignor wise comparison for 60 months' period between 2006 and 2011. Table-1 of Chapter-3 Dr. U.V. Singh's Report shows the "cases of discrepancies found in comparison of consignor wise month wise consignments unloaded at Tinaighat and Soveridem Railway Stations and Permits Issued to the Consignors as Party for the period. It also shows month wise permits issued to the consignor with Goa as destination. The information in this table identifies the months during which the quantity transported was in excess of the total permit quantity issued during the corresponding period. In view of the above, the investigating team has recommended the following for further action.

1. Comparison of the records of railway and the permits issued by the Mines Department, it is amply clear that there is no mechanism to verify the legality of iron ore received at Railway stations.

Action should be taken by Railway Authorities to check and verify the documents with regard to iron ore transported through railways.

2. It is computed that prima facie approximately 45,59,365 MT of illicit iron ore was transported through Railway during the period 2006-07 to 2010-11 as stated in Table-1 of Chapter-3 of Dr.U.V.Singh's Report.
3. Action should be taken to recover the cost of the illegal iron ore transported by 40 consigners (Table-1 of Chapter-3 of Dr.U.V.Singh's Report) with exemplary penalty after following due process of law.
- 5) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.
- 6) The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.
- 7) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
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## **CASES OF UNDER INVOICING OF IRON ORE EXPORT SALES**

### **1. Cases of under invoicing in iron ore exports**

(1) Data on exports of iron ore of Karnataka origin were obtained from Customs and Port authorities for the purpose of this enquiry. Customs and Port authority offices at various ports were physically visited by Dr. U.V.Singh's team and discussions were held with the concerned officials. During discussions with officers and others, it was also found that there are cases of under-invoicing in iron ore exports sales. Hence it is found necessary to record the findings of the enquiry in regard to this subject in this chapter.

(2) The enquiry has revealed that some exporters exported iron ore at sale rates (US \$/MT) that were considerably lower than the prevailing international rates or comparative rates at which other exporters were exporting iron ore during the period. It is also found that these under-invoicing have been made by some selected companies/firms and it is also found that some of the preferred overseas buyers are suspected to be "front companies". The transactions of the exporters with these "front companies" are convoluted transactions devised for the purpose of evading paying taxes, duties etc. in India. These under invoices are being done largely on the basis of sham/make believe agreements with the "front companies" in order to camouflage their act of suppression of their real income.

(3) A list of suspected under-invoiced exports made during 2006-07 to 2010 is shown in Annexure 1 of chapter 4 of Dr. U.V.Singh's Report. The list comprises export cases where the sale rate (US \$ /MT) is significantly lower than the average

of sale rates of all iron ore exports in that month from all ports. This list is not complete and there may be more such cases.

(4) There are 478 suspected cases of under-invoiced exports during the period 2006-2010. The total under-invoiced portion of sales in US \$ is computed to be US \$ 55,55,65,234. In rupee, this amount comes Rs. 2222,26,09,375/- @ Rs 40 per US \$. Further it is found that in many cases exporters had a preferred consignee for under invoiced exports. The list of exporters and their preferred consignees for under-invoiced exports is given in Table 1 of Chapter 4 of Dr. U.V.Singh's Report:

## **2. Evasion of Custom duty by exporters through under invoicing, typically during the period of ad-valorem based custom duty**

(1) The Ad valorem (adv) customs duty for Iron Ore Fines was introduced from 2008-09. For the period from 13/06/2008 to 30/10/2008 the export duty was 15% Adv and the Cess was Re.1/- per MT. For the period from 07/11/2008 to 06/12/2008 the export duty was 8% Adv and the Cess was Re.1/- per MT. From 24/12/2009 onwards the export duty was 5% Adv and the Cess was Re.1/- per MT. Exports under-invoicing during the period ad valorem custom duty implies evasion of customs duty in addition to other evasions and violations. There are 174 suspected cases of custom duty evasion through export under invoicing of Iron Ore Fines, which is reflected in Annexure 2 to chapter 4 of Dr. U.V.Singh's Report.

(2) Similarly, Ad valorem (adv) custom duty for iron ore lumps were introduced from 2008-09. For the period from

13/06/2008 to 06/12/2008 the export duty was 15% Adv and the Cess was Re.1/- per MT. For the period from 07/12/2008 to 23/12/2008 the export duty was 5% Adv and the Cess was Re.1/- per MT. From 29/04/2010 onwards the export duty was 15% Adv and the Cess was Re.1/- per MT. There are 45 suspected cases of custom duty evasion through export under invoicing of Iron Ore Lumps, which is reflected in Annexure 3 to chapter 4 of Dr. U.V.Singh's Report.

### **3. Exports by National Mineral Development Corporation (NMDC)**

(1) NMDC is a public sector undertaking under Government of India. NMDC exports high grade (65/63 Fe) iron ore. It is observed that in some exports, the NMDC sale rates are very low as compared to sale rates of other exporters and prevailing market rates, during the same period. As NMDC exports high grade iron ore, this observation is significant. Table-4 of Chapter 4 of Dr. U.V.Singh's Report shows comparison of export sale rates of NMDC and average of sale rates of all iron ore exports during the month.

(2) All cases in Table-4 of Chapter-4 of Dr. U.V.Singh's Report, Chapter pertaining to exports of high grade (65/63 Fe) iron ore. During the period, when the average rates of iron ore of all grades were fluctuating between 116 and 168 USD per MT, the rates charged by NMDC were between 50 and 63 USD per MT. It is computed that the amount earned by NMDC for these shipments is a mere 40% of the possible earnings, had NMDC exported the same quantity at the average of sale rates charged by other exporters. In effect, the PSU's iron ore export realization is far less than the potential earnings.

4. In the light of facts and circumstances stated above the following conclusions are drawn:

- (1) There are 478 suspected cases of under invoiced export during the period 2006-07 and 2010. The total under invoiced portion of sales is about Rs. 2222,26,09,375/- (approximately Rs 2222 Crores) @ Rs 40 per US \$. The concerned agencies should take note of this and take further needful action.
- (2) Many exporters have preferred consignees for under invoiced exports. In several cases “front companies” of the exporters have acted as consignees. The concerned agencies should take note of this and take further needful action.
- (3) There are 174 suspected cases of under invoicing of exports of iron ore fines and 45 suspected cases of under invoicing of exports of iron ore lumps during the periods of ad valorem customs duty regime. It should be seen in the light of evasion of custom duties. The concerned authorities should take note of this and take further needful action.
- (4) During the enquiry it is observed that NMDC has exported iron ore at a rate much below the prevailing rates. It is further noted that NMDC has exported very high grade iron ore. Due to this the Public Sector Undertaking has incurred a huge loss. The concerned Ministry Government of India may take note of it and take further needful action.



5) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities.

6) Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State Government and Government of India together, as well as, penal actions should also be resorted to, wherever necessary.

7) The State Government may request the Competent Authority in Govt. of India to take action under the relevant Law after having in-depth probe for parking the money outside the country.

8) The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in the subject matter.

9) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
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**ISSUES WITH REGARD TO REALISATION OF EXPORT PROCEEDS THROUGH AUTHORISED DEALER BANKS**

The Investigating Team headed by Dr.U.V. Singh, has noted the entire process of realization of export proceeds have numerous loopholes. In the process of realization of realization of export proceeds, following facts are noticed.

2) In every instance of export of iron ore, the exporter has to file a Shipping Bill with the Customs. The shipping bill contains details of iron ore quantity, provisional-Fe and moisture content, sale rate in US \$, name and address of consignee, state of origin of material, destination port and country etc. It also contains details regarding Authorised Dealer bank (AD Bank) through which the exporter intends to realize the export proceeds.

3) In these exports, the exporter gives an undertaking that export proceeds as mentioned in the shipping bill shall be realized within a definite time limit. The rate in US \$ declared in the shipping bill is based on Agreement/Letter of Credit between the exporter and the "buyer", a copy of which is provided to Customs at the time of filing of shipping bill. On payment of custom duty as per the shipping bill, the Custom House issues a GR Form. A GR Form is a Foreign Exchange Control Form as per the provisions of Foreign Exchange Management Act (FEMA)

4) The exporter for the purpose of realization of export proceeds, submits the Export Bill in his AD Bank. The Export Bill comprises of Letter of Credit (LC), Invoice, Bill of Lading Shipping Bill/GR Form etc. The AD Bank verifies the Invoice against other documents viz.GR Form, Bill of Lading and the LC. In case of any variation, the AD Bank seeks an explanation from the exporter. In case the documents are in order the AD Bank remits the realized proceeds to the account of the exporter.

5) AD Bank is supposed to file a Statement of Export Bills Negotiated/Sent for Collection during the fortnightly period, with Reserve Bank of India every fortnight. This statement is called ENC Statement and contains the amount in foreign currency along with Shipping Bill Number, Shipping Bill Date, IE Code of the Exporter, GR Form Number, Invoice Number, Port Code (for the Port through which export happened), AD Code of the Bank etc. AD Bank also files a Statement of Export Bills Outstanding (XOS Statement) giving details of all exports bills that have not been realized or partially realized (i.e. export bills outstanding) beyond 180 days.

6) According to the Report, earlier all foreign exchange realization including those from exports proceeds were regulated under the provisions of Foreign Exchange Regulation Act (FERA). Subsequently FERA provisions were relaxed through enactment of Foreign Exchange Management Act (FEMA) that included delegation of some of the functions of the RBI to the Authorized Dealer Banks. In addition, the paper forms based system has been replaced with an electronic reporting system to monitor realization of export proceeds.

7) As part of the enquiry Statements of Export Bills Negotiated/sent for collection during the fortnight i.e. ENC Statements reported to Reserve Bank of India (RBI) by all Authorized Dealer Banks during the period 2006 to 2010 were obtained from the RBI. However the matter of sharing data of “Statements of Export Bill Outstanding i.e. XOS Statements” with Karnataka Lokayukta was still under consideration by RBI till the time of writing this report. Hence, ENC data obtained from the RBI, iron ore exports data of Customs and information independently obtained from AD banks were used.

8) During the examination of data and in the course of the enquiry, following issues with regard to realization of exports proceeds were found:

1. In the past the process of filing shipping bill was manual. The shipping bill form was in triplicate including a copy of the Shipping Bill/GR Form that was issued to the exporter. The shipping bill form had columns for recording observations or approvals by the AD bank and the Reserve Bank of India (RBI). The Exporter submitted his copy of the shipping bill/GR Form to the AD Bank. The AD Bank verified the shipping bill with other documents like Invoice, Bill of Lading etc. On realization of export proceeds, the AD filled in the details of realization in the same form and submitted it to the RBI. This process of having a single paper document that moved from Customs to Exporter to AD Bank and finally to RBI ensured that export proceeds realization was in accordance with the exporter's declaration in the shipping bill/GR Form.

However in the present system based on electronic reporting, Customs share the shipping bill data with RBI electronically. Similarly the AD banks files periodic reports with regard to realization of export proceeds against each shipping bill with the RBI electronically. RBI is supposed to collate and compare the two databases and monitor whether the realization of export proceeds is as per law. This is not happening effectively.

It is found that the fortnightly ENC statements filed by the AD banks are incomplete and full of errors. It is also found that collation and comparing of the two databases is not being done by the RBI. In the absence of verification by RBI, there is a possibility of cases of non realization and under

realisation of export proceeds going undetected/ unnoticed/ ignored. This has encouraged tendencies of money laundering and parking of foreign exchange outside the country. As part of the examination, the shipping bill data was compared with ENC data for common SB No, SB Date and IEC No. It was found that records of only about 1000 Shipping bills out of over 5500 Shipping bills in the customs data were available in the RBI database. **(Annexure 1 to Chapter 5 of Dr. U.V. Singh's Report)**. This clearly substantiates the anomalies discussed above.

## 2. Non declaration of AD Bank Name and Account Number in the Shipping Bill

It is found that in many instances exporters did not declare their account number and name of their AD Bank in the shipping bill. Due to this it is difficult for the regulatory and enforcement agencies to track as to how the export proceeds for a particular shipment would be realized and lead to cases of non realization of export proceeds remaining undetected. This may further encourage tendencies of money laundering and parking of foreign exchange outside the country.

## 3. Non reporting /Erroneous reporting by AD Banks to RBI

In many instances it was found ENC statements are not filed with the RBI by some AD Banks e.g. State Bank of India Hospet (ENC Statement has not been filed since May 2009) and Canara Bank Bangalore. Axis Bank Bellary had been found to be selective in reporting ENC statements and it did not report realization in some instances. It also appears that there is no mechanism with the RBI to alert AD Bank in case

of non filing of ENC statements leading to ineffective monitoring and tracking of realization of export proceeds.

The ENC report is prepared through data entry at the AD bank since there is no electronic interface between the banking application and the RBI system. It was observed that there were errors in data like shipping bill number, shipping bill date, port code etc. Because of these errors this data cannot be compared with the shipping bill data of Customs.

As explained earlier, AD Banks are required to report shipping bill wise export proceeds realization for effective monitoring. However it is found in many instances export proceeds realization against multiple shipping bills was reported against a single shipping bill only, vitiating the entire process of monitoring. This further confirms that monitoring of realization of export proceeds has proved to be ineffective.

4. Unlike other commodities, the value of iron ore shipments is prone to variation on account of changes in Fe/moisture content. It was found that banking applications at some banks did not take this factor into account. The bank application did not allow the value of shipment as per the GR Form to be different from the value of shipment as per the invoice. Hence the bank is filling the value of shipment as per the invoice under the field "Value of shipment as per the GR Form". Because of this flaw in the software of the AD banks, XOS (Export Bills Outstanding) statements filed by the banks every 6 months with the RBI did not report cases of under realization and anomalies.

## **5. Realization of export proceeds against a shipping bill through multiple banks**

A Foreign Inward Remittance Certificate (FIRC) is required in case bank realization happens through a bank other than the AD Bank to which the exporter has submitted the GR Form. It was found that in some instances export proceeds against a shipping bill were realized through two different banks without an FIRC. In such cases the bank relied on self declaration of the exporter which is against banking regulations. This deviation is exploited by some exporters to park the export proceeds abroad.

A case in point pertains to an exporter M/s Obulapuram Mining Company Pvt Limited (IEC No 0702019313) with regard to their Shipping Bill Numbers 2863799, 2863798 and 8100617 respectively.

1. With regard to the Shipping Bill Number 2863799 it was found from the data provided that RBI that only around 2% of the FOB value has been realised till date. On enquiry the concerned AD bank (Axis Bank, Bellary) informed that, while submitting the invoice for realising the 2% of the FOB, the exporter had informed the bank that 98% of the FOB value has already been realised through the Bangalore Branch of Axis bank. However on examination the Bank found that the bills were not handled by it. (Letter of Bank at **Annexure 2** and Covering letter of the Exporter at **Annexure 3**). A similar case has also been reported by the Bank with regard to the Shipping Bill No. 8100617.

2. With regard to Shipping Bill Number 2863798 it has been informed by Axis Bank, Bellary that the export bill for realising the 2% of the FOB, was not paid and has been disposed of after self-right off. However in this case the customer (exporter) had informed the bank that 98% of the FOB value has already been realised through their Bangalore Branch. However on examination the Bank found that the bills were not handled by it. (Letter of Bank at **Annexure 2 of Chapter-5 of Dr. U.V. Singh's Report** and Covering Letter of the Exporter at **Annexure 4 of Chapter-5 of the said Report**).

9) In the above process, the Investigating team found very many irregularities and contradictions, which is noted in the report at Chapter-5 of Dr. U.V. Singh. As there is a conflict in the versions of the AD bank and the Exporter, with regard to the realisation of the export proceeds through the bank, there is likelihood that approximately 12.1 Million dollars (Rs 47.8 crore in Rupee terms) of exports proceeds, against the said shipping bills, might not have been realised at all. This needs to be examined by the Department of Government of India.

10) Having noticed the deficiencies in the functioning of the institutions, which are managing the realization of money, which due to the exporter and consequently the benefit of foreign exchange and loss to the country, the investigating team has made the following suggestions:

1. It is noted that there are many flaws in the process of realisation of iron ore export proceeds.



2. There is no effective system for monitoring and tracking of non realisation or under realisation of export proceeds by the Reserve Bank of India.
3. A detailed verification of export proceeds realisation against the Shipping Bills of all the iron ore exports during last 5 years needs to be undertaken by the Reserve Bank of India.

11) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities.

10) The State Government may request the Competent Authority in Govt. of India and Reserve Bank of India to take action under the relevant Law after having in-depth probe for parking the money outside the country.

11) The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in the subject matter.

12) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

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**BENAMI ACCOUNTS OF**  
**SRI BHAKTHA MARKANDESHWARA MINERALS, HOSPET**

M/s Sri Bhaktha Markandeshwara Minerals Hospet (SBMM) was established in the year 2008. It is an unregistered firm purportedly owned by a sole proprietor Sri K. Kashivishwanath (aged 35 years, the date of birth being 18/12/1975) son of K. Hanumanthappa, Weavers Cooperative Colony, Hospet, Bellary District. The records of registration i.e. TIN number have been collected from the Office of the Assistant Commissioner of Commercial Taxes, LVO 500, Hospet. The identity of the firm was noticed while examining the electronic records of Sri K. Mahesh of Hospet obtained from the Income Tax Department, Bangalore.

2) The bank accounts of this firm have been obtained from the Axis Bank, Hospet and Bellary, Lakshmivilas Bank, Hospet and Pragathi Grameena Bank, Hospet. On going through the bank accounts, it has been observed that crores of rupees have been deposited in banks and also withdrawn in cash from these accounts. Such illegal money transactions have been further trailed/proceed to accounts in bank of various persons/companies/firms and others. The total transaction of money in these accounts for a given period has been summarized by my investigating team as follows:

Sl. No.	Name of the Bank and account No.	Date of opening of Account	Total debits (Rs.)	Total credits (Rs.)	Remarks
1	Lakshmivilas Bank, Hospet A/c No. 029835800000 0307	23/04/2010	430547572.67	430589134.00	(as on 03/01/2011)
2	Axis Bank, Hospet A/c No. 618010200006 385	16/06/2009	331930547.08	332259841.00	(as on 29/01/2011)

3	Axis Bank, Bellary A/c No. 909020039582 669	23/11/2009	371926542.78	371929608.00	(as on 29/01/2011)
<b>Total</b>			<b>1134404662.53</b>	<b>1134778583.00</b>	

3) It is stated here that Sri K. Kashi Vishwanath when applied for getting TIN number from the Commercial Taxes Department in Karnataka, he had given a bank account No. SB 13670 of Pragathi Grameena Bank, Hospet (Annexure to Chapter-6 of Dr. U.V. Singh's Report at Page 25-27. This account number has never been used for VAT payments. Entries reflected in the chart above have not been reflected in the records of the Commercial Taxes Department, which has totally failed to trace these accounts. Financial transaction of Pragathi Grameena Bank is given as hereunder. Total debits – Rs. 3,70,202.00 and Total credits – 3,70,750.00, i.e. as on 1/4/2011.

4) There is no record to show that the information about the above three accounts, i.e. (i) Lakshmvilas Bank, Hospet A/c No. 0298358000000307, (ii) Axis Bank, Hospet A/c No. 618010200006385 and (iii) Axis Bank, Bellary A/c No. 909020039582669, have been submitted to the Commercial Taxes Department as required under the law. The officials of the said department have not bothered to collect the bank accounts for verification and audit of the VAT. It is observed that there are hundreds of such cases which have come to the notice of my investigating team wherein all the bank accounts operated by the traders of iron ore are not reported to the Commercial Taxes Department. The information available with my investigating team, indicates that no serious attempts have been made by this department in cross-verifying the payment of

VAT. There are plenty of cases wherein even at the time of registration TIN number, details of bank accounts have not been given. All trade transactions are done through other accounts. This is a serious issue and the department shall take immediate action to collect account numbers of all iron ore traders, mining lessees and also raising contractors, iron ore transporters, logistics providers, excavators etc. from the various banks mainly in Bellary, Hospet and surrounding districts all the branches including Bangalore.

5) Sri K. Kashi Vishwanath has deposed on oath on 6/4/2011 at the office of my investigating team. The deposition statement dated 6/4/2011 of Sri K. Kashi Vishwanath is enclosed (Annexure to Chapter-6 of Dr.U.V.Singh's Report pages 28 to 31). As per his statement, he is an ordinary private employee working in Lakshmi Venkateshwara Steel Hardware Shop at Hospet since last one and a half years. Before this, he was running his own "Kirana shop", a petty shop. He has stated that he is not sure whether his firm i.e. M/s Sri Bhaktha Markandeshwara Minerals Hospet (SBMM) is a registered firm or not, but he has taken the VAT Number. He states that he was a sole partner but since last three months, his cousin brother Sri K. Govindaraj son of Sri K. Nagaraju has also become the partner. This has not been informed to the Commercial Taxes Department and other connected departments. In reply to a question (Question No. 7) which is reproduced herein; he has stated that M/s SBMM owned by Sri K. Kashi Vishwanath has never entered into any iron ore trade. Sri K. Govindaraj may be a partner, not on record, but active functionary.

**“Qn. 7) What business M/s Sri Bhaktha Markandeshwara Minerals (BMM), Hospet has been carried out?**

**Ans:** *I am issuing the bills on the request of one Sri Ramesh S/o S. Gangappa, Hospet, by charging 5% of the iron ore value mentioned in the bill. Out of that 5%, 4% VAT is deposited to Government and 1% is kept by me as my commission. At the same time, I do not have idea of the iron ore trade against this bill. I do not know anything about the trading i.e. from where it is purchased or sold, etc. I do not have any idea about iron ore business. It is purchased or sold, etc. I do not have any idea about iron ore business. Since my earlier days I was working in Kirana Shop and once it went in loss, I switched over to working in M/s Lakshmivenkateshwara Steel Hardware Shop at Bellary Road, Hospet”*

6) To another question, Sri K. Kashi Vishwanath has admitted that he has the knowledge of accounts being operated at three places in Hospet and Bellary, but he does not remember any of their account numbers. He does not have the idea of when the accounts were opened. He further submits that he does not have any idea of iron ore trade transit permits of Mines and Geology Department. His firm does not possess any iron ore stockyard and he further submits that he does not have any idea of transactions of crores of rupees from his accounts in various banks. But at the same time, he states that one person by name Sri Ramesh son of Sri Gangappa who lives in a village in Dharwad District has the knowledge. He states that he does not have any idea of his whereabouts. He denied that he has

transported any iron ore to any port or place. To question No. 11, he admits that he does not have any idea of payments made to other companies/individuals etc. other than the iron ore bills issued by him. It is to note here that as per his admission, he states that he does only issue the bills and he does not deal with iron ore trade as such. He simply issues bills by collecting 5% of value of the bill which he issues in the name of his firm. It includes VAT charges and his commission, the VAT being 4% and commission being 1%. He categorically denies that he has never purchased and sold iron ore in the name of his firm, i.e. M/s SBMM. He also denied that any agreement was signed with the Krishnapatnam Port Company Limited (Annexure to Chapter-6 of Dr.U.V. Singh's Report page 32 to 41). He denied that he has advanced any amount to the Krishnapatnam Port Company Limited. It is to state here that as per the bank account details, A/c No. 029835800000307 of M/s SBMM in Lakshmivilas Bank, Hospet, an amount of Rs. 30.00 lakhs have been paid in favour of Krishnapatnam Port Company Limited on 31/5/2010. The CEO of this Company confirms this. An handling agreement claimed to be signed between Krishnapatnam Port Company Limited Vs M/s Sri Bhaktha Markandeshwara Minerals states that M/s SBMM is the company constituted under the Companies Act, 1956 having its Registered office at Door No. 93, 3<sup>rd</sup> cross, Weavers Colony, Hospet in Karnataka. It is stated here that as per TIN number, M/s Sri Bhaktha Markandeshwara Minerals is an unregistered firm. This indicates that the firm M/s Sri Bhaktha Markandeshwara Minerals is misused by others and managed by proxy members.

7) The office of the Lokayukta has approached the Income Tax Department, Government of India at Bangalore to exchange

the information/documents mainly the documents/electronic devices seized by them during the various raids conducted in 2010. After having a thorough discussion and correspondence, a pen drive was provided to this office having the contents seized from the premises of Sri Karapudi Mahesh (K. Mahesh). Printout of the said pen drive was taken and examined. During the perusal of the records, Table-1 of Chapter-6 of Dr. U.V. Singh's report has been traced and it is a part of hundreds of other pages available in pen drive. This page along with other pages have been cross checked and verified from the printouts available with the Income Tax Department.

8) The Account No. 2669 and cheque Numbers appearing in the said table issued out of this account was verified and found that this account was operated in favour of M/s SBMM. The financial transactions about the cheque numbers have been cross verified with this account and it is found that most of the cheque numbers and corresponding amounts are matching. Copy of the said bank Account No. 909020039582669 of M/s SBMM is enclosed (Annexure to Chapter 6 Dr.U.V. Singh's Report pages 42 – 46).

9) Similarly, Table-1 and 3 of Chapter-6 of Dr. U.V. Singh's Report gives the details of Account No. 267010200016667 pertaining to Sri Lakshmi Venkateshwara Minerals, Hospet in Axis Bank, Bellary. Further, the entries of statement of Account No. 267010200016667 of Axis Bank, Bellary pertaining to Sri Lakshmi Venkateshwara Minerals, Hospet, Door No. 1047, 25<sup>th</sup> ward, Akashavani Road, Hospet – 583201, Karnataka, have also been verified and found matching. The bank account No. 16667 of M/s SLVM is enclosed (Annexure to Chapter 6 of Dr. U.V. Singh's Report at Pages 47 to 51).

10) Rest of the entries are cash transactions in Table-1 of Chapter-6 of Dr. U.V.Singh Report, it should also be taken note from table-1 that amount is paid at the rate of Rs.100/- per MT (27/12/09 and 06/01/2010). The amount also is credited out of illegal ore from Chitradurga. On verification of the entries in the Table-1 referred above with respect to account of Axis Bank, Bellary mentioned above pertaining to M/s SBMM, the cheque numbers and respective amounts are found matching and there is no doubt whatsoever left that the information in the Table-1 is genuine and can be taken as evidence for any proceedings. Taking Table-1 into consideration, the amount drawn as cash from both the accounts (2669 of M/s SBMM and 16667 of M/s SLVM) referred in Chapter-6, Dr.U.V. Singh's Report shows that it has reached to "Sri G.J. Reddy Sir" as stated in the heading of Table-1. The risk amount withdrawn from the bank accounts and also cash paid finally reaches the same person as amount payable to the overall protection provided for illegal iron ore trade and transportation. This matter requires further in-depth investigation by a Competent authority.

11) The account No. 029835800000307 of M/s SBMM in Lakshmi Vilas Bank, Hospet has been examined in respect of certain credits and debits and onward proceeds to other accounts. In one of the transactions taken place on 31/5/2010 an amount of Rs.12,50,00,000/- was deposited in favour of Associated Mining Company in account No. 31000313003 of State Bank of India, Main Branch, Bellary (Annexure to Chapter-6 of Dr.U.V. Singh's Report at page 53 to 97). This account is a joint account of Managing Partners Sri G. Janardhana Reddy and Mrs. G. Lakshmi Aruna of Associated Mining Company (AMC), Bellary. Further, there is a credit of Rs. 5.00 crores on 31/5/2010 in the account of M/s SBMM



(A/c No. 0298358000000307) from the account No. 298358000000013 of Sri Jambunatheshwara Minerals, Hospet in Lakshmvilas Bank, Hospet (Annexure to chapter 6 of Dr.U.V. Singh's Report at pages 98-100). Hence, the money from A/c No. 0013 **proceeds** to the account of M/s Associated Mining Company (M/s AMC), at SBI, Bellary. It is to be noted here that M/s Jambunatheshwara Minerals is involved in illegal trade of iron ore from Hospet-Sandur-Bellary regions. With the proceeds of money it is clear that large amount of money was credited to the account of M/s AMC. from the said account and others. Some of the details of credits and debits of the account No. 3003 of SBI are stated in the chapter pertaining to M/s AMC. There are other dubious transactions in the said account which requires further investigation.

12) The form VAT 1 [see Rule 4(1)] for registration under the Karnataka Value Added Tax Act 2003, the AMC's Managing Partners Mrs. Gali Lakshmi Aruna and partners have provided the bank details of the company for VAT purpose (Annexure to Chapter 6 of Dr.U.V. Singh's Report at page 104-107). The bank in this respect is Canara Bank Account No. CA 179. There is no mention regarding the account of State Bank of India, Bellary (A/c No. 31000313003) which is having the credits of large amount of money transactions of the M/s AMC. The payment of VAT in this regard shall be further investigated by the Competent Authority (Commercial Taxes Department).

13) Bulk permits were issued to M/s AMC by the Deputy Director, Department of Mines and Geology, Hospet for transportation of iron ore during the years 2009 to 2010. The name of the party is included in the MDP. It is noted that there is no permit issued in favour of M/s Sri Bhaktha

Markandeshwara Minerals Hospet (SBMM) and M/s Sri Jambunatheswara Minerals. It is pertinent to note that Sri K. Kashi Vishwanatha who has deposed under oath has categorically stated that he has never had iron ore purchase and sale. On perusal of all the three accounts of M/s SBMM, it is found that lot of cash transaction has taken place in the form of credits and debits. A large part of these cash deposits might have come from risk amount collected for illegal iron ore transportation by various traders to various destinations from Hospet, Sandur, Chitradurga, Gadag, Amingarh and other places.

14) With the foregone paras and the records examined in this office, it is stated that the three accounts, i.e. (i) Lakshmvilas Bank, Hospet A/c No. 029835800000307, (ii) Axis Bank, Hospet A/c No. 618010200006385 and (iii) Axis Bank, Bellary A/c No. 909020039582669, of M/s SBMM are the "benami" accounts which are operated to transfer the ill-gotten money collected from various sources, such as, illegal iron ore trade, risk amount and others from one head to other. The signatures of Sri K. Kashi Vishwanath found on the cheques used for self withdrawals from Axis Bank, Bellary do not match with his signature done during deposition on oath on 6/4/2011. These accounts are proxy used for illegal transactions.

15) The computerized data seized from the premises of Sri Karapudi Mahesh by the Income Tax Department, which data is obtained by Lokayukta Investigating body has been examined and verified from the bank accounts of M/s SBMM and found matching. The details are at Table 4 to 11 of Chapter-6 of Dr.U.V. Singh's Report. The contents in the tables pertain to OMC material and Bellary risk amount. After crediting the

money through cheques and cash in the bank accounts, the same is withdrawn in cash through self drawn cheques (the A/c No. 2669 of M/s SBMM of Axis Bank, Bellary and the A/c No. 16667 of M/s SLVM of Axis Bank, Bellary meant for OMC (CMO) material) are shown at Table - 4 and Table - 5 of Chapter-6 of Dr.U.V. Singh's Report.

16) That apart, the account details is maintained by Sri K. Mahesh and his associates indicate that the accounts of M/s SBMM are virtually operated by Sri K. Mahesh for transactions of illegal money received from illegal transactions from various parties.

17) While examining the Account No. 0298358000000307 of Lakshmvilas Bank, Hospet of M/s SBMM, an amount of Rs.11,19,29,656/- have been credited in cash and the same is **proceed** to debit in the account of M/s Jambunatheshwara Minerals on 5/6/2010. Further, an amount of Rs.10,76,24,670/- has been self withdrawn by Jambunatheshwara Minerals on 5/6/2010. In this account Rs.38,74,82,493/- has been debited and Rs. 38,75,21,734/- has been credited (from 18/01/2010 to 10/02/2011). There is a lot of cash transaction in this account in the form of credits and debits. Whether such transactions had been lawfully permitted and reported by the banks to RBI shall be investigated. This account of M/s Jambunatheshwara Minerals also seems to be a benami account. The following firms/ companies/ individuals funds are debited and credited in this account.

- 1) S.B. Logistics
- 2) Srinivas Minerals
- 3) Dream Logistics
- 4) ILC Industries Ltd Petroleum
- 5) T.V. Sundaram Iyengar & Sons

- 6) Sri Srinivas Minerals
- 7) BMM Ispat Ltd
- 8) Manasi Resources
- 9) Shree Bhakta Markandeshwara Minerals
- 10) Sri Lakshmi Venkateshwara Minerals

18) From the examination of these bank accounts, it is seen that M/s SBMM had monetary transactions with many companies. A list of companies who had credited money into the accounts of M/s SBMM and companies under whose name the money was debited is shown at Table – 12 and 13 (Annexure to Chapter-6 of Dr.U.V. Singh's Report). It is to be noted that most of these companies figure in the records seized by the Income Tax Department and on examination, they have been found to be involved in the business of illicit iron ore, as detailed in chapters under the Section "Examination of Records seized by Income Tax Department during their searches" and "Specific Cases". M/s Havinahal Mines and Minerals, a private limited company is a front company of the mining lease M/s Hind Traders.

19) From the facts as stated above and related records, the following conclusions are drawn for further action;

- (1) The bank accounts namely, (i) A/c No. 0298358000000307 of Lakshmvilas Bank, Hospet, (ii) A/c No. 618010200006385 of Axis Bank, Hospet and (iii) A/c No. 909020039582669 of Axis Bank, Bellary, pertaining to M/s Sri Bhaktha Markandeshwara Minerals (M/s SBMM) and A/c No. 298358000000013 of Lakshmvilas Bank, Hospet pertaining to Sri Jambunatheshwara Minerals, Hospet are the benami accounts operated on proxy.

- (2) The money from the above said accounts **proceeds** to “G.J. Reddy Sir” (Bellary Risk Amount and others as per the electronic data record of IT department) and also to Associated Mining Company (as per bank accounts details) should be forfeited to State Government with other legal actions.
- (3) Sri K. Kashi Vishwanath is an ordinary employee and does not operate iron ore trade instead he issues brochures on behalf of his firm which are illegal and unlawful.
- (4) Associated Mining Company did not provide the account details to Commercial Taxes Department i.e. details of account No. 31000313003 of State Bank of India, Main Branch, Bellary in violation of Karnataka Value Added Tax Act, 2003.
- (5) The money transactions of the accounts of M/s Sri Bhaktha Markandeshwara Minerals Hospet (SBMM) are not in the knowledge of Sri K. Kashi Vishwanath.
- (6) All the money which is accounted in the above said accounts should be recovered and forfeited in favour of State Government after following due courses of Law.
- (7) Offence cases against the all concerned including banks should be booked under the relevant Acts and Rules including Benami Act.

20) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities.

21) Action should also be taken against all those whose names are stated in this Chapter, who are involved in the illegal mining and iron ore trade under the relevant provisions of Law, with recovery of losses to the State Government, as well as, penal actions should also be resorted to, wherever necessary.

22) The State Government may request the Competent Authority in Govt. of India/ Reserve Bank of India to take action under the relevant Law for cash flow in various accounts.

23) In view of the misconduct of Sri G.Janardhana Reddy, Minister, noted in this Chapter, I recommend to the Competent Authority for his removal from the Cabinet.

24) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

**ASSOCIATED MINING COMPANY- A POOL OF ILLEGALITIES**

The above is the title of the chapter given by Dr. U.V. Singh while submitting his report to me. After examining the files pertaining to M/s Associated Mining Company, Bellary, I find the title "Pool of Illegalities" very apt and appropriate. The facts of this case picturise how people in power could misuse their offices and manipulate the law and executive to their advantage.

2) A mining lease ML No. 2434 (old 625) was granted to M/s. Associated Mining Company, Bellary for a period of 30 years w.e.f. 02/03/1966 for winning of iron ore over an area of 16.9 hectares in Venkatagiri village of Sandur taluk, Ramghad forest block (Ramanmalai block). The lease period expired on 01/03/1996. As required in law, the lessee had applied for renewal of lease on 27/7/1994 seeking a further period of thirty years. Renewal was accorded by the State Government on 8/12/2003, with retrospective effect from 24/03/2000 for an area of 10.12 hectares for 10 years only. As per this renewal, the lease period expired on 23/03/2010. In this background, the question arises whether the period between 1/3/1996 to 24/3/2000 is covered or not under the Mines and Minerals (Regulation & Development) Act, 1957 (MMRD Act), as well as Forest (Conservation) Act 1980 (FCA). Hence, a question arises here whether it can be considered as a renewal when there is a gap of period from 1996 to 2000 and there was no continuity during this period of lease. According to Dr. Singh, this type of renewal has no precedent.

3) On perusal of the file of the office of the Secretary, Mines, the concerned Under Secretary has submitted a note for renewal

of lease from the 1996 to 2006 for a period of 10 years. This has been endorsed by the Secretary, Mines, but, the then Hon'ble Minister of Mines Sri. V. Muniyappa had overruled the noting and approved for 10 years corresponding to the approval given under the FCA 1980. This has resulted in a gap of period i.e. from 1996 to 2000. In such circumstances, according to law, the approval should be considered as fresh lease grant. The question arises here whether the renewal from 24/03/2000 to 23/03/2010 leaving a gap of 4 years is in accordance with the Mines and Minerals Law or otherwise. Dr. Singh noted in his report that this is a first of its kind case wherein renewal is granted for ten years lease which had a gap of 4 years and there was no continuity of lease during that period. Hence, it is in violation of Mines and Minerals (Regulation & Development) Act 1957. **(Annexure-1 of Chapter - 7 of Dr. U.V.Singh's Report at pages 1-17)**. In my opinion, this has to be examined and if found necessary, renewal of ten years w.e.f. 24/03/2000 should be treated as unlawful renewal. It is also pertinent to mention here that the then Director of Mines and Geology Department, had written a letter to the Chief Controller of Mines, Nagpur on 05/08/2010 stating wrong facts. The details of the same are found in the report of Dr. Singh. Dr. Singh also notes that as per the contents of para 6 of the said checklist the total reserve in the leased area is about 9 million tons (as per the data of 2008-09). If the extraction is allowed at 1.00 million ton per annum, then it would last only for another 8 years, since one million ton must have been extracted already. Hence the life of the lease would not last for more than 8 years, as stated by Dr. Singh. It is a matter of great concern. Dr. Singh has strongly relied on Rule 37, 46, 48 and 50 of Mineral Concession Rules (MCR) 1960, which prohibits transfer of lease and assignment.



4) M/s. Associated Mining Company is a registered partnership firm and during the course of time, the partners of the firm changed within the family of lessee but finally the firm has been brought under the control of total outsiders. It is interesting to note the manner in which the change in management has taken place since 2006.

**Table-1 Admission and Retirement of Partners in M/s. AMC**

Sl. No.	Date of Admission deed (reconstitution on partnership)	Name of the Partners	Admission	Retired
1	01-04-2006	Smt. K. M. Parvathamma Smt. K.M. Sujatha Prabhu Mr. Sujan Kolumath Kum. K.M. Sanjana	K.M. Vishwanath, Master. K.M. Ashish (Mrs. K.M Savitha Basavaraj)	K.M. Sujatha Prabhu, Sujan Kolumath Kum K. M Sanjana
2	31-03-2007	Smt. K.M. Parvathamma Mr. K.M. Vishwanath Master. K.M. Ashish, S/o K.M Basavaraj (Natural Guardian Mrs. K.M Savitha Basavaraj)		
3	15-07-2009	Smt. K.M. Parvathamma Mr. K.M. Vishwanath		Master. K.M. Ashish, S/o K.M Basavaraj (Natural Guardian Mrs. K.M Savitha Basavaraj)
4	31-07-2009	Smt. K.M. Parvathamma Mr. K.M. Vishwanath Mr. G. Janardhan Reddy Smt. G. Lakshmi Aruna	Mr. G. Janardhan Reddy Smt. G. Lakshmi Aruna	
5	01-08-2009	Mr. G. Janardhan Reddy Smt. G. Lakshmi Aruna		Smt. K.M. Parvathamma Mr. K.M. Vishwanath

5) From the above, it is seen from 1/8/2009, there is complete replacement of original partners and finally there

remains only two partners i.e. Mr. G. Janardhan Reddy and Smt. G. Lakshmi Aruna in M/s. Associated Mining Company. After going through the various documents available in the file of the Director, Mines and Geology, Dr. Singh has arrived at the conclusion that the management of M/s. Associated Mining Company has been completely changed from 1/8/2009. He has also noted that no approval from the State Government or Central Government under Rule 37, 46 and 48 was obtained in this regard. Hence, he has opined that there is violation of Rule 37, 46 and 48 of the Mineral Concession Rules (MCR) 1960. If that be the position, all the mining activities including extraction and dispatch of mineral carried out since 1/8/2009 onwards are unlawful and should be treated as illegal.

6) It is also seen that after the new management took over, separate account has been opened in favour of M/s Associated Mining Company in the State Bank of India, Bellary, which indicates that the firm itself has turned out to be a totally a new firm. Further, the firm has changed its office from the old address to a new office at Bellary. After perusal of the details of MDP for the year of 2009-10, which is found at Table – 2 of Dr. Singh's report, Dr. Singh has come to the conclusion that stock verification certificates issued by the officials named in Table – 3 of his report are either in connivance or under pressure and are not genuine. He also expresses his doubt as to whether such large quantity of iron ore could be produced in a gap of 5 to 10 days in a mine of 10.12 hectares size where large area is in fact forest. After perusing stock verification certificates given by Engineers of Dy. Director of Mines, Hospet office, Dr. Singh has noted that total quantity of 6,28,032 MT have been dispatched from the mining head from 21/1/2010 to 23/3/2010. Taking 16 MT as the load of a single rear axel

recovery vehicle, Dr. Singh concludes that about 39,252 trucks would have to be used to transport the iron ore from mine head to various destinations to lift the said quantity.

7) It is further stated here that the quantity of 3,20,000 MT permits have been issued from 18/03/2010 to 22/03/2010 by the Deputy Conservator of Forests, Bellary, which is humanly not possible to dispatch such a large quantity in such a short period.

8) Dr. Singh's team has verified the royalty paid against the quantity mentioned above. It was found that the demand drafts were made through the bank accounts of M/s. Associated Mining Company from the SBI new account. This indicates that the mining has been carried out by the new managing partners i.e. Mr. G. Janardhana Reddy, Mrs. Lakshmi Aruna. It is interesting to note that every partner other than of Mr. G. Janardhan Reddy and Mrs. Lakshmi Aruna had retired by 1<sup>st</sup> August 2009. Its former Managing Partners Smt K. Parvathamma and Mr. K.M. Vishwanath sends a request to Director, Mines and Geology to issue permission to transport iron ore from the ML No. 2434 in favour of Mr. G. Janardhan Reddy and Mrs. Lakshmi Aruna who are by then sole partners of the mine. This has done by a letter dated 26/12/2009, if really AMC was the old company continuing, then one does not find the reason why retired persons should send such letter to the Director of Mines and Geology. It is interesting to note the reaction of the Director of Mines and Geology which is found in a memo issued by him to the Dy. Director of Mines and Geology, Hospet on 6/1/2010 in which he directs the Dy. Director to issue the MDPs to the company stating that only the partners of the company are changed and style and function of the

company remains unchanged, while in reality, the entire management of the AMC has been taken over by a process contrary to MMRD Act. The relevant clauses of the retirement deed which is available in the report of Dr. Singh clearly indicates that in reality, it is not a retirement from partnership, but, it is an outright sale of the firm. The Director of Mines and Geology was not a Competent Authority to issue such direction to the Dy. Director, without taking the prior permission of the State Government or Central Government. Dr. Singh notes in his report that the rights created and conferred on the new Managing Partners is contrary to the lease agreement signed by the old Managing Partners. In support of his argument that such kind of transfers are not contemplated under the MMDR Act or the Rules, he relies on the judgment of Hon'ble Supreme Court reported in *1996 (5) Suppl. SCR 692, in the case of M/s Victoria Granites v. P. Rama Rao & Ors.* In almost similar facts, the Hon'ble Supreme Court has held that such a transaction is a facade of compliance of law, and it is only a subterfuge to comply with the law. The Hon'ble Supreme Court also doubted on the facts of that case that there are doubts with regard to the very constitution and genuineness of the partnership. It also observed that "suffice it to state that the entire transaction is smacked of bonafides and would defeat the constitutional objectives". Based on the above enunciation of law, **I am of the opinion that retirement and induction of various partners knowing that the entire firm is going to be transferred to Sri G. Janardhana Reddy and Mrs. G. Lakshmi Aruna, was an attempt to get over the prohibition of transfer in MMDR Act and MCR.**

9) It is interesting to note how this company was able to manage its mining activities after the last reconstitution of the

firm on 1/8/2009. From 1/8/2009 till January 2010, this company did not take the necessary permits. The issuance of permits taken only in January 2010, the details of which is found at Table – 4 in Dr. Singh's report. The contents of which have been obtained by Dr. Singh from the Foresters concerned.

10) It is to be noted here that after the new partners took over, they got a new VAT account by giving the concerned VAT officer, the new address of the firm. While obtaining new VAT registration, bank details of old account was given by the firm (Canara Bank CA A/c No. 179, Bellary). On verification, it is found that this account has not been operated since 30<sup>th</sup> August, 2009. Thus, wrong information was submitted for the purpose of payment of VAT by the new managing partners. It is to be noted that by then the new partners had opened new account in State Bank of India, Bellary and all the business transactions was carried out through this account. The Commercial Tax Department has not bothered to find out the facts in the matter. I wonder how, without having the appropriate bank account, the payment was verified/reconciled by the Commercial Tax Department. During the course of discussion, one cannot forget that by the time the husband and wife became the sole partners of M/s AMC, the husband had become a Minister in the Karnataka Government, that too Minister in charge of Bellary District. It is also interesting to note that new Managing Partners opened a joint account in the State Bank of India and on perusal of the said account, it is noted that two demand drafts dated 22/5/2010 for Rs.96,80,000.00 and Rs.87,44,000.00, have been paid from this account in favour of Dy. Director of Mines, Hospet, for payment of royalty to issue MDP from the mining lease of Sri B.R. Yogendranath Singh, ML. No. 2186. On receiving the said

payment, the Dy. Director has issued MDP for 1,00,000 MT to transport of iron ore from the said lease ML. No. 2186 to JSW Steels Pvt. Ltd in the month of May 2010. It is to state here that there was no stock of iron ore in the said mine. In such circumstances the question arises from where the ore has been transported and supplied to JSW Steels and why the amount was paid to issue demand drafts for the ML No. 2186 of BRY from the account of M/s Associated Mining Company. It is also very interesting to note that how transactions have taken place involving M/s AMC. It is seen that an amount of Rs. 35.00 crores have been credited from the Minerals Embassy (SBM 1047) in the account of M/s. Associated Mining Company A/c no. 3003 of SBI Bellary on 11/05/2010 and 14/05/2010.

11) It is noted that Mineral Embassy is a front company/firm of ILC. There is also another credit of Rs. 14.00 crores from Janadevi Minerals on 31/05/2010 and 19/07/2010 in the account of AMC. There is no permits (MDP) issued as a party/purchaser from AMC. The Janadevi Minerals is also a front company/firm of ILC. The money has been credited to this account (SBI 3003 of AMC) through circuitous route. Likewise, Rs. 34.15 crores have been credited from the account of Lakshmi Aruna Minerals (HDFC) on 25/06/2010, 31/07/2010, 20/08/2010 and 30/08/2010 in the account of AMC (SBI 3003). Mrs. G. Lakshmi Aruna is the Managing Partner in both firms. It is to state here that royalty has been paid from the SBI, Bellary A/c no. 3003 for issuance of permits from the BRY Mines ML No. 2186. There is another credit of Rs. 3.00 crores on 07/05/2010 from HDFC Bank account of Eagle Traders and Logistics. It is to further state that these credits are not the final figures and only indicative. There are more transactions of this kind in this account. This account (SBI

31000313003 of AMC) has been opened in December 2009 and there is a credit of Rs. **270,60,93,762.00** (Rupees Two hundred seventy crores sixty lakhs ninety three thousand seven hundred and sixty two) and debit of Rs.**269,15,73,602.00** (Rupees Two hundred sixty nine crores fifteen lakhs seventy three thousand six hundred and two). There are debits from these accounts (SBI 3003) to Sri Bhakta Markandeshwara Minerals (SBMM) (Axis 2669), Divakar Minerals, JJ Impex, Shantha Lakshmi Jairam, Brahamini Industries, Vijay Mining Infrastructure and many others. The trail of huge amount in this account (SBI 3003) is allegedly linked with the illicit removal of ore from various mines which is separately dealt in this report. These transactions do require further investigation from a Competent Agency.

12) As per the information of Deputy Director, Mines, Hospet a bulk permit no. 143186 dated 16/01/2010 for a quantity of 24,992 MT fines have been issued to transport to JSW Torangallu as destination. Against this bulk permit 45107.55 MT have been supplied till 15<sup>th</sup> Feb. 2010. Hence there is an excess supply of 20,115.55 MT. This excess supply is due to over loading or multiple trips against a single trip sheet or Form No. 27. All these are violation of MMRD Act, MCR and Karnataka Forest Rules. The excess mineral supplied is the property of the State. Hence, it amounts to theft. It is further noted that bulk permits as stated in table 6 of Dr. Singh's report on this subject, for quantity of 184992 MT of iron ore fines have been issued from AMC to JSW, Torangallu from 16/01/2010 to 19/03/2010. The lease (ML No. 2434) period has been expired on 23/03/2010. For all practical purposes under the Law no material could have been transported from 24/03/2010 onwards. Dr. Singh had obtained the details of receipts of iron

ore at JSW, Torangallu from the CEO, JSW. The details are given in table 7. As per the said table, 4,88,565 MT has been supplied to JSW, Torangallu by Associated Mining Company from Jan 2010 to July 2010. It is to note here that since the lease expired on 23/03/2010, the validity of the permits also expires accordingly. Hence iron ore supplied from 24/03/2010 is illegal and unlawful. The difference of **303573** MT of iron ore supplied after 24/03/2010 to JSW by Associated Mining Company is illegal. AMC was not issued with any permits by the Deputy Director, Mines, Hospet. Presuming that the ore is not transported from AMC lease then question arises from where the ore has been supplied. It is further stated that from January 2010 to 24<sup>th</sup> March 2010 the quantity of 131621.27 MT iron ore has only been supplied as per the data of the JSW as against the 184992 MT. It is to note here that on 23/02/2010 there were three bulk permits issued for a quantity of 24,000 x 2 and 12,000 by the Deputy Director, Mines, Hospet. In fact, issue of more than one permit for the same destination and for the same party is unjustified and could lead to misuse of the same. In a similar manner permits for 80,000 MT have been issued on 19/03/2010 of the denomination of 40,000 MT each. It is pertinent to mention here that the forest permits (Form no. 27) have been ordered to issue for the said quantity on 22/03/2010 by the Deputy Conservator of Forests, Bellary vide his order dated 22/03/2010 to supply the iron ore within 2 days i.e. 22/03/2010 and 23/03/2010 which is practically and physically impossible to transport 80,000 MT in two days through a single approach road. By issuing such an order without application of mind, the DCF has shown undue favour and facilitated for illegal mining and transportation either from the same mine or somewhere else beyond the expiry period of lease. It is further stated that permits were also issued for



different destinations like Krishnapatnam, Bevanahalli, Belekeri in the same period.

**Table-10: Issue of Form no. 27 and collection of FDT (pending of FDT)**

Sl. No.	Date	Quantity MT	Destination	FDT paid Rs.	FDT pending Rs.
1	25-01-10	24992	JSW Steel Ltd	00	23846543
2	23-02-10	20000	--do--	3024000 23446543	
3	02-03-10	60000	--do--	756000	2268000
4	04-03-10	80000	Belekeri		3024000
5	06-03-10	73040	--do--		3023856
6	10-03-10	50000	Bevanahalli	2010000	Not paid for 50000 MT
7	18-03-10	80000	Belekeri	93500 3312000	
8	20-03-10	80000	Bevanahalli	00	Pending
9	20-03-10	80000	JSW Steels, Tgl	00	Pending
10	22-03-10	80000	Bevanahalli, Krishnapatnam	00	19191600
	Total	628032			

13) After the bulk permits are issued by Deputy Director, Mines, the Deputy Conservator of Forests, issues the Form no. 27 as transit permit after collecting permissible Forest Development Tax (FDT). From the Table-10 above it is noted that the Deputy Conservator of Forests, Bellary has issued orders to issue Form no. 27 on various dates for the quantity of 6,28,032 MT without collecting Forest Development Tax (FDT) many times and finally a balance of Rs. 1,91,91,600.00 is due against the lessee and hence, it is in violation of the Karnataka Forest Act and misuse of powers conferred on him as per rules. Form No. 27 (transit permit) can be given only after FDT is collected. Knowing fully well that the lease period is getting over on 23/3/2010, it is undue favour shown by DCF to M/s AMC.

Reasons for this could be many. Greed and political pressure are some of them. In the above said Table-10, it is noted that from 18/03/2010 to 22/03/2010, the said officer has issued orders to issue Form 27 for 3,20,000 MT iron ore to transport within a span of 6 days including 18/03/2010. The stock certificate issued by Engineers of Mines Department and ACF, Forest Department is under the cloud of suspicion. Because, to transport such huge quantity, it is physically not possible through a single road. It is shocking to note that how the then DCF Sri S. Muthaiah has issued orders by keeping in pendency the recovery of FDT to a tune of Rs. 1,91,91,600.00, as per his own calculation. The calculation of FDT should be verified with regard to whether fixing of rate has been done as per the norms. Non recovery of such a huge amount is direct loss to the State Government. It has been confirmed over telephone from the Deputy Conservator of Forests, Bellary that this amount has not been recovered so far. Presently, the lease is not in operation. The Central Empowered Committee has taken up survey of the leased area. It may be relevant to mention at this stage that Sri S. Muthaiah, who is an officer of the Forest Department was in Bellary when the Government changed the entire officers including said Muthaiah were sent out of Bellary; but, the Government had to bring all those officers back to Bellary including Sri Muthaiah. The said Muthaiah had to be transferred for various reasons from his post in Forest Department, but his proximity to the Minister in charge of the District is such that he was retained as C.E.O. of the Z.P. at Bellary.

14) It is pertinent to state here that misuse of Form no. 27 (transit permits) in this mining lease is one of the worst case ever noticed in this investigation. In this row, 900 Form no. 27

were issued after the expiry of lease period which expired on 23/03/2010. The details are given at Table – 11 of Chapter-7 in the report of Dr. Singh.

15) It should be easily calculated from the facts mentioned at Table – 11 that, an approximate quantity of 14400 MT at the rate of 16 MT/truck must have been transported provided no overloading. But here the overloading is noticed.

16) The Deputy Conservator of Forests, Bellary has issued an order on 22/03/2010 for deputing 17 Foresters to issue Form no. 27 for the AMC in addition to the foresters already engaged for this purpose (A show of power practically unheard).

17) The duplicate copies of Form no. 27 issued by the foresters from January 2010 to 26<sup>th</sup> March 2010 have been collected by the investigating agency in this investigation. The permits have been examined and the finding is that the condition of permits which were signed at mine head and at the office of Range Forest Officer is quite different. Dr. Singh who has wide knowledge of mining areas has recorded "*the permits issued at mine head are full of dust and reddish in colour. The permits signed at range office are fresh and looking new.*" It is physically not possible to transport such a large quantity in two days through a single road used by lessee. For this reason, Dr. Singh summoned all the Forest Officers who were engaged in issuing the permits and they were requested to submit their version regarding what had happened in the process of issuing the transit permits. According to Dr. Singh, the foresters unanimously has admitted that under threat they have signed the transit permits (form no. 27) sitting in the office of the Range Forest Office, Sandur. On going through the letter given by the said Foresters, it is clear that no transit permits were issued at

mine head. The permits were issued under threat at Forest Range office and there is every possibility that there could not have been iron ore at the mine head or the said permits could have been used after the expired lease period, or the permits were misused to transport iron ore from some unknown source. This shows the powers vested in political bureaucracy not democracy.

18) The transit permits issued for the truck numbers used in transportation to Belekeri port have been cross examined with the entries at Belekeri port. It is found that the Form no. 27 issued for trucks to transport iron ore from Associated Mining Company were actually loaded from PK Halli. The transporter was MTC Logistic Pvt. Ltd. This indicates the permits were misused to transport iron ore from the different source.

19) Further it is observed that in many cases iron ore was illegally transported earlier while the permits were issued later. In such cases, permits for large quantities were issued during March 2010 and corresponding quantity of iron ore was not supplied thereafter against those permits. This clearly indicates that such companies/firms had obtained permits to cover up their earlier transportation of illicit iron ore. It also indicates that this cover up was done in response to the Lokayukta search and raid in February 2010 and subsequent actions. The suspect companies in this regard are Bharat Mines & Minerals, Rajmahal Silks, SSTA, VSL, Twenty First Century, Eagle and Balaji Enterprises.

20) It is also to be noticed here that the Deputy Director, Mines, Hospet had issued MDP for about 80000 MT of iron ore to be transported to Belekeri Port (table 12) from Associated Mining Company (Eagle Trading & Logistics). The records of

Belekeri Port (Sree Mallikarjuna Shipping Pvt. Ltd and Adani Enterprises) were cross verified and it is found that the iron ore had not been received at Belekeri Port as claimed in the MDPs in the month of March 2010. The quantity received at Belekeri Port pertaining to Eagle Traders is about 11,387 MT in the month of March 2010 as against the MDP obtained for 80,000 MT. The taking of MDP and payment of royalty has been done to cover up the illegal iron ore already transported at the Belekeri port by M/s. Eagle Traders and Logistics. It is to further state here that the Lokayukta police have made a search on 20-02-2010 and seized records at Belekeri Port and there was high publicity in Media about illegal transportation of iron ore to Belekeri Port in this period. The Table – 12 gives the particulars of the MDP issued from AMC to Belekeri port in favour of Eagle Traders and Logistics.

21) In the above said facts and circumstances, the report of Dr. Singh has found the following illegalities and suggested various actions. Having carefully perused the same and having agreed with the findings of Dr. Singh in his report referred to above, I endorse the same and state that the Government of Karnataka and other appropriate authorities should take suitable action as deemed fit in regard to the following act against the concerned officers and companies that have benefited from these acts.

(1) The M/s. Associated Mining Company had been granted mining lease ML No. 2434 (old 625) for a period of 30 years w.e.f 02.03.1966 over an area of 16.9 hectares in Venkatagiri village of Sandur taluk, Ramghad forest block (Ramanmalai block) of Bellary district Karnataka State for winning of iron ore mineral. The lease period expired on 01-03-1996.

(2) After expiry of the mining lease period on 1-03-1996 the first renewal had been effected from 24-03-2000 having kept gap of 4 years (01-03-1996 to 23-03-2000). Hence there was no continuity for this renewal. The first renewal is improper and in violation of Mines and Minerals (Regulation & Development) Act. There is no approval from Central Government for this deviation under the MMRD.

(3) This first renewal had been approved by the then Hon'ble Minister of Mines Sri V.Muniyappa contrary to the recommendations made by the office of Secretary, Mines.

(4) The then Director, Mines has submitted incorrect information to IBM, Government of India regarding the facts of lease period and its renewals. The Director has erred in disclosing the facts to IBM, Government of India.

(5) The Mining lease granted in favour of Associated Mining Company is since been taken over presently by all together new managing partners through back door entry to overcome the law. The new managing partners are Mrs. G. Lakshmi Aruana and Mr. G. Janaradhana Reddy. The confirmation of lease rights or interest upon new managing partners is in violation of Rule 46 (2), 48 and 37 of MCR 1960. Action should be taken under Rule 50 of the MCR. Further the renewal application pending before the Government should be rejected.

(6) The new management has taken over mining lease since 01-08-2010 (Smt G. Lakshmi Aruna and Sri G. Janardhan Reddy). The new managing partners have opened a new account no. 31000313003 in SBI, Bellary. This account number has not been informed to Commercial Taxes Department for collection of

VAT purpose. Instead the old account no. 1425201000179 of Canara Bank, Bellary has been reported to the Department while having new registration for VAT. Action should be taken against the new managing partners.

(7) After taking over the AMC's lease by Mrs. G. Lakshmi Aruna, and partner, the old office is changed to #123, Veerana Gouda Colony, Near Kumaraswamy Temple, Bellary. A new agent was appointed for conducting day to day affairs.

(8) The then Director, Mines Sri M.E. Shivalinga Murthy has approved the issuance of MDP without taking approval of Central Government for transfer of rights or interest to new managing partners. He is not a Competent Authority to do so. It is in violation of Rule 46(2) and 37 of MCR 1960. Action should be initiated against him as per law.

(9) In the new account of AMC in SBI Bellary a/c no. 31000313003, there is a debit **269,15,73,602.00** and credit of Rs. **270,60,93,762.00** after 01-08-2009 to 08-02-2011. There are many huge transactions in the said account. The transaction gives the linkages between the Associated Mining Company and other companies/firms/individuals.

(10) There is credit of Rs. 14,00,00,000.00 (Rupees Fourteen Crores) from Janadevi Minerals (11347) on 31-05-10 and 19-07-10 in the account of AMC. There is no permits (MDP) issued as a party/purchaser from AMC. The Janadevi Minerals is also a front company/firm of ILC. Likewise, Rs. 34,15,00,000.00 (Rupees Thirty four crores fifteen lakhs) have been credited from the account of Lakshmi Aruna Minerals (HDFC) on 25-06-10, 31-07-10, 20-08-10 and 30-08-10 in the account of AMC (SBI 3003). Mrs. G. Lakshmi Aruna is the

Managing Partner in both firms. There is another credit of Rs.3,00,00,000.00 (Rupees Three Crores) on 07-05-2010 from HDFC Bank of Eagle Traders and Logistics. It is to further state that these credits are not the final figures and only indicative. There are more transactions of this kind in this account. The money has been credited to this account (SBI 3003 of AMC) through circuitous route. This indicates illegal activities of AMC in collusion with other companies.

(11) It is pertinent to state here that royalty has been paid from the bank account of AMC (SBI, Bellary A/c no. 3003) to get issue MDP of the BRY Mines ML. No 2186. An amount of Rs. 96,80,000.00 and Rs. 87,44,000.00 have been paid in the form of Demand Draft favouring Deputy Director, Mines, Hospet. The permit numbers 5771884 dt. 22-05-10 and 571740 were issued. The permits were issued to transfer iron ore from BRY lease to JSW and Lakshmi Aruna Minerals has been stated as purchaser. As observed in the chapter of lease of B.R. Yogendranath Singh that in the said lease there was no iron ore available. Hence these permits were used in proxy to transport iron ore from unknown source. Action should be taken to recover the cost at market rate for the entire quantity against these permits.

(12) Further there are debits from this account (SBI 3003) to Sri Bhakta Markandeshwara Minerals (SBMM) (Axis 2669), Divakar Minerals, JJ Impex, Shantha Lakshmi Jairam, Brahamini Industries, Vijay Mining Infrastructure and many others. The trail of huge amount in this account (SBI 3003) is allegedly linked with the illicit removal of ore from various mines which is separately dealt in this report.



(13) The Deputy Conservator of Forests, Bellary has issued Form no. 27 for a quantity of 628032 MT to transport iron ore from the mining lease of AMC as stated in table 10. The then Deputy Conservator of Forests Sri S. Muthaiah had issued the transit permits without recovery of FDT of an amount of Rs. 19191600.00. This is a violation under the Karnataka Forest Act and also undue favour to the AMC. The FDT has not yet collected and the lease period has expired and closed. This has caused a loss to the State Government of the said amount. The DCF went on issuing the Form no. 27 keeping in pendency of recovery of FDT. Disciplinary action should be taken against him for undue favour and loss of Rs. 19191600.00 to State Government.

(14) The Deputy Director, Mines, Hospet has issued a bulk permit for the quantity of 24992 MT on 16-01-2010 for one month. In the said period 45107.55 MT have been supplied to JSW Steels Ltd, Torangallu. This excess supply of 20115.55 MT is due to over loading and multiple trips against a single trip sheet or Form No. 27. This is utter misuse of the official power and the transit permits. The recovery of cost for the excess quantity of 20115.55 MT and with exemplary penalty from the AMC should be done. Other contemplated legal action should also be initiated.

(15) About 900 transit permits (Form no. 27) have been issued after expiry of lease period. The details are given in table 11. This is a blatant misuse of Form no. 27. Action should be initiated against the concerned Foresters, Range Forest Officer and Deputy Conservator of Forests, Bellary.

(16) 4,88.565 MT of iron ore has been supplied to JSW, Torangallu by Associated Mining Company from Jan 2010 to

July 2010 (table 7). It is to note here that since the lease expired on 23-03-2010 the validity of the permits also expires accordingly. Hence iron ore supplied from 24-03-2010 is illegal and unlawful. The quantity of **3,03,573** MT of iron ore supplied since 24-03-2010 to JSW by Associated Mining Company is illegal. There are no permits, AMC as a party, were issued from Deputy Director, Mines, Hospet and Deputy Conservator of Forests Bellary. It is presumed that either the mining activities continued after the expiry of lease period or the iron ore was supplied from unknown source. The market cost of the entire quantity of 3,03.573 MT iron ore should be recovered from the lessee with exemplary penalty. Further any other legal action should also be initiated.

(17) The Deputy Conservator of Forests, Bellary has issued transit permits on 22-03-2010 for transportation of 80000 MT iron ore from the lease in two days. This is misuse of power and authority without application of mind. The Deputy Conservator of Forests has shown undue favour and facilitated illegal mining activities. Action should be initiated against the then Deputy Conservator of Forests, Bellary.

(18) The Deputy Conservator of Forests has issued an order dated 22-03-2010 for deputing 17 foresters in addition to the already engaged for the purpose of issue of Form no. 27. All the foresters were called at the Range office and asked to sign the Form no. 27 sitting in the Range forest office. The transit permits were signed in the Range office under threat as confessed unanimously by them. This is nothing but misuse of authority and powers. It is a serious issue and stringent action should be taken. The transit permits issued were misused.

(19) Transit permits, bulk permits and trip sheets have been issued for transportation of 80000 MT iron ore from the AMC lease to Belekeri in favour of Eagle Traders in the month of March 2010 (table 12). On verification of receipt at Belekeri Port it is found that only 11387 MT of iron ore have been supplied in the month of March 2010 by Eagle Traders. The obtaining of bulk permit/ transit permits by Eagle Traders was mainly to cover up the already illegally transported iron ore. Appropriate action should be initiated against Eagle Traders.

(20) Multiple irregularities had been committed by the lessee under the colour of power. It is a fit case to cancel the lease grant and reject the renewal application. Further there is hardly 10 million tons iron ore reserve left out in the leased area and with the present rate of production it will last for another 9-10 years only of the grade 60 plus.

22) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Further, in this Chapter, wherever the names of the officers are stated and in some instances, designation of the officers are stated, it is recommended to the State Government to initiate action against such officer/officials under the Prevention of Corruption Act, 1988 or under the relevant Disciplinary Rules.

23) Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

24) In view of the misconduct of Sri G.Janardhana Reddy, Minister, noted in this Chapter, I recommend to the Competent Authority for his removal from the Cabinet.

25) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

**UNDER INVOICING, EVASION OF TAXES, DUTIES BY  
OBULAPURAM MINING COMPANY**

The Report submitted by Dr. U.V. Singh team, a copy of which is found at Chapter-8 shows that M/s. Obulapuram Mining Company Private Limited (OMC), Ennoble House, Raghavachari Road, Bellary had the following Directors at the relevant time.

- (1) Sri G. Janardhana Reddy,
- (2) Smt. G. Lakshmi Aruna
- (3) Sri G. Karunakara Reddy,
- (4) Sri D. Parameshwara Reddy,
- (5) Sri B. Sree Ramulu.

It is also seen that a private company by name Man-Go Pub Pte Ltd has been registered on 28/10/2004 at Singapore, the object of the said company is to provide entertainment, food and beverage (Annexure to Chapter-8 at page 3 to 60 of Dr.U.V. Singh's Report). The Director of the company was Mr. Seah Seow Kang Steven, whose address is No.17, Green View Crescent, Hillcrest Park, Singapore 289326.

2) Subsequently there was a change of Directors and other officials of the Company in 2007. One Sri Arangannal S/o.Kathamuthu, Singapore was appointed as Director among others. Subsequently, an application was filed on 23/11/2007 to change the company name from Man-Go Pub Pte to GLA Trading International Pet Limited. The principal activities of this company were also proposed to be changed from restaurant Bars and Canteen to general whole sale trade including general imports and exports. This has been done by passing a Special Resolution on 30<sup>th</sup> November 2007. It is interesting to note that the letters GLA refers to Gali Lakshmi Aruna W/o. Gali

Janardhana Reddy. On 19<sup>th</sup> December 2007, Sri Janardhan Reddy was appointed as Director of this Company, showing his address as No.8, Ashok Nagar, Havambhavi, Siruguppa Road, Bellary. One share of this company i.e. GLA was transferred in favour of GJR Holdings International Limited with its address at Isle of Man on 21/12/2007 and same transaction was lodged with ACRA on 4/1/2008. Again it should be noted that the letter GJR in this company refers to Gali Janardhana Reddy and the company is registered in Isle of Man, which is our internationally known "Tax Heaven". The said share was further transferred in favour of Interlink Services Group Limited, British Virgin Islands in June 2009. The British Virgin is also known to be a "Tax Heaven". The role of GJR Holdings International Limited and Interlink Services Group Limited under the above circumstances, requires further probe by the competent authorities.

3) It is to be noted that after the enquiry into the illegal exportation was initiated by Lokayukta, Sri Janardhana Reddy ceased to be the Director of the above Company with effect from 30/12/2009 by resignation.

4) During the period when Sri G. Janardhana Reddy was the Director of the Company, the GLA Pet Limited had imported iron ore to the tune of 8,52,033 MTs from OMC, Bellary the origin of the ore is shown at Ports from Karnataka. There was no export of iron ore, before or after the period when Gali Janardhana Reddy was the Director of GLA, from OMC. This is seen from the export data obtained from Customs Department.

5) On a request made by the investigation team of the Lokayukta, the Income Tax Department on 19<sup>th</sup> April 2011 provided tax assessment orders made on 26/4/2011 of M/s.

OMC. This order is dated 26/4/2011, which is enclosed at pages 61 to 86 of Chapter 8 of Report of Dr. U.V. Singh. This assessment order shows under invoicing of cost of iron ore, export sales to GLA Trading International Limited, Dubai by OMC. The report of Dr. U.V. Singh team extracted the relevant paras of the assessment orders, which may be seen for the purpose of understanding the modus operandi of OMC in exporting the iron ores. The said assessment order clearly makes out a case of relationship between the OMC and GLA Trading International Limited, Dubai and the quantum of export made and the value declared therein. Table-1 in Chapter-8 of Dr.U.V.Singh's Report provide details of under invoice made by OMC for the year 2007-08 as assessed by the Income Tax Department, which is huge. Having noticed the details of export of iron ore made by this company (OMC), all details of export of iron ore was sought from the Customs Department Of Kakinada, Krishnapatnam, Vishakapatnam, Chennai, Mangalore, Belekeri, Karwar, Murmagao and Panaji. The details are further verified by the investigation team with regard to GLA as consignee. The details of Mangalore Port has not been taken into consideration, since there is not much difference found during the month of October 2008. The details received also shows that there is no export from Belikeri, Karwar, Murmagao and Panaji ports by OMC to GLA. However, the Customs House, Kakinada has given information/particulars of export made by OMC to GLA, Dubai. It is interesting to note that Table-2 in Chapter-8 of Report prepared by Dr. U.V. Singh's team shows that most of the exports were shown as originating from Karnataka. Similarly, the report pertaining to Krishnapatnam, Vishakapatnam Ports also indicates such exports, as could be seen from Table 3 and 4 of Chapter 8. A careful perusal of the charts prepared by Dr. U.V. Singh's team at Table-5 of Chapter-

8 shows that the OMC has exported 8,09,299 MTs (excluding exports from Mangalore) to GLA in the year 2007-08 and 2008-09. The difference of rates of sale of iron ore per MT was calculated by the investigating team, taking into consideration the average rate for which the OMC has sold the iron ore to other consignees and to GLA in the same month and year (as calculated by the I.T Department). This difference was then multiplied with total quantity of iron ore exported and net difference is taken as final figure for each consignment separately and then cross checked the total. Thus in the Table-5 of Chapter-8 the data obtained from Customs Department or respective ports is taken into consideration for rates, quantity and other factors necessary. The total under invoicing in US \$ and INR comes to \$52,341,292.00 corresponding to Rs.215,12,50,387.00. The face value of the US\$ was taken at the prevailing rate during that time. At this stage, it should be noted that this Under Invoicing has caused loss to the Government from export made to GLA by OMC for two years i.e. 2007-08 and 2008-09 only.

6) It is also to be noted that the foreign exchange involved in this case, has not come to Union of India and indicates that this amount might have been parked in some Banks in Tax Heaven countries. Therefore, it is necessary that the competent department should be asked to investigate as to where this money is parked and approximately a sum of Rs.215,12,50,357.00 which should have been profit of the Government from OMC and consequent to evasion of Customs duty, Income Tax and other Taxes should be investigated and collected by the respective department. That apart, appropriate legal action should also be initiated against the company, Directors of OMC and GLA in accordance with law.



7) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities.

8) The State Government may request the Competent Authority in Govt. of India/ Reserve Bank of India to take action under the relevant Law for parking money outside the country.

9) Sri G.Janardhana Reddy, Sri G.Karunakar Reddy and Sri B. Sree Ramulu, were Directors of Obulapuram Mining Company at the time when the misconduct, mentioned in this Chapter, was committed. Hence, I recommend to the Competent Authority for removal of these Ministers from the Cabinet.

10) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

**ILLICIT EXTRACTION, TRANSPORT, EXPORT & DOMESTIC  
CONSUMPTION OF IRON ORE IN 2009 AND 2010 AT 40:60  
OR 50:50 SHARING OF PRODUCTION AND DISPATCHES**

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This chapter deals with a new, but a serious malpractice, introduced by certain powerful people in the mining industry for their personal benefit, in the iron ore mining that is taking place in the Districts of Bellary, Chitradurga and Tumkur. This modus was put in place after my first mining report, obviously with a view to increase the illegal mining.

2) Anybody concerned about the State's legitimate income will be a wonder track to know the quantity of iron ore, which was illegally mined from only 11 mines out of about 160 mines in the above referred regions, which is 73,99,314 MTs, for a limited period during 2009-10. The cost of the illicit iron ore at a moderate rate of ₹2,500/- per MT comes to Rs.1849,82,85,000/-. At the cost of repetition, I say that this is only for about 14 months in the year 2009-10.

3) The Lokayukta investigating team headed by Dr. U.V. Singh enquired the illegal mining with special reference to illegal export, has done tremendous job in discovering this method of illegal mining. I deeply appreciate their work. Reading their input makes one feel, how ingenious this powerful group is, in their illegal activities.

4) The annexures referred to in this chapter, shall be read as annexures in the chapter of investigating team under the above heading, which is Chapter-9.

5) In my letter No. COMPT/LOK/IT/2010-11 dated 27/1/2011 a request was made to the Director General of Income Tax (Inv), Central Revenue Building, Bangalore to

disclose the information related to documents including the electronic information searched and seized by the Income Tax Department in 2010 pertaining to various raids conducted in various companies/ firms/ individuals related to iron ore trading and export in State of Karnataka. In this connection a pen drive containing the digital evidence captured from the CPU seized from the residence of Mr. Ali Khan, "Sai Nilayam", 3<sup>rd</sup> Cross, Inna Reddy Colony, Bellary on 02.11.2010 has been provided to this office. The seized records are marked as A/AK/2 (Annexure 1 of Chapter-9). Further certain documents seized by Income Tax Department in the case of Madhu Kumar Verma from the premises of Lalezhar Apartments at Bangalore inventoried as A/Madhu/1 have also been provided (Annexure 2 of Chapter-9). The provided data have been examined in this investigation. The copy of these data is also available with the Income Tax Department.

6) The provided documents have been examined and verified with the records of Mines department, Custom department, various bank accounts and others.

7) It is evident from the analysis of computed figures in Chapter 1 "Export of illicit iron ore of Karnataka origin during 2006-07 to 2010" that there was extraordinarily large scale transportation of illegal iron ore without valid permits in the years of 2009 and 2010. In the Chapter "Illegal Iron Ore Mining Activities by KV Nagaraj, Karapudi Mahesh and their Associates", it is found that the illegal iron ore supplied for domestic consumption was also high. Examination of these documents discloses that a large part of the extraction, transportation and trade of illicit iron ore along with other illegal mining activities in the said period was contributed by the

people/groups/firms/ others mentioned in these documents. The documents also provide an insight into the planning and modus operandi adopted by them in systematic extraction, transportation and trade in illicit iron ore.

8) The documents reveal that a “group” of persons/ companies whose names appear in digital data went about systematically to:

- (i) Identify certain mining leases which were either having boundary disputes or any other disputes or did not have requisite permissions to operate;
- (ii) Creation of “front companies/firms”;
- (iii) Take control of these mining leases by either making them sign agreements with front companies of the “group” or through other means;
- (iv) Plan illicit extraction and transportation of iron ore to meet the “commitments” and other requirements of the group;
- (v) Involve “raising contractors” who would carry out extraction of iron ore in these mining leases.
- (vi) Involve transporters who would facilitate illicit operations;
- (vii) Involve middle traders (most of who were already in illegal mining and trading of iron ore business) who would trade in illicit iron ore and facilitate the flow of money in circuitous route to the group

(viii) Supply illicit iron ore to exporters / domestic consumers;

9) The examination of seized file A/Madhu/1 25.10.2010 shows among others;

(i) “Details of “Running Mines Details” and “our requirement” (Page 4 of Chapter-9);

(ii) Details of “Mines stopped by \*\*\*\*” and “Mines closed because of own problems”;

(iii) “List of stopped mines in Sandur Range during 2010-11”. (Annexure 3 of Chapter-9);

It is apparent that some mines were carefully identified using this information so as to meet the requirements of the “group”.

10) Creation of front companies: The following firms/ companies were used for signing agreements with identified mining leases.

(1) Devi Enterprises – This partnership firm was formed with K Mahfouz Ali Khan aged 25 years and V Chandrashekar aged 26 years on 07/03/2009 and registered with the Registrar of Firms on 18/03/2009. The instrument of partnership declares that nature of business of the firm is to do business in mining of iron ore and other minerals. It is significant to note that both partners were former employees of Brahmani Industries Limited. Copies of relieving letters show that both K Mahfouz Ali Khan Emp ID10006 and V Chandrasekhar Emp ID 10008 worked in the company from 12/07/2007 to 28/02/2009. (Annexure 4 of Chapter-9)

(2) Madhushree Enterprises – This partnership firm between Sri Madhu Kumar Varma aged 24 years and Srikanth aged 27 years was formed on 26/03/2009 and registered with the Registrar of Firms Karnataka on 04/04/2009 (Annexure 5 of Chapter-9). The instrument of partnership declares that nature of business of the firm is to do business in mining of iron ore and other minerals. It is interesting to note that as per the instrument of partnership, Madhu Kumar Varma and Srikanth are aged 24 years and 27 years respectively. At this young age and within 2 months of registration of the firm they apparently entered into an agreement to provide technical expertise and knowhow to JM Vrushabendraiah (a well established lessee) in return for 40% of the mined iron ore as consideration.

(3) Sri Minerals - It is a partnership firm which has BV Srinivas Reddy as its Managing Partner. B V Srinivas Reddy is also one of the partners in Obulapuram Mining Company.

(4) Sri Basaveshwara Minerals - It is a partnership firm which has BV Srinivas Reddy as its Managing Partner. BV Srinivas Reddy is also one of the partners in Obulapuram Mining Company.

In addition, it is to be noted that the Instrument of Partnerships of Devi Enterprises and Madhushree Enterprises were signed in the presence of a Chartered Accountant, Phani Kishore Amberkar. It is pertinent to note the role of Phani Kishore Amberkar in getting registration for front partnership firms, getting agreements between front partnership firms and various mining leases and in handling various financial transactions are prominent.

Among others,

- (i) A file containing details of Rs 95 crore payments from ILC is named PHANI.xls.;
- (ii) A file named salaries-09 (1).xls lists the names of leases/mines, the firms controlling the operations in these leases/mines, the names of the employees of these firms, their mobile numbers and their monthly salary statements. In this file the name Phani Kishore appears as the person who is approving the salary payments to the employees;
- (iii) A pdf file containing mail from Avery India to Phani Kishore (mail ID: [kishoreamberkar@gmail.com](mailto:kishoreamberkar@gmail.com)) contains attachments proforma invoices – Obulapuram;
- (iv) E mail regarding allotment of TAN number to Devi Enterprises from TAN.nsdcl.co.in to Kishore Amberkar;
- (v) Submission of details of procurement of iron ore for exports from M/s Anantpur Mining Corporation and Lakshmi Aruna Minerals by Phani Kishore Amberkar. (Annexure 6 of Chapter-9);

11) **Agreements of front companies with various iron ore mining lessees:** The seized documents contain copies of agreements entered between various lease holders and “front companies”. An examination of the agreements entered between the front companies and various lease holders is as below:

**(1) Trident Minerals ML No 2315, Venkatagiri Village, NEB Range, Sandur taluk, Bellary:**

Trident Minerals entered into separate agreements on 22/01/2009 with Sri Minerals and Basaveshwara Minerals. The agreement with Sri Minerals was for extraction and the agreement with Basaveshwara Minerals was for sale of iron ore.

Significantly, both Sri Minerals and Basaveshwara Minerals are partnership firms with a same individual as its Managing Partner. The person is Sri BV Srinivasa Reddy and he has signed the agreements on behalf of both Sri Minerals and Basaveshwara Minerals. This effectively means that Trident Minerals entered into agreements with Sri BV Srinivas Reddy. (Annexure 7 of Chapter-9).

The agreement with Sri Minerals is signed for extraction of mineral/ore from the mining lease of the Trident Minerals. The agreement is a 'raising contract' in violation of the provisions of MMRD Act and MC Rules.

The agreement states that Trident Minerals is *“encountering various difficulties and disputes from the neighboring lessees, which is resulting in low production and hampered production.”* and that Sri Minerals is *“having all the men and machinery for the purpose of undertaking the mining operations in large scale and also to encounter any trespass or encroachment or hampering of mining operations either by the neighboring lessees or by their men and agents.”* This clause indicates limitation of the First party in running mining operations of very old lease and highlights the clout of the second party.



The agreement period is *till the expiry of Mining lease No 2315 of the schedule property in the year 2013*. The agreement provides for renewal of the agreement subject to renewal of the lease by the second party at its cost. It is pertinent to note that assigning the task of lease renewal to second party engaged for the purpose of ore extraction is practically the same as divesting control over the mining lease and transfer of lease by the lessee in contravention of the MC Rules.

The First Party shall pay to the second party a sum of Rs 250/- (Rs Two Hundred & Fifty only) for every metric ton of iron ore extracted and processed from the said mine at stockyard.

The agreement mandates that the second party shall excavate and extract a minimum quantity of 10 lakh metric tons of ore per annum, which is in excess of the 4 lakh MT annual limit imposed under EC clearance.

The agreement stipulates that all costs towards payment of Government levies, salaries, statutory levy/fee such as royalty, geological permit and Forest Permit charges/fee shall be on account of the Second Party. This indicates that the rights of the lessee are virtually transferred to the second party.

The agreement specifies that the second party is responsible for ensuring that the lease area is safeguarded from encroachments and interferences and that the lease boundaries are marked and free from disturbance from adjoining miners. The adjoining mine is former Dalmia Mines. This implies that the First party has relinquished its responsibilities to the Second party in contravention of MMRD Act/ MCR.

An examination of the agreement with Basaveshwara Minerals shows that this agreement is for exclusive purchase by Basaveshwara Minerals of 50% of the entire quantity of minerals extracted from the lease of Trident Minerals. The sale price of 50% of quantity sold to the second party is fixed at Rs 500 per MT irrespective of its grade and size. The agreement also specifies the sale price of the balance 50% quantity at Rs 600 per MT to be sold by the First party. This price is very low when compared with the prevailing prices. Further, the agreement puts the responsibility of securing renewal of lease on the second party upon which the agreement shall be automatically renewed till the expiry of such renewed period i.e. 20 years. This clearly implies that the agreements goes much beyond a contract between a buyer and seller and through these agreements Sri Minerals and Basaveshwara Minerals (both being controlled by the same individual) have taken over the rights of the lessee.

It may also be noted that Trident has to pay Rs 250 per MT to Sri Minerals for total production/extraction, while Trident is to receive ₹500/- per MT from Basaveshwara Minerals for sale of 50% of production. Considering that both Sri Minerals and Basaveshwara Minerals are controlled by the same individual, it implies these companies are running lease with no money flow to the lessee. The lessee is a “sleeping partner” and gets at the most 50% of production at zero input cost.

**(2) Mehaboob Transport Company ML No 109 & 2568, Vittalapura Village, Sandur taluk, Bellary :**

Mehaboob Transport Company entered into separate contracts on 28/08/2008 with two partnership firms Sri Minerals and Basaveshwara Minerals for extraction and exclusive sale of 50% of extracted ore respectively on similar

terms as stated for Trident Minerals (Annexure 8 of Chapter-9). With the same modus operandi is as evident in the case of Trident Minerals, these two companies have taken over the mining operations of MBT lease. It is nothing but a transfer of lease. It is to be stated here that M/s. Trident Minerals and Mahaboob Transport are owned by the common partners.

**(3) JM Vrushabendraiah ML No 2173:**

JM Vrushabendraiah entered into a memorandum of understanding with Madhushree Enterprises dated 18<sup>th</sup>/9<sup>th</sup> June 2009 (Both dates are mentioned in the MOU) (Annexure 9 of Chapter-9). It is apparent the MOU has been made with back date as the date of stamp duty payment mentioned on the stamp paper is 22<sup>nd</sup> June 2009. The agreement states that Madhushree Enterprises shall extend to JM Vrushbendraiah its knowledge expertise and technical knowhow for carrying on the mining operations in a more systematic and scientific manner. In return JM Vrushabendraiah agrees to pay the consideration to Madhushree Enterprises by way of 40% of the quantity mined from the leased area. The agreement appears suspicious as the scope of work of second party is vague and does not appear to commensurate with quantum of consideration (40% of the mined iron ore). The experience of Madhushree Enterprises to provide technical expertise and knowhow is unconvincing and doubtful as the partnership firm was only two month old at the time of this MoU, as it was registered on 04/04/2009. The agreement is in violation of various provisions of MC Rules 1960 and MMRDA 1957.

In 2008, this mine was closed due to encroachment and extraction of iron ore from adjoining forest land. The matter went to Hon'ble High Court and Hon'ble High Court directed

that the Lessee may be allowed to do mining in undisputed area. In the said mine there is hardly any deposit of iron ore in the undisputed area. Presently survey is underway under orders of Hon'ble Supreme Court. In the light of these facts the signing of the agreement to work in the mine appears to be a conspiracy. Further investigations are required to know more facts in this regard.

**(4) Indian Mines and Minerals ML No 2572 NEB range Siddapura Village, Sandur taluk:**

Indian Mines and Minerals was granted mining lease in ML No 2572 dated 05/01/2008. Indian Mines and Minerals is a partnership firm formed through a Deed of Partnership dated 05/02/2008. The partners in the firm include N Shaik Saab, Mohammed Yunus, Mohammed Sait and Rasool Saab. On 01/08/2009, through an Instrument of Partnership, K Mahfouz Ali Khan and Syed Asimuddin were included as Incoming Partners (Annexure 10 of Chapter-9). Further, the shares of the partners were fixed as follows:

Sl. No	Name of partner	Profit	Loss
1	N Shaik Saab	5.00%	
2	Muhammed Sait	3.34%	
3	Mohammad Yunus	3.33%	
4	Rasool Saab	3.33%	
5	Syed Asimuddin	10.00%	
6	K Mahfouz Ali Khan	75.00%	100%

Further through a power of attorney dated 02/08/2009, K Mahfouz Ali Khan was given the power of attorney in running the business of the firm and empowered him to enter into contract with buyers, transporters, supplier of equipments, labour contracts etc, sign documents, fix rates of supply of ore, draw bills, issue vouchers and open and operate bank accounts as per Annexure 10 of Chapter-9. Further he was entitled to

represent before the authorities including Department of Mines & Geology, Forest, Railways, Indian Bureau of Mines etc to secure permit licences, contracts etc. He was further entitled to apply to the government for transfer of lease hold rights under the mining lease and all such applications, documents as may be necessary for expeditious working of the mines. This shows K Mahfouz Ali Khan had taken over complete management and operation control over Indian Mines and Minerals. It may be noted that K Mahfouz Ali Khan is a Managing Partner in Devi Enterprises. The agreement is in violation of MMRD and MCR.

#### **(5) Rajapur Mines**

Rajapur Mines has a mining lease in ML No.2190 The partnership firm had 5 members viz. Smt PH Vidya, B Neelkantaiah, B Sudhakar, P Jayanth and P Suresh. As per a copy of Form "A" Register of Firms dated 08/08/2009, three partners viz. B Sudhakar, P Jayanth and P Suresh retired on 08/08/2009 and on the same date S Murali Krishna and Madhu Kumar Varma joined as partners (Annexure 11 of Chapter-9). It may be noted that Madhu Kumar Varma is a Managing Partner in Madhushree Enterprises. There are encroachments in Forest land by the lessee as per the First report of Hon'ble Lokayukta.

In this context,

1. Rule 37 of Mineral Concession Rules 1960 is reproduced below:

*"Transfer of Lease:- (1) The lessee shall not, without the previous consent in writing of the state government [and in case of mining lease in respect of any mineral specified in the First Schedule to the Act, without the previous approval of the state 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 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 undertakings will or may be substantially controlled by any person or body of persons other than the lessee;"*

2. Rule 46 (2) of Mineral Concession Rules (MCR) 1960 is reproduced below:

*"Transfer or assignment – (2) No prospecting licence or mining lease or any right, title or interest in such licence or lease in respect of any mineral specified in first schedule of the Act shall be transferred except with the previous approval of the Central Government."*

The above mentioned agreements with mining lessees are in violation of Rule 37 & 46 of Mineral Concession Rules, 1960.

Further, it is to be noted that these lessees had been carrying out mining operations on their own for many years. However, within a span of a few months all these lessees entered into contracts for extraction, sale and technical support with select companies/firms having vague expertise. Closer examination shows that the agreements are unrealistic and one sided.

12) Plan illicit extraction and transportation of iron ore to meet the "commitments" and other requirements of the group

A file “Stock Details.xls” contains several spreadsheets as discussed below (Annexure 12 at Chapter-9):

(a) Spreadsheet “Permitted quantity” shows mining lease wise permitted quantity (indicating annual permitted quantity that may be extracted) and “our portion” indicating share of the “group” in iron ore produced. The mines included are MBT (Mehaboob Transport Company ML No 2658), Hind Traders (ML No 2548), Trident Minerals (ML No 2315), Trident Mining Company (ML No 1732), VENAG (Shantalakshmi Jairam ML No 2553), SVK NEB Range A & B Block Jaisingpura (SB Minerals ML No 2550), SVK Vyasankere ( SB Minerals-ML No 2515), JM Vrushabendraiah (ML No 2173). Other mines mentioned in the list are Shaik Sab (Indian Mines and Minerals ML 2572), Mansoor Ahmed (ML No 1324 & 2616), VEEYAM (ML No 988) and KMP (K Parvathamma ML No 2514). The total quantity under “OUR PORTION” out of production from these mines is shown as 63,21,800 MT of iron ore.

(b) Spreadsheet “Stock” shows mining lease wise commitments and dispatches for various mines.

(c) Spread sheet “COMMITMENTS AND MOVEMENTS” shows details of commitments and dispatches from various mining leases. The total commitment against M/s ILC only is shown as 8,96,418 MT.

### **13) Involve “raising contractors” who would carry out extraction of iron ore in these mining leases**

A file “Stock Details.xls” contains several spreadsheets as discussed below (Annexure 12 of Chapter-9): Spreadsheet “Permitted quantity” contains names of “raising contractors against the mines as shown below:

**Table 1 – List of Mines and their Raising Contractors**

<b>MINES</b>	<b>RAISING CONTRACTOR</b>
MBT	DUSHYANT REDDY
HM	DUSHYANT REDDY
TM & TMC	RK MINING
	RK MINING
VENAG	ANANTASENA REDDY
SVK NEB RANGE A BLOCK	OWN-YERRIBABU
SVK NEB RANGE B BLOCK	OWN -NANDA SINGH
SVK Vyasankere	
VRUSHABENDRAIAH	OWN-(SRINIVAS)
SHAIK SAB	SRINIVASA REDDY - thirumala conveyors
NHP-MANSOOR AHMAD	
VEEYAM PVT LTD	DUSHYANT REDDY
KMP	

The names of the raising contractors are also mentioned in spreadsheet “Stock”.

**14) Involve transporters who would facilitate illicit operations**

A file “S.V.K NEB B BLOCK.xls” has spreadsheet “SWASTHIK & JAMMUNATH” that contains details of iron ore movements on account of Swasthik and Jammunath. Swasthik (Swastik Nagaraj) and Jammunath (Karapudi Mahesh) own transport companies engaged in iron ore transportation. Further as discussed in separate chapter, they along with others are involved in transportation of illicit iron ore. It is pertinent to note that documents seized by the Income Tax Department in the case of Sri KV Nagaraj show large scale transportation of illicit iron ore from the various mines including many of the mines listed above.



**15) Involve middle traders to trade in illicit iron ore and facilitate flow of money through circuitous route to the group**

The following companies/firms/persons were involved as middle traders of illicit iron ore (as inferred from the contents of **Annexure 1 of Chapter 9 of Dr.U.V.Singh's Report:**

1. Eagle Traders and Logistics & Others
2. "Front companies" -Devi Enterprises and Madhushree Enterprises
3. Swastik Nagaraj
4. Jammunath Mahesh (indicating Karapudi Mahesh)
5. Y Minerals
6. Nirmal Jain
7. Shafiq
8. Lakshmi Aruna Minerals
9. SSM indicating Sri Srinivasa Minerals
10. LMM
11. Ramappa
12. Ganapathi
13. Hothur
14. Asghar Khan
15. Others

**16) Supply illicit iron ore to exporters / domestic consumers/Stockyards :** The illicit iron ore was supplied to the following companies/firms/persons (as indicated from the contents of Annexure 1 of Chapter-9):

1. ILC
2. SB Logistics
3. TB Logistics
4. SMSK (Kadri)
5. Arihant Tiles and Marbles
6. Continent Impex
7. Swastik Steels Hospet

8. Alpine International
9. JSW Ltd
10. Satavahana Ispat Pvt Ltd
11. Kalyani Steels
12. RAYEEN Steels
13. Sajjala
14. Bhaskar KMMI
15. Others

The seized document show how the group planned and took over control of several iron ore mining leases. A number of Excel spreadsheets and pdf files contain details of planning, production and dispatches from these mines. Based on the analysis of the contents of these files, a table has been prepared that gives details about the mining leases that were taken control of, the front companies, the raising contractors, share in production cost, share in extracted material, illicit extraction and dispatch details, etc.

S No	Leases	Front Companies for signing Agreement	Raising Contractor	Front Controlling Firm	% Share in Production Cost	% Share in Extracted Iron ore	Annual Quantity Permitted for Extraction	Extracted Qty	Extraction in excess of permitted quantity	Dispatches	Remarks/Illicit Iron ore Extracted and/or Transported
1	MBT ML No 109 & 2568	Sri Minerals/Basaveshwara Minerals	Dushyant Reddy - Vijaya Leasing	Devi Enterprises	100%	50%	3 Lakh MT	506874 MT (Oct 2008 - Oct 2009); 368597 MT (Apr-Oct 2009)	68597 MT (Apr - Oct 2009)	ILC - 100349 MT (Aug 09) EAGLE - 4999 MT (Aug 09) ILC - 39079 MT (Oct 09) OTHERS - 46196 MT (Jan - Mar 2009)  TOTAL - 190623 MT	Dispatches do not match with Permits  <b>TOTAL - 190623 MT</b>
2	TM ML No 2315 & TMC ML No 1732	Sri Minerals /Basaveshwara Minerals	RK Mining	Devi Enterprises	100%	50%	4 Lakh MT	423970 MT (Apr - Dec 2009)	23970 MT (Apr - Dec 2009)	EAGLE - 187000 MT (Apr-Dec 2009) ALPINE - 20977 MT (Apr - Dec 2009) TM - 212512 MT (Apr - Dec 2009)  TOTAL - 420490 MT	Permits for only 112518 MT were issued to TM during the period Apr - Dec 2009. No permits were issued with EAGLE OR ALPINE as party. Hence the quantity 187000 MT transported to EAGLE and 20977 MT transported to ALPINE is illicit and 99994 MT transported on account of TM is illicit. <b>TOTAL - 307971 MT</b>
3	VENAG ML No 2553		Anant Sena Reddy	Devi Enterprises	50%	50%	10 Lakh MT	311023 MT (Jun-Dec 2009)	-	EAGLE - 67283 MT (Jul - Dec 2009) ILC - 48740 MT (Jul -Dec 2009) RAMAPPA - 129723 MT (May-Dec 2009)	Dispatches do not match with Permits  <b>TOTAL - 276979 MT</b>

4	VEEYAM MINES ML No 988 *Annexure 2: A/Madhu/1**		Dushyant Reddy - Vijaya Leasing	Devi Enterprises	50%			215838 Lakh MT	215838* MT (Oct 2009 - May 2010)	215838 Lakh MT	Hothur - 15036 MT (Jul - Dec 2009) GANAPATHI - 16197 MT (Dec 2009) TOTAL - 276979 MT	Mine does not have requisite permissions to operate. No Permits have been issued after 2007-08. <b>TOTAL - 215838 Lakh MT</b>
5	DALMIA MINES [**Stock Details.xls ***Annexure 2: A/Madhu/1]		Yerribabu/ Nanda Singh					1685302 MT	595070 MT (Apr - Oct 2009)** 1090232 MT (Oct 2009 - Jun 2010)** TOTAL - 1685302 MT	1685302 MT	LAM - 777262 MT (Apr-Dec 2009)	Erstwhile Dalmia mine does not have the approval for mining. <b>TOTAL - 1685302 MT</b>
5	Indian Mines & Minerals SHAIK SAB ML No 2572		Srinivasa Reddy - Thirumala Conveyors	Devi Enterprises					169263 MT (Jul - Dec 2009)		LAM - 28284 MT (Aug - Dec 2009) MUNEER - 6808 MT (Nov - Dec 2009)	No permits were issued during Apr - Dec 2009. <b>TOTAL - 169263 MT</b>

6	Lakshmi Narayana Mining Company ML No 2487 (Annexure 2 A/Madhu/1)	Enterprises)							18 Lakh MT	1948521 MT (Nov 2009 - Jun 2010)		BHASKAR KMMI - 4329 MT (Dec 2009) SAJJALA - 579 MT (Dec 2009) RAYEEN STEEL - 752 MT (Dec 2009) TOTAL - 40752 MT	Seized documents (Annexure 2) show that the Raising Contractor of this mine i.e. Vijaya Leasing extracted the entire 1948521 MT of iron ore on behalf of M/s Obulapuram Mining Company (OMC). Bank accounts confirm that the payment towards extraction of iron ore / formation of a new road, to Vijaya Leasing Company was done by M/s Associated Mining Company. The entire mining activity is in violation of Rule 46 of Mineral Concession Rules 1960. Formation of new road in forest area is in violation of Forest Conservation Act & Other Acts. A FIR has been filed against the formation of new road (Annexure 13). The CEC is seized with the matter of illegal mining in LMC and adjoining encroached forest land.
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7	JM VRUSHABHE NDRAIAH ML No 2173	Madhushree Enterprises	Srinivas	Madhushree Enterprises		40%	1.5 Lakh MT	230681 MT (May - Dec 2009)	80681 MT	<p>SSM - 176649 MT (May - Dec 2009) KIRLOSKAR - 30762 (May - Oct 2009) TO MAHARASHTRA - 16173 MT (Jun - Oct 2009) KALYANI - 1340 MT (Dec 2009) MADHUSHREE - 25011 MT (Jun - Dec 2009) TOTAL - 249937 MT</p>	<p>This extraction of iron ore should be seen in that context also. <b>TOTAL - 1948521 MT</b></p> <p>80681 MT in excess of permitted quantity extracted during May - Dec 2009. 249937 MT dispatches do not match the Permits. In 2008, this mine was closed due to encroachment and extraction of iron ore from adjoining forest land. The matter went to Hon'ble High Court and Hon'ble High Court directed that the Lessee may be allowed to do mining in undisputed area. In the said mine there is hardly any deposit of iron ore in the undisputed area. Therefore the extraction of iron ore as shown here is suspected to have been carried out in the disputed area. Presently survey is underway under orders of Hon'ble Supreme Court and the matter needs to be seen in this context also. <b>TOTAL - 249937 MT</b></p>
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8	HT/HM ML No 2548		Dushyant Reddy - Vijaya Leasing	Madhushree Enterprises	50%	5 Lakh MT	147473 MT (Jan - Aug 2009)		SAJJALA – 130 MT	Dispatch for 130 MT does not match Permits <b>TOTAL - 130 MT</b> It is to state here that M/s Hind Traders was involved in illegal transport of iron ore from his mine to an unauthorized stockyard and then onward supply to various destinations. Approximately 70,000 MT iron ore has been seized in this regard from this stockyard. The Deputy Director Mines has replied that no permits were obtained by the lessee for this quantity. Also no forest permits were issued. The quantity other than 70,000 MT which has gone illegally is not known. In spite of more than 2 years no action has been taken against the lessee. The entire operations in this mine should be seen in this context.
9	SVK NEB RANGE A Block (indicating SB Minerals ML No 2550 Jaisingpur)		Yerri Babu	Lakshmi Aruma Minerals	50%	5 Lakh MT	1347932 MT (Apr-Dec 2009)	847932 MT	<b>NEB A BLOCK</b> EAGLE – 164066 MT (Jun- Nov 2009) ILC – 50070 MT (Jun – Nov 2009) SBL – 4089 MT (Dec 2009) SKM – 208195 MT (May – Dec 2009)	847932 MT of iron ore in excess of permitted quantity extracted. Permits for only 20000 MT were issued with Sri Krishna Minerals as Party. The remaining <b>1233964 MT</b> do not

10	SVK NEB RANGE B Block (indicating SB Minerals ML No 2550 Jaisingpur)	Yerri Babu	Lakshmi Aruna Minerals			50%				SAJJALA – 588 MT (Apr – Nov 2009) Y MINERALS, NIRMAL JAIN, SHAFIQ, SBL, AJGHAR KHAN & OTHERS – 488532 MT (Jul – Dec 2009) <b>NEB B BLOCK</b> SWASTIK – 198000 MT (Oct - Dec 2009) JAMMUNATH – 140424 MT (Sep – Dec 2009) TOTAL – 1253964 MT	match with permits <b>TOTAL – 1233964 MT.</b>
11	SVK NEB RANGE Vyasankere (SB Minerals ML No 2515)				20 Lakh MT		2549704 MT (Apr -Dec 2009)	549704 MT		LMM – 448881 MT (Apr – Dec 2009) OTHERS – 1713873 MT (Apr – Dec 2009) TOTAL – 2162754 MT	549204 MT extracted in excess of the permitted quantity. Permits for only 1041968 MT were issued during the period Apr – Dec 2009. Hence the remaining quantity 1120786 MT is illicitly transported. <b>TOTAL - 1120786 MT</b>
12	RAJAPURA MINES ML No2190	Partners Madhu Kumar Varma (Madhushre e Enterprises)									Extraction and dispatch details are not available in the seized files.
13	KM PARVATHAM MA ML No 2514					100%					Extraction and dispatch details are not available in the seized files.
14	M MANSOOR AHMAD ML No 2616					65%					Extraction and dispatch details are not available in the seized files.



15	N RATNAYAIAH							39078 MT	Extraction and dispatch details are not available in the seized files.
16	DECCAN MINING SYNDICATE ML.No 2525				50%				Extraction and dispatch details are not available in the seized files.
<b>GRAND TOTAL</b>									<b>7399314 MT</b>

**Source:**  
*Annexure 1: Stock Details.xls, V-NAG Dec-09.xls, V.M DEC-09.xls, TM Dec-09.xls, I.M.M Dec 09.xls, V.R.U Dec-09.xls, v.m\_sathava(1).xls, T.M Dec-09.xls, S.V.K NEB A BLOCK DEC-09.xls, S.V.K NEB B BLOCK DEC-09.xls, S.V.K.V Dec-09.xls);  
Annexure 2: A/Madhu/1 Page 14-15*

**The Total Cost of 73,99,314 MT of Illicit Iron ore @ Rs 2500/MT is Rs 1849,82,85,000/- (around Rs 1850 Crores)**

17) A few excel and pdf. files found in Annexure 1 of Chapter 9 (Alikhan files) are analyzed as below:

**(1) Excel File “Stock Details.xls”**

Excel file “Stock Details.xls” contains details of various mines that were controlled by the “group”, “commitments and movements” of iron ore, production and share of the “group” out of extracted iron ore and dispatches to various parties. The planning of operations is clearly detailed in spreadsheet “Permitted Quantity”. Spreadsheet “message” details planned production per day for various mines and “OUR PORTION” indicating share of the group out of extracted quantity. Further the spreadsheet contains, commitments of a few companies of the “group” viz “OMC” (Obulapuram Mining Company) and AMC (Anantpur Mining Company) towards various parties. The spreadsheet is reproduced hereunder for clarity and reference.

**Table 3: Spreadsheet “message” in File “Stock Details.xls”**

MBT PRODUCTION FOR THE DAY	2,658
FOR THE MONTH	38,948
-----	
MBT DESPATHCES-ILC FOR THE DAY	1,574
TM PRODUCTION FOR THE DAY	NIL
FOR THE MONTH	1307.54
-----	
TM DESPATHCES-EAGLE  FOR THE DAY	  NIL
VENAG-PRODUCTION  FOR THE DAY	  3,215
FOR THE MONTH	15,947
-----	

	PER DAY	OUR PORTION
MBT	3000	1500
HM	1000	500
TM	2000	1000
VENAG	3000	1500
NEB A BLOCK	3000	1500
NEB B BLOCK	6500	3250
VRUSHABENDRA	2500	1000
SVK	12000	5400
VEEYAM	5000	2500
SHAIK SAB	1500	1125
LMC		
<b>TOTAL</b>	<b>39500</b>	<b>19275</b>

#### COMMITMENTS

##### **AMC**

ARIHANT 40500

##### **OMC**

CHENNAI JD-FINES

6000

CHENNAI JD-LUMPS

5000

PRATHYUSHA

30000

ILC INDUSTRIES

125000

JSW - PER DAY

12500

1.5 MILLION UPTO  
FEB'10

#### **(2)Excel File “Port wise\_details.xls “**

Computer file “Portwise\_details.xls” **(Table 4)** contains a spreadsheet named “ILC-Final” among others. The spreadsheet has details of calculation for arriving at ex-mine price of iron ore, permit risk amount etc and shipment quantity exported from Krishnapatnam port during July-Oct 2009.

**Table 4- details of calculation for arriving at ex-mine price of iron ore, permit risk amount etc and shipment quantity exported from Krishnapatnam port during July-Oct 2009**

ILC	Particulars	20-Jul-09	30-Jul-09	5-Aug-09	11-Aug-09	
		KPATNAM			Fines	
		Fines	Fines	Fines		
I.	Avg Selling Price as on 1-7-09	63.73	68.28	81.00	85.00	66.00
	RATE OF CONVERSION	48.19	48.35	47.40	48.29	65
II.	Avg Conversion @ Rs.48	3,071	3,301	3,839	4,105	65.5
III.	<b>Cost of Shipment:</b>					65
	<u>Transportation</u>					<b>65.38</b>
	By Road	1,325	1,325	1,400	1,400	
	By Rail	-	-	-	-	
	Avg Transportation Cost	1,325	1,325	1,400	1,400	
	Port Charges	185	185	185	185	
	Rent (Rs. 44 lacs pm)	-	-	-	-	
	C&F	90	90	90	90	
	Wharfage	35	35	35	35	
	Export Duty @ 5%	-	-	-	-	
	Handling Loss @ 3%	92	99	115	123	
	Moisture	139	98	115	123	
	<u>Analysis charges</u>					
	Loading point	1	1	1	1	
	Receiving point	1	1	1	1	
	Vessel Loading	1	1	1	1	
	Descharge Port	6	6	6	6	
	CIQ RISK	-	50	50	50	
	Misc Exp	10	10	10	10	
	Financial Charges @ 0.50%	15	17	19	21	
	MARGIN	100	100	150	193	
		2,002	2,018	2,179	2,240	
IV.	<b>Avg Ex-mines price</b>	<b>1,069</b>	<b>1,283</b>	<b>1,660</b>	<b>1,865</b>	
	PURCHASE TAX COST	96	96	120	120	
	PERMIT RISK	75	75	75	75	
		171	171	195	195	
V	SELLING PRICE	898	1,112	1,465	2,000	SELLING PRICE
VI	QUANTITY EXPORTED	45,540	50,900	1,00,000	2,50,000	QUANTITY EXPORTED
VII	AMOUNT	4,08,94,920	5,66,00,800	14,65,00,000	50	
	AMOUNT DUE			24,39,95,720	37.50	75%
	AMOUNT GIVEN			-	12.50	25%
	BALANCE TO GIVE			24,39,95,720	50.00	<b>TOTAL</b>
						75%
						25%
	QUANTITY FINALIZED			46,094	WEEK 1	10.50 3.40
	QUANTITY LIFTED			46,094	WEEK 2	10.00 3.03
	BALANCE TO LIFT			-	WEEK 3	10.00 3.03
					WEEK 4	5.00 0.93
						4.10
						39.60 10.40
	<b>OLD BALANCE TO LIFT</b>				<b>TOTAL</b>	<b>50.00</b>
	OMC	COMMITMENT	LIFTED			
		50,000	50,000			
	A BLOCK	<b>50,000</b>	<b>30,101</b>	<b>19,899</b>		
		1,00,000	80,101	19,899		
						11.10
				<b>TOTAL STILL TO RECEIVE</b>		<b>19,899</b>
	9,74,95,720	shipment account				
	-9,74,95,720	new shipment				
	2,75,00,000	bank				
	-12,49,95,720	cash				
	24,39,95,720	balance to give				

250000+30796 FINALIZATION						
ILC	5-Oct-09	5-Oct-09	5-Oct-09	5-Oct-09	5-Oct-09	
Particulars	Fines	Fines	Fines	Fines	Fines	
	I. Avg Selling Price as on 1-7-09	64.00	65.00	65.00	66.00	68.00
RATE OF CONVERSION	48.43	48.14	48.00	48.00	48.00	
II. Avg Conversion @ Rs.48	3,100	3,129	3,120	3,168	3,264	
III. <b>Cost of Shipment:</b>						
<b>Transportation</b>						
By Road	-	-	-	-	-	
By Rail	-	-	-	-	-	
Avg Transportation Cost	1,173	1,173	1,173	1,173	1,000	
Port Charges	185	185	185	185	185	
Rent (Rs. 44 lacs pm)	-	-	-	-	-	
C&F	90	90	90	90	90	
Wharfage	35	35	35	35	35	
Export Duty @ 5%	-	-	-	-	-	
Handling Loss @ 3%	93	94	94	95	98	
Moisture	146	171	121	132	98	
<b>Analysis charges</b>						
Loading point	1	1	1	1	1	
Receiving point	1	1	1	1	1	
Vessel Loading	1	1	1	1	1	
Discharge Port	6	6	6	6	6	
CIQ RISK	50	50	50	50	50	
Misc Exp	10	10	10	10	10	
Financial Charges @ 0.50%	15	16	16	16	16	
MARGIN	194	193	192	192	192	
	2,001	2,026	1,975	1,987	1,784	
IV. <b>Avg Ex-mines price</b>	1,099	1,103	1,145	1,181	1,480	
PURCHASE TAX COST	60	60	60	60	60	
PERMIT RISK	75	75	75	75	75	
	135	135	135	135	135	
V SELLING PRICE	964	968	1,010	1,046	1,345	1,067
VI QUANTITY EXPORTED	46,094	50,900	68,000	43,700	72,102	2,80,796
	4,44,34,616	4,92,71,200	6,86,80,000	4,57,10,200	9,69,77,190	-5,86,518
VII AMOUNT	30,40,73,206					ROUND OFF
	1,00,00,000					ADVANCE
	31 DUE					
	50 GIVEN					
AMOUNT DUE	19 ADVANCE					
AMOUNT GIVEN						
BALANCE TO GIVE	250000					
	46,094	50,900	68,000	43,700	41,306	2,50,000
QUANTITY FINALIZED	4,44,34,616	4,92,71,200	6,86,80,000	4,57,10,200	5,55,56,570	27,36,52,586
QUANTITY LIFTED					AVERAGE RATE	1,095
BALANCE TO LIFT				EXCESS QTY	30796	4,04,20,620
					AVERAGE RATE	1,313
<b>OLD BALANCE TO LIFT</b>	ILC- QUANTITY DETAILS					
	MINES	COMMITMENT	DESPATCHED QU	BALANCE QUANTITY		
OMC						
A BLOCK	OMC	50,000	50,000	-		
	A BLOCK	50,000	30,101	19,899		
	TOTAL	1,00,000	80,101	19,899		
	9,74,95,720	OMC	1,00,000	1,00,000		
	-9,74,95,720	VENAG	31,389	31,389		
	2,75,00,000	VYASNAKERE	65,029	65,029		
	-12,49,95,720	TOTAL	1,96,418	1,96,418	-	
	24,39,95,720					
		VENAG		7,471	-7,471	
		MBT	1,00,000	1,00,349	-349	
		OMC	1,00,000	1,00,000	-	
		VYASNAKERE	50,000	72,976	-22,976	
			2,50,000	2,80,796	-30,796	



is clear that the export shipments of M/s ILC Ltd from Krishnapatnam port during the said period comprised of illegal iron ore. Payments for the iron ore from ILC to group companies like Devi Enterprises, Sree Minerals, AMC etc are verified from their bank accounts. The payment details are containing in a separate file named “PHANI.xls” as discussed below:

### **(3)Excel File “PHANI.xls”**

The file named ‘PHANI.XLS’ contains details of payments made by M/s ILC Ltd against 1,00,000 MT, 1,96,440 MT and 2,50,000 MT of iron ore.

The spreadsheet is reproduced in the following pages: **(Table 5)**.

From the table, it is to be noted here that 75% of the total value is paid through cash and 25% is paid through the Banks. The concerned enforcement agencies should take note of it for further investigation.

**Table 5 - Details of payment etc. of ILC**

		OLD ACCOUNT			ILC- PAYMENTS OLD ACCOUNT 1LAKH ,OMC & A BLOCK			
PARTY	QTY	RATE/MT	C PORTION	BILL	AMOUNT	DATE	MODE	AMOUNT
OMC	50000	1200	600	600	60000000	15 June 2009	CHEQUE	2.40
A BLOK	50000	1000	1000	0	50000000	24 June 2009	RTGS	0.60
						16 June 2009	C	2.40
						23 June 2009	C	2.00
						27 June 2009	C	2.00
						03 July 2009	C	1.60
				<b>TOTAL</b>	<b>110000000</b>		<b>TOTAL PAID</b>	<b>11.00</b>
							DUE AMOUNT	NIL
					33000000			
				<b>NEW ACCOUNT</b>			<b>ILC- PAYMENTS FOR 196440 MT</b>	
PARTY	QTY	RATE/MT	C PORTION	BILL	AMOUNT	DATE	MODE	AMOUNT





18 August 2009	RTGS	3.40	DEVI
	<b>TOTAL PAID</b>	13.90	
	BALANCE DUE	46.10	
	C 75%	34.58	
	RTGS 25%	11.53	
	<b>TOTAL AMOUNT DUE</b>	95.50	
	<b>AMOUNT GIVEN</b>	49.40	
	<b>BALANCE TO RECEIVE</b>		
	C 75%	34.58	
	RTGS 25%	11.53	
		46.10	

In the table, for quantities 50,000 MT it is mentioned that the rate/MT is ₹1200. **(Table 5)** Out of this “C portion”(indicating Cash portion) is Rs 6 crores while “Bill ”(indicating bank transaction) is Rs 6 crores. In few other cases entire receipts have been shown against “C portion” while in few other cases “bill” portions have been shown as merely 25%. Thus it is clear that only a small portion of the receipts is in the form of bank transactions and a large chunk of the receipts is obtained in the form of “Cash”.

In the “mode” column **(Table 5)** entries have been made showing RTGS, Cheque, C(indicating Cash). In case of payments through RTGS and Cheque modes names of parties i.e. Devi Enterprises, Madhu, Sree Minerals, AMC who had received the payment along with the dates are provided. On verifying the bank accounts of the parties shown in the statements Devi Minerals (A/c No 202011012661 ING Vysya Bank Bellary), Sree Minerals (A/c No 267010200007733 Axis Bank Bellary) and AMC (Anantpur Mining Corporation A/C No 267010200001694, Axis Bank, Bellary), it is found that the money was received on the dates mentioned. Further the ILC Ltd Bank A/c No 10820656534 SBI shows transfer of Rs 60 Lakhs to A/c No 0010444917121 of SBI dated 24/06/2009 with remarks “adv fr bal 10000 mts”. A/c No 0010444917121 in SBI belongs to Obulapuram Mining Company. This confirms payment of Rs 60 Lakhs on the same date mentioned against “Madhu” in the seized document.

The above mentioned documents establish that Devi Enterprise, Madhushree Enterprises, Sree Minerals, Obulapuram Mining Company are receiving the payments.

Further a large chunk of payments is made in the form of Cash.

**(4)Excel file “V-NAG DEC-09”:**

“Dispatch” spread-sheet shows that High Grade calibrated ore of 336.99 MT, from V Nag Mines was dispatched on 2<sup>nd</sup> of Dec 2009 through 15 trucks to Belekeri under the heading “MADHU SHREE A/C TO ILC”.

Similarly it has been shown that Low grade iron ore of 706 MT was dispatched through 33 trucks on 4<sup>th</sup> Dec 2009 to Belekeri.

When this data was compared with the electronic data seized from Shri Mallikarjun Shipping Private Limited (SMSPL) Belekeri, it has revealed that 15 trucks have brought 331.9 MT calibrated Ore(High Grade) under the account ILC NAGAPPA from 2<sup>nd</sup> Dec to 5<sup>th</sup> Dec 2009 to Belekeri. Similarly with regard to Low grade fines, seized data of SMSPL has revealed that from 5<sup>th</sup> to 8<sup>th</sup> Dec 2009 579 MT of LG iron ore was received under the account ILC NAGAPPA. Further dispatches were made on 15 Dec 2009 & 16 Dec 2009 of 11 and 83 trucks carrying 229.93 MT and 1781.76 MT respectively and the dispatched iron ore was received at SMSPL plot in Belekeri against ILC NAGAPPA account. There are no permits issued for V Nagappa mine (Shanthalakshmi Jairam, ML No. 2553) for Belekeri in the said period, clearly indicating that the iron ore extracted and dispatched is illicit.

The total production for V Nag mine for the period April 2009 to 16<sup>th</sup> Dec 2009 is shown in the “Summary” spread

sheet as 3,11,023.04 MT while the total dispatches under various heads like Madhushree A/C dispatches (Eagle A/C & ILC A/C), Ramappa A/C dispatch, Hothur A/C dispatch and Ganapathi A/C dispatch is around 2,76,979 MT.

It is pertinent to note the said lessee was issued permit for a quantity of 1,05,000 MT during May, June and July 2009 out of which 70,000 MT were surrendered. Further the dispatches do not match with the permits issued with regard to party, grade and destination for the said period. Thus the entire dispatched iron ore is illicit.

It is observed during this investigation that Mineral Dispatch Permits (MDPs) are obtained for a quantity by paying the royalty. The same permits are kept unused and the transportation goes on (since there is no check for these mines). After the expiry of permit date, these MDPs are surrendered and new permits are obtained by adjusting the royalty. This mine is one example of this practice.

The following table shows permits issued and surrendered by this lease during the period 2009-10.

**Table 6 – Details of Permits Issued and Surrendered by Nagappa Mine (Shanta Lakshmi Jairam ML No 2553) during 2009-10**

SL No	Permit Number	Date of Issue of Permit	Date of Surrender of Permit	Quantity * (MT)
1	915	06-07-2009		10000
2	915		29-07-2009	-10000
3	916	06-07-2009		20000
4	916		29-07-2009	-20000
5	917	06-07-2009		15000
6	917		29-07-2009	-15000

7	918	06-07-2009		25000
8	918		29-07-2009	-25000
9	144062	15-03-2010		24992
10	144062		04-05-2010	-2592
11	144063	15-03-2010		32000
12	144063		04-05-2010	-21472
13	144064	15-03-2010		18000
14	144064		04-05-2010	-18000

\* Quantity surrendered is shown as negative.

**(5)Excel file “V.R.U DEC-09”:**

“PRODUCTION & DISPATCH” spread-sheet has shown iron ore fines of 13,623.44 MT dispatched from JM Vrushbendraiah mines for “SSM” (indicating Sri Srinivas Mineral Trading Company) to Belekeri from 2nd Dec to 15th Dec 2009 through 633 trucks.

When this data was compared with the electronic data seized from the Adani Enterprises Private Ltd. Belekeri it has revealed that between dates 3 Dec 2009 to 17 Dec 2009 total of 639 trucks carrying total of 13661.83 MT of Iron ore fines were received at Belekeri in the name of the supplier Sri Srinivas Minerals Trading Co. i.e. SSM

Moreover during the said period no permits were issued from JM Vrushbendraiah mine Lease to Belekeri .

In the “Summary” spreadsheet the total production for JM Vrushbendraiah mine for the period April 2009 to 16th Dec 2009 is shown as 2,30,681.14 MT and the total dispatches under various heads like SSM A/C and Madhushree A/C is around 2,50,000 MT to places like Karwar, Krishnapatanam, Mangalore, Belekeri, Kirloskar, Maharashtra and Kalyani. Out of this quantity, around

67,000 MT of iron ore is shown to have been dispatched to Krishnapatnam port on account of SSM (Sri Srinivas Mineral Trading Company).

All these dispatches do not match with the permits issued with regard to party, grade and destination for the said period. Thus the entire dispatched iron ore is illicit. Further, as per the Customs data, Sri Srinivas Mineral Trading Company (Exporter IEC No 0703011189) has exported 80,000 MT of iron ore from Krishnapatnam port during 2009 and this iron ore is suspected to be illicit.

M/s Madhushree has bank account no 202011012670 in ING Vysya Bank. Statement of account for this bank account shows a receipt of Rs. 80,00,000 on 11/09/2009 through Cheque No 731981 State Bank of India from bank account of Sri Srinivasa Mineral Trading Company. (Annexure 14 of Chapter-9 of Dr.U.V. Singh's Report)

**(6)Excel file “V.M DEC-09”:**

The “Summary” and “Dispatch” spread sheet of the file has mentioned 1,84,680 MT of production from VM mines for the period Oct 2009 to Dec 2010. Dispatch has been shown against “Eagle A/C” and “Devi A/C” to destinations like Kalyani, Gujarat, Belekeri, Krishnapatanam, JSW, etc with bifurcation against traders/exporters i.e. SMSK, SBL, TBSL.

The iron ore has been shown as dispatches to various parties in account of Eagle and Devi as given below:

- Eagle A/c – SMSK, SBL, TBSL
- Devi A/c – JSW

Veeyam Mines has not been issued any permits after 2007-08. Thus the entire mining operation is illegal.

The Bank Account of M/s Eagle Traders and Logistics (Acc No 267010200007740 in Axis Bank Bellary) shows credit of money to Eagle from SB Logistics, TBS Logistics and SMSK during the said period, clearly establishing that the above illicit extraction and transportation did take place.

**(7)Excel file “v.m\_sathava(1)”:**

The “Sheet 1” spread sheet has mentioned truck wise details of the iron ore dispatched for 9,669.98 MT from 09/01/2010 to 04/02/2010 under the heading “Devi Minerals to Sathavahana Ispat Limited” from Veeyam Mines. The Excel file “Bill1” also contains iron ore dispatch statement from 09/01/2010 to 04/02/2010. Veeyam Mines has not been issued any permits after 2007-08.

Moreover there is no permit issued to destination Sathavahana Ispat Limited, with Devi Enterprises as party. Thus the entire mining operation is illegal and 9.669.98 MT of dispatched iron ore is illicit.

M/s Devi Enterprises has bank account no 202011012661 in ING Vysya Bank. Statement of account of this bank account shows a receipt of Rs 6,37,50,000 from Sathavahana Ispat (State Bank of Hyderabad) on 23/03/2010. It is suspected that this money is the payment for illicit iron ore supplied from M/s Devi Enterprises. In addition Rs 9.533 Crores have also been received from the Sathavahana Ispat Limited ( Bank of Nova Scotia, Banjara Hills Hyderabad) vide



9 different transactions between 17/02/2010 and 19/04/2010, into the ING Vysya Account of Devi Enterprises.

**(8)Excel file “T.M Dec-09”:**

The “Party wise Summary” spread sheet has mentioned dispatch of 2,07,978.44 MT of iron ore, for the period from April 1, 2009 to 16th Dec 2009, against Devi’s a/c shown against traders/exporters namely Eagle and Alpine. All these dispatches do not match with the permits issued with regard to party, grade and destination for the said period. Thus the entire dispatched iron ore is illicit.

Further, in the same file, 2,12,512.31 MT of iron ore has been shown against the “TM A/C dispatch”. Against this the permit issued, for the same period, with regard to Trident Mineral is 1,12,518 MT. This implies that 99,994.31 MT of iron ore was transported illicitly.

Hence a total of 3,07,972 MT of iron ore was illicitly transported from Trident Minerals during Apr – Dec 2009. This mining might have been done in the encroached area by shifting the boundary towards the old Dalmia mines.

**(9)Excel files “Stock Details” and “JULY’09”**

Excel file “Stock Details” spreadsheet “Stock” and “Permitted Quantity” mentions RK Mining as a Raising Contractor for TM and TMC Mines. Further Excel file “Stock details” spreadsheet “R K Mining” details payments to R K Mining at the rate of Rs250/MT against excavation charges, crushing & screening, waste handling charges and transportation of 4,18,485.82 MT in TM Mine.

Excel file “JULY’09” contains a Statement of Account of Devi Enterprises (ING Vysya Bank A/C No 2020-202011012661-CD) for the period July 2009. The statement of Account shows a payment of Rs 48,86,700 to RK Mining. The transaction is confirmed from the Devi Enterprises Statement of account in ING Vysya. Payments to the Raising Contractor of TM Mines by Devi Enterprises is a further proof that TM Mine was controlled by the “group”

**(10) Excel Files S.V.K NEB A BLOCK Dec-09.xls & S.V.K NEB B BLOCK Dec-09.xls**

The file S.V.K NEB A BLOCK Dec-09.xls & S.V.K NEB B BLOCK Dec-09.xls contains details of production and dispatch from S.V.K NEB A & B BLOCK (SB Minerals ML 2550 Jaisingpur) during Apr – Dec 2009. The details in this file have to be read with details of production and dispatch in this mine mentioned in file Stock Details.xls. The details show that 12,53,964 MT of iron ore was dispatched to various parties during Apr – Dec 2009 and out of this quantity dispatches of 12,33,964 MT of iron ore did not match with permits.

Further, both files show dispatches on LAM (indicating Lakshmi Aruna Minerals) account. The spreadsheet mentions the details under heading “SVK NEB B BLOCK ROM REPORT LAM (Dal) (indicating iron ore is extracted from erstwhile Dalmia Mines). This is confirmed from details of production in this mine mentioned in the file “Stock Details.xls, spreadsheet: NEB Range”. The production from “Dalmia” (erstwhile Dalmia Mine) has been shown as 5,71,160 MT during Apr – Aug 2009. The erstwhile Dalmia mine did not

have the approval for mining. The transferee of Dalmia Cements has made complaints to Mines and Forest departments for illegal removal of iron ore from the said mine. The CEC also in its recent report has stated that large scale illicit mining has taken place in the erstwhile Dalmia mine. The matter is under further investigation. It is further observed from the electronic data that the entire illicit iron ore extracted from “Dalmia” mine has been shown against the LAM (Lakshmi Aruna Mineral) A/C. The transportation of this iron ore has been shown to be done by Swastik and Jambunath.

#### **(11) Excel File S.V.K.V Dec-09.xls**

The file S.V.K.V Dec-09.xls contains details of production and dispatch from S.V.K Vyasankare (SB Minerals ML 2515) during Apr – Dec 2009. The file shows a production of 25,49,704 MT and a dispatch of 21,62,754 MT of iron ore during the said period. Dispatches have been shown against LMM and Others. Further party wise dispatches from LMM account are shown to JSW, Eagle and ILC. Permits for only 1041968 MT were issued during the period Apr- Dec 2009. Hence the remaining 11,20,786 MT is illicitly transported.

#### **12. Excel file “I.M.M DEC-09”**

The file contains information on production and dispatch of iron ore for the period July - Dec 2009 to various destinations like Sajjala, Bandari, Rayeen steels, Koppal etc. The iron ore has been shown against two accounts i.e. LAM (Lakshmi Aruna Minerals) and Muneer.

On verification of the permit data it was found that the Shaik Saab i.e. IMM mines has not been issued any permit in the period mentioned above clearly indicting that entire mining operation in Shaik Saab/IMM mine was illegal.

The dispatches have been shown against LAM (Lakshmi Aruna Minerals), MUNEER, Bhaskar KMMI, SAJJALA and RAYEEN Steel.

The total production during Jul – Dec 2009 was 1,69,263.35 MT where as total dispatches were 40,754 MT. No permits were issued during Apr – Dec 2009. Hence the entire production of 1,69,263 MT and dispatch of 40,754 MT is treated as illicit.

**13. File A/Madhu/1 pages 18-19 (Annexure-2 of Chapter-9)**

On analysis of the hard copy of document seized by Income Tax Department under heading “Details of Production in L.M.C Mine”, it is noted that the concerned contractor has made bills for production in LMC mine and has mentioned “diesel issues to OMC” and has also shown payments to have been received from OMC through RTGS and other modes.

The hard copy of the seized documents show “received amount” on various dates through modes like RTGS, cheque etc. The document shows that:

*“ received amount (12.04.10) RTGS(OMC) - Rs 3 Crores*

*received amount(20.04.10)RTGS(OMC) - Rs 3 Crores*

*received amount(15.05.10)RTGS(OMC) - Rs 10 Crores*

*received amount(1.06.10)RTGS(OMC) - Rs 2 Crores*

*received amount(3.06.10)RTGS(A.R. Udyog) - Rs 1 Crore ”*

The bank statements of OMC were checked for these payments indicated above. OMC bank statements did not reflect receipt of the money on the mentioned dates. However, on verifying with the SBI 3003 account of the Associated Mining Company it was found that on the same dates as mentioned above Rs 3 Crores, Rs 3 Crores, Rs 9.95 Crores and Rs 1.96 Crores have been transferred to Vijay Mining and Infra while Rs. 1 Crores has been transferred to A.R. Udyog. This indicates a deliberate attempt to obfuscate the money trail by diverting money transfers through layering.

This clearly indicates that part LMC and adjoining forest land was controlled and managed by the “group”.

It may be noted that as per seized files in Annexure 1 of Chapter-9 and explained in **Table 2**, a total of 19,48,521 MT of iron ore was illicit extracted from Lakshmi Narayana Mines during Nov 2009 – Jun 2010.

**14. File A/Madhu/1 pages 14-15 (Annexure-2 of Chapter-9):**

Examination of hard copy of the document seized by Income Tax Department containing heading “V M Mines, Balance after Negotiations”, shows that between 25/10/09 and 31/05/10, a production of 2,15,838 MT in VM mines and 9,83,162 MT( 6,30,482 MT and 3,52,680 MT) in DM Mines. DM Mine indicates erstwhile Dalmia Mine whereas VM Mine indicates VEEYAM Mine. Further for the period 01/06/10 to 30/06/10, a production of 1,07,070 MT (59,536 MT and 47534 MT) of iron ore has been mentioned against DM mines.

There were not permits for VM (VEEYAM) Mine during the said period. Hence the entire iron ore quantity of 2,15,838 MT produced from VM Mine was illicit.

DM mine i.e. erstwhile Dalmia mines is adjacent to the VM mine. Erstwhile Dalmia Mine does not have necessary clearances for operation and hence the entire quantity of 10,90,232 MT of iron ore produced from erstwhile Dalmia Mine was illicit.

#### **15. Excel file “Salaries -09” and “Salaries -2010”**

This file contains information like salary payment to mine boys, names of the employees, mobile numbers of the employees, professional tax details etc.

The employees have been shown against three firms i.e. Devi Enterprise, Madhushree Enterprises and Lakshmi Aruna Minerals.

The salary statements contain names of the mines and the names of the three firms against these employees. This indicates that the employees were hired by the firms to run the operations in the mentioned mines. These mines include TM & TMC, MBT, VM, HM, IMM Shaik Saab, Laxmi Narayan Mines (LMC), Vrushabendraiah, SVK NEB range, SVK Vysankere and VENAG.

This clearly indicates that the three firms were managing and controlling the said mining leases and had engaged man power for this purpose. The payment of professional tax for these employees as calculated in the salary statement by Devi

Enterprises and Madhushree Enterprises has been confirmed from their bank accounts in ING Vysya Bank.

**16. Excel files “ GROUP VEHICLES 1” and “Vehicle details 1”:**

The files contain vehicles details of Devi Enterprises, Madhushree Enterprises, Laxmi Aruna Minerals and OMPCL. The details contain particulars like renewal, payment of road tax, FC, New vehicles, Life tax, Vehicle sales etc.

Further, a spread sheet “New Vehicles” in file “GROUP VEHICLES 1” contains detail of vehicle, a Land Cruiser V8 with Reg No. KA-34-M-8154. The owner of the vehicle is shown as Shri G J R Sir (indicating Shri G Janardhan Reddy, one of the Directors of Obulapuram Mining Company). Extract of the Registration Certificate particulars of the vehicle bearing Reg. No.KA 34 M 8154 confirms that Gali Janardhana Reddy, Obulapuram Mining Company is the registered owner of the vehicle (Annexure-15 of Chapter-9).

The contents of the files indicate that the vehicles belonging to Devi Enterprises, Madhushree Enterprises, Lakshmi Aruna Minerals and Obulapuram Mining Company Private Limited were managed jointly, further substantiating the fact that these companies were operating as a “group”.

**17. Excel file OMC\_loading\_details\_TM& VENAG” & PDF file “MITRA.SK PVT.LTD”**

The file shows details of chemical analysis Report done by Mitra S K Pvt. Ltd. with regard to the iron ore covered under the following headings:

1. Iron ore fines dispatch from Venkatagiri to Karwar for proposed shipment on account of M/s OMC, Bellary through truck loading - 252 trucks, 5,006.53 MT (date of loading between 15/4/2009 and 20/4/2009)
2. Calibrated iron ore dispatch from Venkatagiri to KFIL stock yard, Bevinahalli for proposed shipment on account of M/s OMC, Bellary through truck loading - 181 trucks, 30,00.43 MT (date of loading between 10/5/2009 and 12/5/2009)
3. Iron ore fines dispatch from Nagappa Mines (Kallahalli) to Karwar for proposed shipment on account of M/s. OMC, Bellary through truck loading - 430 trucks, 10,748.70 MT. (date of loading between 19/5/2009 and 29/5/2009)
4. ROM dispatch from Venkatagiri to plot for proposed shipment on account of M/s OMC, Bellary through truck loading - 2493 trucks, 44500.16 MT. (date of loading between 30/5/2009 and 2/6/2009)

Further, the PDF file "MITRA.S.K. PVT.LTD." contains a "Certificate of Analysis" dated 30-5-2009 and 31-5-2009 with following statements -

*"1. "We hereby certify that an average sample(s) of iron ore fines, drawn by our representative*



*during the process of loading into 48 trucks at Nagappa mines on 28-5-2009 on account of M/s Obulapuram Mining Company with the following result....”*

*2. We hereby certify that an average sample(s) of iron ore fines, drawn by our representative during the process of loading into 17 trucks at Nagappa mines on 29-5-2009 on account of M/s Obulapuram Mining Company with the following result....”*

The ING Vysya bank Account Statements of Devi Enterprises and Madhushree Enterprises confirm payments to Mitra S K Pvt Ltd for the analysis.

On verifying the above records with the permits issued to both Venkatagiri i.e. TM Mine and VENAG Mine, it is found that no permits were issued to OMC for the said destinations and the said loading period mentioned in the file. Hence the entire quantity of 63,255.82 MT iron ore for which chemical analysis was done by Mitra S K Pvt Ltd was illegally extracted and sent to multiple destinations that included destinations for exports. Payments for analysis of iron ore by Devi Enterprises and Madhushree Enterprises on behalf of OMC further demonstrates that these companies were working as part of the “group”.

**18. PDF files “ avery PO.pdf”, “ avery PO 1.pdf” and “PO essae.pdf”**

The files contain copy of purchase orders from Devi Enterprises to Avery India Ltd. and Essae Digistronics Private

Limited for the supply of Weigh Bridges. The locations for supply of Weigh bridges as mentioned in the file are:

*“MBT Mines (Vittalapuram village)*

*Veeyam Pvt. Ltd Mines (Karadikolla village Sandur taluk)*

*JSW site [Later we will inform about the location]”*

It is to be noted that both MBT Mine and VEEYAM Mine are part of the group of mines that were controlled and managed by the “group”.

Further, ING Vysya Bank Account of Devi Enterprises confirms 30% advance payment to Essae Digistronics for the supply of Weigh Bridges. The payments were made as per the payment terms mentioned in the Purchase orders.

The document shows that the purchases of weigh bridges for MBT Mine and VEEYAM Mine by Devi Enterprises were made to ensure full control of the “group” over mining operations in these mines.

#### **19. Excel files “Stock Details” and “JULY’09”**

Excel file “Stock Details” spreadsheets “Stock” and “Permitted Quantity” mention RK Mining as Raising Contractor for TM and TMC Mines. Further Excel file “Stock details” spreadsheet “R K Mining” contains details of payments to R K Mining at the rate of Rs250/MT against excavation charges, crushing & screening, waste handling charges and transportation of 4,18,485.82 MT in TM Mine.

Excel file “JULY’09” contains a Statement of Account of Devi Enterprises (ING Vysya Bank A/C No 2020-

202011012661-CD) for the period July 2009. The statement of Account shows a payment of Rs 4886700 to RK Mining. The transaction is confirmed from the Devi Enterprises Statement of account in ING Vysya. Payments to the Raising Contractor of TM Mines by Devi Enterprises is a further proof that TM Mine was controlled by the “group”

**18) Examination of Statements of Account of Bank Accounts of M/s Devi Enterprises (Annexure-16 of Chapter-9) and Madhushree Enterprises (Annexure-14 of Chapter-9):** M/s Devi Enterprises has its bank account in M/s ING Vysya Bank with account no 202011012661. Madhushree Enterprises has its bank account in ING Vysya Bank with account no 2020 202011012670 CD. Examination of the statements of accounts reveal the following:

1. Payments were made to raising contractors like RK Mining Pvt Ltd and Vijaya Leasing Company from Devi Enterprises. This confirms that the firm was bearing costs of production for the mines.
2. Receipts of money from M/s ILC, M/s Eagle Traders and Logistics, Alpine International, Sri Srinivas Minerals (SSM), Satavahana Ispat and others. These companies/firms are mentioned in the files examined above as the parties to whom illicit iron ore extracted from the mines was supplied. Receipts of payments from these companies/firms confirm that Devi Enterprises and Madhushree Enterprises were involved in the supply of illicit material to these companies /firms from the mines.

3. Regular payments to transport companies Sree Manjunath Transport, Sai Ram Transport, Madeena Transport, Sree Kaveri Transport, Sree Venkateshwara Transport, SS Transport, Neelkantha Transport, Karuna Transport, Gangavathi Transport and Others. This indicates involvement of these transport companies in the transport of illicit iron ore.

**19) Limited Review of Financial Statements of Mehaboob Transport Company for Financial Year 2008-09 and 2009-10**

(1) Mehaboob Transport Company is one of the mines controlled by the “group”. As per the seized documents Devi Enterprises is the front company controlling operations in the mine. The raising contractor in MBT is Dushyant Reddy – Vijaya Leasing Company.

(2) A limited Review of the Financial Statements of MBT for the Financial Years 2008-09 and 2009-10 was conducted through a Chartered Account (**Annexure 15 of Chapter-9**). The finding of the review is as below:

*“Based on our review conducted and analysis of the financial statements and select transactions of the Mehaboob Transport Company as above, causes us and appears to believe that financial statements, books of accounts of the Mehaboob Transport Company have been fabricated and statements have been mis-represented, while accounting and reporting for the sales and debtors transactions. It justifies in concluding the fact that Mehaboob Transport Company is not actually*

*carrying out the mining operations as stipulated in the mining lease / agreement and it has sub-contracted the operational work to M/s. Devi Enterprises who have paid all taxes, permit fee etc, and Excavation work and transportation is sub-contracted to M/s. Vijay Leasing Company. The cost of excavation is also paid by Devi Enterprises. The sales figures are under reported, and window dressing is done in sales and debtors accounts with a few sales entries whose accounts are squared off by transferring the balance to a group company. Also limited credits or on account payment have been noticed which involve cash flow for the sales, indicating majority of the sales are to Devi Enterprises who have not paid for the goods and have claimed credit for the operational expenses incurred by them. Under invoicing reflects duties and taxes have been evaded.”*

The review report confirms that mining operations in MBT Mine are de facto run by Devi Enterprises and the book of accounts of the MBT have been fabricated and misrepresented to conceal this fact. The review reports other violations also.

It is suspected that books of accounts and financial statements of other mines controlled by the group might have been similarly fabricated. Therefore a comprehensive review of books of accounts of all these mines needs to be taken up.

From the documents seized by Income Tax Department as given in **Annexure 1 & 2 of Chapter-9**, it is clear that the 'group' includes companies / firms like Anantapura Mining company (AMC), OMCPL (Obulapuram Mining Company Private Limited), Associated Mining Company, Devi Enterprises, Sree Minerals, Madhushree Enterprises, Basaveswara Minerals, SVK (S.B. Minerals) & others.

This "mining group" adopted the following modus operandi in carrying out large scale illegal mining operations by:

1. Identification of mines where the illegal operations can be carried out.
2. Formation of front companies like Devi Enterprise, Madhushree Enterprises, Sri Minerals, Basaveswara Minerals etc. with close confidantes heading them, to control and manage the identified mines on proxy.
3. Involve companies/ firms/ others i.e. Vijaya Leasing Company (DUSHYANTA REDDY), R K Mining, Ananta Sena Reddy, Yerri Babu, Srinivas Reddy etc. for carrying out excavation, crushing & screening, waste handling etc. in the identified mines.
4. Trading of Iron ore illegally through Eagle Traders, Janadevi Minerals, Sri Lakshmi Venkateshwara Minerals, Vyshnavi Minerals and many others.

5. Involve Swastik Nagaraj, Mahesh Karapudi, and others to facilitate transport of illicit ore on risk.
6. To carry out export of illicit iron ore through ILC, SB Logistics, Sri Mallikarjun Shipping Private Limited, Mineral Embassy, TBSL, SMSK, SSM and others
7. Creation of front companies abroad like Elite Brilliant, GLA for under invoicing
8. Get to manage posting of chosen officials in all mining connected departments on key posts in mining districts.
9. Payment of bribes or threat to officials to close their eyes and follow oral whip.

Examination of the documents, among others, reveals the following:

1. To achieve the objective of sharing of iron ore, various leases which are either having boundary dispute or any other disputes were chosen to have contracts for extraction of iron ore over and above the permitted quantity. For this purpose certain “front partnership firms” like Devi Enterprises, Madhushree Enterprise etc. were formed. Some of the partners of these firms were erstwhile employees of the Brahmani Steels. A few other partnership firms like Sri Minerals and Sri Basaveshwara Minerals wherein Shri BV Srinivas Reddy as the Managing Partner were also used as “front partnership firms”. It is to be noted that Sri BV Srinivas Reddy is also one of the partners in the Obulapuram Mining Company Pvt Ltd (OMCL).

2. Such “front partnership firms” have then taken control of many mining leases by entering into an agreement/MOU/Power of Attorney with the lessees. Though these agreements/ MOUs/ Power of Attorney were done in various garbs including that of contracts for extraction of iron ore and sale of iron ore. However a careful scrutiny revealed the following facts:
  - a. The contractual provisions in some of the agreements were such that the leases were virtually handed over to these “front partnership firms”, including the responsibility of renewal of the leases.
  - b. The agreements were done for long terms with clauses which made it effective till the lease was in operation.
  - c. In many cases the mining activities was divided into two parts i.e. extraction and sale of ore and the agreements were done with two different firms for each of these activities. However a careful scrutiny reveals that the Managing partner for both the firms was same person, virtually ensuring total mining operations control in the lease.
  - d. The calculation with regard to payments to be made by Trident Minerals to one of the “front partnership firm” i.e. Sri Minerals, for the so called extraction of ore and the payments to be made by another “front partnership firm” i.e. Basaveswara Minerals for sale of iron ore to the lessee were done in such a way that there was no money flow required between the lessee and the “front partnership firms”. The deal also meant that lessee was



able to get 50% of the iron ore extracted by these firms free of cost. The minimum iron ore that was agreed to be extracted from these mines in a year was more than the limit set under Environmental Clearance and IBM limits. Similar agreements were made by Mehaboob Transport Company with Sri Minerals and Basaveswara Minerals respectively.

3. In another MOU a lessee e.g. JM Vrushabendraiah, agreed to give away 40% of the extracted iron ore to one of these “front partnership firm”, Madhushree Enterprises, in lieu of so called “expertise, knowledge and technical know-how” which was supposed to be provided by the firm which was three months old and had partners who had no experience of mining.
4. In other case the leases, Indian Mines and Minerals & Rajapura Mines, were being controlled by incorporating individuals from the group as fresh partners in the firm and retiring the existing partners.
5. In certain cases mining operation were carried in the absence of requisite approvals e.g. VEEYAM Mine. In some other cases mining operations were started even before approvals were obtained from Competent Authority e.g. IMM Mine, thereby carrying out illegal mining activities.
6. The data seized by the IT department indicates that a total 16 different mines (including the erstwhile old Dalmia mine) were being directly or indirectly controlled by the mining group. They are :

- (i) Mehaboob Transport Company ML No 109 & 2568
  - (ii) Trident Minerals ML No 2315 & Trident Mining Company Pvt Ltd ML No 1732
  - (iii) VENAG (Shantalakshmi Jairam ML No 2553
  - (iv) VEEYAM Private Limited ML No 988
  - (v) Erstwhile Old Dalmia Mine (by way of encroachment)
  - (vi) Indian Mines & Minerals ML No 2572
  - (vii) Lakshminarayana Mining Company ML No 2487
  - (viii) JM Vrushabendraiah ML No 2173
  - (ix) HT/HM (Hind Traders ML No 2548)
  - (x) SVK NEB Range A & B Block (SB Minerals ML No 2550)
  - (xi) SVK NEB Range Vyasankere (SB Minerals ML No 2515)
  - (xii) Rajapura Mine ML No 2190
  - (xiii) KM Parvathamma ML No 2514
  - (xiv) M Mansoor Ahmad ML No 2616
  - (xv) N Ratnaiah and
  - (xvi) Deccan Mining Syndicate ML No 2525
7. A total quantity of 73,99,314 MT of iron ore mostly illicitly was extracted and/or transported during 2009 and 2010 from 11 different mines. The cost of the illicit iron ore is approximately Rs 1849,82,85,000/- @ Rs 2500 / MT.
8. Monitory transactions in a few cases of production/dispatches have been tracked and verified from bank accounts and found correct.

9. The records reveal that the money for these transactions used to be received more in cash and less through bank transactions. Transactions as per these records used to happen in 75:25 or 50:50 ratio of Cash and Bank transaction respectively. In a few cases the entire transaction was in cash.
  
10. A huge amount of iron ore was extracted /dispatched from a mine called SVK NEB Range B Block, Jaisinghpur (S.B. Minerals ML No.2550), mostly from the adjoining forest area in old Dalmia mines. The production from the said mine has been categorized into two parts i.e. production "Dalmia" and production "SBM" indicating that production under the column Dalmia is from the adjoining mine (which was earlier called Dalmia mines). The transferee of Dalmia Cements has made complaints to Mines and Forest departments for illegal removal of iron ore from their mine. But it seems no action has been taken in this regard. The CEC also in its recent report has stated about the large scale illicit mining which had taken place in the erstwhile Dalmia mine. SB Minerals played a role in the illegal extraction of ore from the erstwhile Dalmia Mines. It is further observed from the electronic data that the entire illicit iron ore extracted from "Dalmia" mine has been shown against the LAM (Laxmi Aruna Mineral) A/C. The transportation of this iron ore has been shown to be done by Swastik and Jambunath.
  
11. Another seized file of A/Madhu/1 reveals that huge amount of iron ore was extracted /dispatched from a

mine called VM (indicating Veeyam Mines) and DM Mine (indicating Dalmia Mines).

12. The S.B. Minerals (Vyasankere and NEB) played a major role in illegal mining.

With the above facts and circumstances, the following conclusions are drawn for further needful action:

1. A mining 'group' that included companies/firms like OMCPL (Obulapuram Mining Company Private Limited), Anantapura Mining company (AMC), Associated Mining Company, Devi Enterprises, Madhushree Enterprises, Sree Minerals, Basaveswara Minerals, SVK (S.B.Minerals) & Others took over control of mining operation in several mines using various means in violation of MMRD Act and MC Rules.

2. Seized Records obtained from the Income Tax reveal that a total of 15 different mines were under direct or indirect control of the mining 'group'. These mines are :

- (i) Mehaboob Transport Company ML No 109 & 2568
- (ii) Trident Minerals ML No 2315 & Trident Mining Company Pvt Ltd ML No 1732;
- (iii) VENAG (Shantalakshmi Jairam ML No 2553
- (iv) VEEYAM Private Limited ML No 988
- (v) Indian Mines & Minerals ML No 2572
- (vi) Lakshminarayana Mining Company ML No 2487

- (vii) JM Vrushabendraiah ML No 2173
- (viii) HT/HM (Hind Traders ML No 2548)
- (ix) SVK NEB Range A & B Block (SB Minerals ML No 2550)
- (x) SVK NEB Range Vyasankere (SB Minerals ML No 2515)
- (xi) Rajapura Mine ML No 2190
- (xii) KM Parvathamma ML No 2514
- (xiii) M Mansoor Ahmad ML No 2616
- (xiv) N Ratnaiah and
- (xv) Deccan Mining Syndicate ML No 2525

The grant of leases of these mines should be cancelled after following due process of law. Till the process of cancellation is completed, the mining activities should be stopped.

3. From the seized documents, it is revealed that approximately 16.85 Lakh MT of iron ore has been removed from the lease area of erstwhile Old Dalmia mines in April 2009 to June 2010. The location of the area from where the ore was extracted is by the side of SB Minerals ML No 2550 (SVK NEB). It is the alleged encroached area in the Old Dalmia Mines. Further it is pertinent to note that there is a leading role of SB Minerals ML No 2550 (SVK NEB) and SB Minerals ML No 2515 (SVK Vyasankere) in illegal mining during the said period.

4. Production and dispatch details contained in the seized files in respect of 11 mines, reveal that a total quantity of **73,99,314 MT** of iron ore was

illicitly extracted and/or transported during 2009 and 2010. The cost of the illicit iron ore is approximately **Rs 1849,82,85,000/-** @ Rs 2500/MT. This loss should be recovered with exemplary penalties from all companies/firms/ persons of the mining 'group' mentioned and others who are responsible.

5. The findings of this chapter of large scale illegal mining have a direct co-relation with highest illegal export during the 2009-10 and 2010-11.

6. Due to multiple ways of illegal mining there is huge loss to the state government. It is a fit case to initiate action under the relevant provisions of Law and to cancel the lease grant of all the leases as stated in Para 2 above.

7. During this corresponding period, large amount of bribes was paid to officials as reflected in the chapter on Collapse of Administrative and Governance System.

The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities.

8. Action should also be taken against all those Directors/partners/proprietors of Companies/firms/ individuals and others, who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State

Government and penal actions should also be resorted to, wherever necessary.

9. After going through the content of the Chapter, I am of the opinion that illegal mining has been taken place beyond the boundaries of the leases and also unauthorized removal of ore from the leases itself. In this process, large quantity of iron ore has been illicitly extracted and dispatched. Action should be initiated against the officials of Mines and Forest Departments, who have allowed this illegal mining during the periods 2009 and 2010-11.

10. The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.

11. The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-

(N.SANTOSH HEGDE)  
LOKAYUKTA.

**ILLEGAL IRON ORE TRADE BY EAGLE TRADERS AND LOGISTICS**

1) Dr. U.V. Singh has given me an elaborate report in regard to the illegalities committed by certain persons and a particular firm. From the said report, it is seen that the documents seized by Income Tax Department in the cases of Sh Ali Khan, Sh Karapudi Mahesh and his associate Sh Dada Peer and by Lokayukta Police from Belekeri Port, have revealed a major role played by M/s Eagle Traders and Logistics (ET&L), in trade and transport of illicit iron ore during 2009 and 2010. Among others it is found that:

(1) There were large commitments and dispatches of illicit iron ore to ET&L from several mining leases that were directly or indirectly controlled by the mining 'group' as discussed in the Chapter "Illicit Extraction, Transport, Export & Domestic Consumption of Iron Ore in 2009-10 and 2010-11 at 40:60 or 50:50 sharing of Production and Dispatches".

(2) Transportation of large quantity of illicit iron ore of M/s ET&L has been facilitated by Swastik Nagaraj, Karapudi Mahesh and their Associates in 2009 and 2010.

(3) ET&L has made large "risk amount" payments to Swastik Nagaraj, Karapudi Mahesh and Others.

(4) ET&L was involved in supply of illicit iron ore to Belekeri port during 2009-10. Forged permits seized from Belekeri port by Lokayukta Police in Feb 2010 mention, among others, the name of Eagle as one of the suppliers.

(5) The Director of Income Tax in his letter dated 10-02-2011 (**Annexure 1 of Chapter 10 of Dr.U.V. Singh's Report**)



has stated that Income Tax Department is in the process of investigation, the case of M/s. Eagle Traders and Logistics, Bellary. He has stated that the concern is a partnership firm in which Sri B. Nagendra and Sri K. Nagaraj are appearing as partners having 75:25 shares respectively. Sri B Nagendra is a sitting MLA of Karnataka State. Sri K. Nagaraj is suspected to be a mere name lender and dummy. He further stated that above named firm has, during financial years 2007-08, 08-09 and 09-10 shown turnover of approximate Rs. 350,00,00,000=00 on account of trading in iron ore. The preliminary investigation indicates that the iron ore traded in was not legally sourced.

(6) The Income Tax Department has conducted search and seizure operation in case of B Nagendra, who is the partner in M/s Eagle Traders and Logistics.

(7) Moreover, bank accounts of M/s ET&L reveal mammoth financial transactions between M/s ET&L and other companies/firms found involved in trade in illicit iron ore.

It is in this background, the role played by M/s ET&L in trade in illicit iron ore has been taken up in this chapter.

## **2) Bank Details and Financial Transactions**

(1) Sri B. Nagendra S/o Sri B. Anjaneyulu, D No. 126/18, 1<sup>st</sup> Cross, Nehru Colony, Bellary has filed an application for registration of a unregistered partnership firm by trading name Eagle Traders and Logistics (ET&L) under the Karnataka Value Added Tax Act 2003, Central Sale Tax Act 1956/Karnataka Tax on Entry of Goods Act 1979 on 20-08-2007. The registration includes the following details among others:

- a) Date of Commencement of Business-03-08-2007.

- b) Turnover estimated for 12 months – 10.00 lakhs.
- c) Bank details – Nil
- d) Partners – 1)B. Nagendra S/o Sri. B. Anjaneyulu 2) K. Nagaraj S/o Sri K. Mallaiiah
- e) Type of Business – Wholesaler
- f) PAN No. – ADKPN9671M

(2) M/s ET&L has an account with Axis bank, Parvathinagar, Bellary with Account no. 267010200007740. The bank account details of Eagle Traders and Logistics has been obtained from the Axis Bank, Bellary and detailed analysis of this account with respect to amounts credited and debited has been made for various individuals, firms and others.

(3) In the said Account (267010200007740) there is a credit of Rs 649,73,39,232.00 and debit of Rs. 649,73,36,892.00 for a period since September 2007 to Feb 2011 of M/s ET&L.

**(Annexure 2 of Chapter 10 of Dr.U.V.Singh's Report)**

(4) It is to state here that there are four other bank accounts in the name of Eagle Traders and Logistics and Sri B. Nagendra. The details of the 4 accounts are given as under: (It is learnt that there is an account at Vidhan Soudha Branch)

**Bank accounts of Sri B. Nagendra & ET & L**

Name	Name of the Bank	Account No.
M/s Eagle Traders and Logistics	Axis Bank, Bellary	267010200007740
M/s Eagle Traders and Logistics	HDFC Bank, Hospet	17602320000339
B. Nagendra	Axis Bank, Bellary	26701010005906
B. Nagendra	Indusland Bank, M.G.Road	0008-AC2481-060

(5) Further in the said account (267010200007740), it is found that there is monotonously uniform withdrawal through cheques on a single date against individual persons.

Such persons may be either Fake or benami names or unregistered dealers of iron ore. In most of the cases a large sum of amount is credited through cheques or cash in this account and then withdrawn in denominations of 9,00,000=00 or so. This is being repeated throughout the period for which the statement of account was analysed. The same style of withdrawal is also adopted in case of some other firms to whom the money is credited from this account. This might be a way of making payments to various parties involved in illicit iron ore trade and for himself without giving scope for recorded trail. Dr. Singh's report contains of a list of persons who are found to be involved in the above mentioned transactions, which is found at **Table – 2 of Chapter 10 of Dr.U.V.Singh's Report.**

(6) Further, Dr. Singh's report also contains a list of traders which were used by M/s ET&L as name lenders and for creating layers at **Table – 3 of Chapter 10 of Dr.U.V.Singh's Report** with their bank account details containing information regarding the period, total amounts credited and debited from their accounts and the balance. He has commented that the list at Table – 3 is not final and complete. Some accounts details are yet to be obtained from respective banks. From the above table, one can understand the money transfers running into hundreds of crores of rupees, to other name lenders and layers throughout the period 2008 to 2011. It is necessary to have a detailed investigation into these monetary transactions by the competent authority.

(7) In **Table – 4 of Chapter 10 of Dr.U.V.Singh's Report**, it is seen that M/s ET & L has received large sums of money from several companies/firms. Almost of all these firms/companies/others listed are involved in iron ore

trading/export etc. Therefore, it is inferred that they are recipients of illicit material from M/s ET&L and/or are used for routing of money to other accounts or cash withdrawals whichever is available.

(8) In **Table - 5 of Chapter 10 of Dr.U.V.Singh's Report**, the names of firms/companies/others who had linkage with M/s ET & L in illegal iron ore trade are detailed.

(9) From the said tables, it may be noted that companies like SB Logistics, Dream Logistics Pvt Ltd, Shri Mallikarjun Shipping Pvt Ltd, Rajmahal Silks, Arihant Tiles and Marbles, Hill Rock Minerals, Kothari Products and others are major exporters of iron ore and they had iron ore trade with the M/s. ET&L. In fact M/s ET&L was one of the major supplier of iron ore to these companies/firms.

(10) Bank Account of M/s ET&L clearly indicates large remittances from certain exporters like SB Logistics, Dream Logistics etc. Analysis of few of them have been made by Dr. Singh which indicates that M/s. SB Logistics IEC No 0709001550 has exported 13,37,744 MT of iron ore during 2009 and 2010. All exports by SB Logistics took place from Belekeri and Krishnapatnam. Details of Iron ore exports by M/s. SB Logistics are given in **Table -6 of Chapter 10 of Dr.U.V.Singh's Report**. It is seen from the said table that the total exports by SB Logistics is 13,37,744 MT. As against this, the total permits issued, during 2009 and 2010, for transporting iron ore to Krishnapatnam and Belekeri with SB Logistics as Party was only 71,000 MT.

(11) M/s SB Logistics has bank account no. 30799888242 in State Bank of India, Hospet. There may be more bank accounts too. An examination of statement of

account of this bank shows, that between Aug 2009 – Aug 2010 ( i.e. the period of exports by SB Logistics), a total of around Rs 100 Cr were transferred from this account to M/s ET&L. Hence, it is inferred that a substantial part of exports of SB Logistics consisted of illicit material procured from M/s ET&L.

(12) Dream Logistics Ltd has bank Account no 30261674683 in State Bank of India. An examination of statement of money of this bank account shows, that between June 2009 and May 2010, a total of about Rs 30 Cr was transferred from this account to M/s ET&L. As per the Customs data between June 2009 and May 2010, M/s Dream Logistics Ltd exported 13,76,848 MT of iron ore, however the permits that were issued to ports with M/s Dream Logistics as party were for only 2,23,808 MT. Hence in this case too, it is presumed that part of exports by M/s Dream Logistics comprised of illicit iron ore mainly sourced from M/s ET&L.

(13) After examining the documents seized by Income Tax Department during search in the case of Sri Ali Khan, Dr. Singh's report says that large scale illegal extraction of iron ore to meet the demand and dispatches to M/s ET & L and other parties from Sri Ali Khan and others are indicated. Particulars of which have been shown in **Table - 7 of Chapter 10 of Dr.U.V.Singh's Report**. According to Dr. Singh, as per the DMG records, hardly any permits were issued in favour of M/s ET & L as party during the said period.

(14) Report further examines a spreadsheet named "COMMITMENTS & MOVEMENTS" which contains, among others, details of quantities committed to M/s ET&L from Mining Leases, quantity dispatches and details of payment by

M/s ET&L. The said particulars are reflected in **Table – 8 of Chapter 10 of Dr.U.V.Singh’s Report.**

(15) **Table – 9 of Chapter 10 of Dr.U.V.Singh’s Report** shows mining lease wise COMMITMENT, RATE, AMOUNT RECEIVED, BALANCE, REMARKS, DISPATCHED QUANTITY. The said sheet is reflected in Table – 9 of the report.

The mines named in the spreadsheet are indicated below:

- a. The mine A Block is “SVK NEB Range Block A Jaisingpur 44.52 Hectares – 111 Acres” as per the spreadsheet “STOCK”. This indicates SB Minerals ML No 2550.
- b. The mine TM is “TM 13.50 Acres & 80.56 Acres Venkatagiri” as per the spreadsheet “STOCK”. This indicates Trident Minerals ML No 2315.
- c. The mine VENAG is “VENAG 125 Acres” as per the spreadsheet “STOCK”. This indicates Shantalakshmi Jairam ML No 2553.
- d. The mine VYASANAKERE is referred to as “SVK VYASANKERE” in file “S.V.K.V DEC-09.xls” in the same folder. This indicates SB Minerals ML No 2515.

(16) According to the report of Dr. Singh, on verification with permits, it is found that the quantities mentioned along with periods, type/grades of ore, party names and destinations did not match with permits issued by Deputy Director, Mines & Geology, Hospet. This indicates that this entire quantity of iron ore mentioned here is illicit.

(17) Further, the sheet containing dates with amount paid shows that these amounts are referred to the amount received for the material dispatched from A Block, TM and Venag. This abstract is shown in **Table – 10 of Chapter 10 of Dr.U.V.Singh’s Report.**

(18) From the above extract, it is seen that M/s Eagle Traders and Logistics has bank account no 267010100007740 in Axis Bank, Bellary. Some of the payment made by M/s ET&L and shown as received in file “COMMITMENTS & MOVEMENTS” have been verified from the statement of this account. A few of the examples are given below:

(19) Under heading “received details” in **Table-10 of Chapter 10 of Dr.U.V.Singh’s Report**, Rs 2,00,00,000/- are shown as received on 05/06/2009. Against this, the 05-06-2009 entry in statement of M/s ET&L’s bank account shows transfers of Rs.1,00,00,000 each to SRI SUNANDA ENTERPRISES and SRI SHIVA PRIYA TRADERS.

(20) SRI SHIVA PRIYA TRADERS has a bank account no 267010200009355 in Axis Bank. Scrutiny of the statement of amount of this account confirms receipt of Rs 1,00,00,000 from Eagle Traders on 05/06/2009. Further, the statement of account shows that on 09/06/2009 this entire amount was withdrawn through 12 cheques drawn in favour SELF. The denomination of 10 cheques was Rs 9,00,000 each and 2 cheques were of Rs 6,00,000 and Rs 4,00,000 denominations respectively.

(21) Similarly M/s ET&L account shows, transfers of Rs 1,00,00,000 to SRI SUNANDA ENTERPRISES and of Rs 75,00,000 to SRI BANASANKARI TRADERS on 17-06-2009.

(22) Similarly, the statement of account of M/s ET&L’s bank account shows transfers of Rs. 1,00,00,000 each to SRI KANAKADDURGA ENTERPRISES and SRI KAMAKSHI MINERALS and transfer of Rs 50,00,000 to SRI SOMESWARA

TRADERS, etc. on 19-06-2009. SRI SOMESWARA TRADERS has a bank account no 267010200014650 in Axis Bank. Scrutiny of the statement of account of this account confirms receipt of Rs 50,00,000 from Eagle Traders on 19/06/2009. Further, the statement of account shows that on 14/07/2009 this entire amount was withdrawn through 5 cheques drawn on SELF for Rs 10,00,000 each.

(23) The files correspond to payments for a limited period only and there may be many more such transactions. Tracks of money trail show that payments from M/s ET&L to Ali Khan and others were made through circuitous routes and apparently final payments were made in cash after withdrawal of cash through self drawn cheques. It may be noted that Sh Ali Khan & Others are part of the mining “group” that controlled the mines mentioned in Table 10 and whose activities are discussed in the Chapter “ILLICIT EXTRACTION, TRANSPORT, EXPORT & DOMESTIC CONSUMPTION OF IRON ORE IN 2009-10 AND 2010-11 AT 40:60 OR 50:50 SHARING OF PRODUCTION AND DISPATCHES”

(24) Some other documents show details of dispatch of iron ore from various mines to M/s ET&L. This has also been discussed in detail in the chapter “Illicit Extraction, Transport, Export & Domestic Consumption of Iron Ore in 2009-10 and 2010-11 at 40:60 or 50:50 sharing of Production and Dispatches”. The sections related to M/s ET&L are reproduced in Chapter-10 of Dr. Singh’s Report.

(25) The documents discussed in the report of Dr. Singh clearly show that M/s ET&L was receiving illicit iron ore from various mines e.g. VEEYAM ML No 988, VENAG



(Shanthalakshmi Jairam ML No 2553), Trident Minerals ML No 2315 etc. Further M/s ET&L was also supplying illicit iron ore to traders and exporters like SB Logistics, TB Logistics, SMSK and others. This trade in illicit iron ore is substantiated by statements of bank accounts of M/s ET&L and others.

(26) Examination of the documents seized by the Income Tax Department in the case of Sh K.V. Nagaraj, Karapudi Mahesh and his associate Dada Peer and others show that M/s ET&L was regularly receiving iron ore extracted and transported illicitly by KV (Swatik) Nagaraj, Karapudi Mahesh and their associates. This has been discussed in the chapter “ILLEGAL IRON ORE MINING ACTIVITIES BY KV (SWASTIK) NAGARAJ AND KARAPUDI MAHESH AND THEIR ASSOCIATES”. The relevant extracts are reproduced in **Chapter 10 of Dr.U.V.Singh’s Report.**

(27) The documents show that M/s ET&L was regular recipient of illicit iron ore in an organized racket of transportation of illicit iron ore. The documents also show M/s ETL supplied illicit iron ore to traders and exporters like Dream Logistics Company, Lakshmi Aruna Minerals, SB Logistics, Devi Enterprises and others.

(28) Regarding “Risk amount” payments to Swastik Nagaraj, Karapudi Mahesh and Others, documents show that M/s ET&L was regularly paying ‘risk’ amounts to KV (Swastik) Nagaraj, Karapudi Mahesh and their associates. This risk amount was paid for illegal removal, transportation of iron ore to defined destinations. This is dealt in detail in the chapter “ADMINISTRATIVE AND GOVERNANCE SYSTEM COLLAPSE”.

(29) Records seized from the premises of Karapudi Mahesh have been compiled with respect to risk paid by ET&L for the period of 21-11-2009 to 19-04-2010. The risk amount for the said period comes to Rs. 3,99,00,000=00. The records further show that the ET&L has paid an amount of Rs. 1,34,68,300=00 to Karapudi Mahesh as “Bellary risk” for the period 11-01-10 to 10-02-10. The relevant portion of data is reproduced at **Table - 11 of Chapter 10 of Dr.U.V.Singh’s Report.**

(30) The available records pertain to a limited period only. However records show that M/s ET&L was involved in regular transport of illicit iron ore during 2009 and 2010, therefore the risk amount paid for by M/s ET&L would be much larger than is indicated by the records available for this limited period.

(31) During the period Oct 2009 to May 2010, M/s ET&L had supplied illicit iron ore to Belekeri port, which has been discussed in detail in the Chapter “EXPORT OF ILLICIT IRON ORE FROM BELEKERI PORT”. The relevant part of that discussion is reproduced in **Chapter 10 of Dr.U.V.Singh’s Report.**

(32) Here, it is noted that among others, forged/fake permits were seized from Belekeri port by Lokayukta Police in Feb 2010. (This is discussed in detail in Chapter “EXPORT OF ILLICIT IRON ORE FROM BELEKERI PORT”). The forged permits contain the name of M/s Eagal (Eagle) as one of the suppliers. This clearly indicates that M/s ET&L was one of the parties involved in illicit transportation of iron ore to Belekeri port. It is pertinent to note that permits for “M/s ET&L” were issued

during March 2010 whereas iron ore was supplied much earlier to that. This may be an attempt at “cover up” in response to the Lokayukta raid in Belekeri port on 20/02/2010 and subsequent actions.

(33) Under Sec 131, the Income Tax Department had recorded statement on oath of Sri B. Nagendra, the partner in M/s ET&L in the case of B Nagendra u/s 132 of the IT Act 1961.

(34) During the recording of the statement, Sri Nagendra was asked that as per the Books of Accounts, the URD (Unregistered Dealers) purchases by M/s Eagle Traders and Logistics, for the financial year 2007-08, 2008-09 2009-10 and 2010-11 are Rs. 77,02,800/-, Rs. 13,4983,622/- and Rs. 45,53,51,501/-, NIL respectively and so far M/s Eagle Traders and Logistics has

- a. Not produced the persons/ concerns from whom it has purchased,
- b. Not proved the real source of purchase, and
- c. Not produced any transport permits to prove the legality of the source etc.

(35) In reply to this question, Sri B. Nagendra has, among other things, stated the following that:

- a. cash payment have been made for the purchase of material from URDs.
- b. purchases of iron ore are made from small and marginal farmers who dig iron ore float in their agricultural fields in small quantities and sell them to the traders. The purchases of iron ore from these farmers is out of business expediency and compulsion.

- c. the farmers who sell iron ore do not give details of their full identity, details of survey number, address, location of field etc
- d. there is no question of permits for URD purchases.
- e. for the aforementioned reasons the people cannot be produced.

On examination of the reply it is clear that M/s Eagle Traders and Logistics have admitted that there are no permits for the alleged URD purchases. Further it is unable to produce the people from whom they have purchased the material.

(36) Documents examined earlier in the chapter clearly reveal that M/s ET&L was involved in trade of illicit iron ore extracted from various mines, forest areas, Government Lands, patta lands and others. Hence the claim of procurement of iron ore from URD has been made to cover up its illegal activities.

(37) Further M/s ET&L has also sourced its illicit material from various leases like SB Minerals, Trident Minerals, Shantalakshmi Jairam and others. Transportation of most of this illicit material was facilitated by Swastik Nagaraj, Karapudi Mahesh and Others. Furthermore M/s ET&L provided this illicit iron ore for exports to various exporters like SB Logistics, Dream Logistics, Shri Mallikarjun Shipping Company, TB Logistics and others. It is recommended that further investigations should be carried out into the monetary transactions between M/s ET&L and all the companies listed in **Table 3, 4 & 5 of Chapter 10 of Dr.U.V.Singh's Report.**

(38) Further it is revealed that M/s ETL has used many name lenders / layers to cover up its trade in illicit iron ore. An extract of the Statement on oath made by Shri B Nagendra,

Partner in M/s ET&L, recorded u/s 131 before Asst. Director Income Tax (Inv) on 25/03/2011 is reproduced in **Chapter 10 of Dr.U.V.Singh's Report.**

(39) An examination of affidavit extract reproduced above clearly shows that M/s ET&L had used these traders to create false documents with regard to source of material. Further, M/s ET&L was taking invoices/ sale bills from certain firms/individuals without actual trade of iron ore. In the reply to the observations made by Income Tax Department, Sh B Nagendra has claimed that M/s ET&L was not purchasing iron ore from the leases but from the URD and others. The entire trade has been conducted in this manner. However it is clear from the documents discussed earlier in the chapter, that most of the iron ore traded by M/s ET&L was illicit. Further, as per the statement of various URD submitted before the IT Department approximately 10,36,352.775 MTs in the year 2009-10 and 1,92,339.78 MTs in the year 2008-09 have been illegally procured and sold by M/s ET&L. This is not a final figure. There are other additional illegal iron ore transactions shown in this chapter that should also be taken as a part of illegalities by the firm. Since such iron ore quantities are illegal, it should be recovered at market value prevailing during that time from the M/s ET&L owned by Sri B. Nagendra.

(40) Besides M/s Eagle Traders and Logistics has purchased the iron ore in the year 2008-09 and 2009-10 from other traders. None of the traders is a lessee and there are hardly any permits issued to them. The affidavits of these traders before Income Tax Department proves that they were used for name lending and layering. The **Table – 12 of Chapter**

**10 of Dr.U.V.Singh's Report** clearly shows the names of such traders who were used for layering.

(41) As per the records of the Income Tax Department, there are about 14 transporters used by M/s ET&L in the year of 2008-09 and 2009-10. This is not a final list. There may be more transporters. The list of transporters used by M/s ET&L is given in **Table 13 of Chapter 10 of Dr.U.V.Singh's Report**.

(42) From the figure as obtained from IT Department there is manifold increase in illegalities committed by M/s ET&L during 2009-10 as compared with 2008-09. This coincides with the findings that illegal mining activities in the state peaked during the period 2009-10 and 2010-11.

3. From the facts and figures recorded in the report Dr. Singh, has come to the following conclusions.

(1) The statement of bank account of M/s ET&L (Acc No 267010200007740 Axis Bank) shows a total credit of Rs 649,73,39,232 and debit of Rs 649,73,36,892 between Sep 2007 and Feb 2011. The bank account shows large number of suspicious cash withdrawals in denominations of Rs 9,00,000 in the name of persons who are suspected to be benami or fake names. This may be noted by competent authorities for investigation and further action under appropriate laws.

(2) There is linkage of money transactions of 36 companies/firms/others, with M/s ET&L, whose accounts are given in **Table 3 of Chapter 10 of Dr.U.V.Singh's Report**. Further investigation should be done in this regard to find the irregularities.

(3) Income Tax Department has pointed out that the URD (Unregistered Dealers) purchases of iron ore by M/s Eagle Traders and Logistics, for the financial year 2007-08, 2008-09, 2009-10 and 2010-11 are Rs. 77,02,800/-, Rs. 13,4983,622/- and Rs. 45,53,51,501/-, NIL respectively for which M/s ET&L did not produce persons/ concerns from whom it has purchased, did not prove the real source of purchase, and did not produce any transport permits to prove the legality of the source etc. Further, as per the statement of various URDs submitted before the IT Department approximately 10,36,352.775 MT of iron ore in the year of 2009-10 and 1,92,339.78 MT of iron ore in the year of 2008-09 have been illegally procured and sold by M/s ET&L (**Table 11 of Chapter 10 of Dr.U.V.Singh's Report**). Further it has pointed out that M/s ET&L has used name lenders and layering to create false documents to conceal sources of iron ore and hide trade in illicit iron ore (**Table 12 of Chapter 10 of Dr.U.V.Singh's Report**). Competent authorities may take note of it for further investigation and taking action as per relevant provisions of law. The Commercial Taxes Department (VAT) should take note of the money transactions for evasion of tax and other penal actions.

(4) In addition to URD as pointed out by the IT Department, prima facie 3,58,482 MT of illicit iron ore was supplied to M/s ET&L from MBT (Mehaboob Transport Company ML No 2568), TM (Trident Minerals ML No 2315), VENAG (Shantalakshmi Jairam ML No 2553), SVK NEB Range Block A (SB Minerals ML No 2550) and others during the April – Nov 2009.

(5) Transportation of large quantity of illicit iron ore for M/s ET&L was facilitated by KV (Swastik Nagaraj), Karapudi Mahesh and their associates. Risk Payments have been made to KV (Swastik) Nagaraj, Karapudi Mahesh by M/s ET&L to the tune of Rs 3,99,00,000 between 21/11/2009 and 19/04/2010.

(6) M/s ET& L was also involved in the supply of illicit iron ore to Belekeri port during 2009-10. The name of Eagle is mentioned in forged permits seized from Belekeri port. It has also obtained MDPs from Associated Mining Company in March 2010 to cover up supply to illicit iron ore earlier.

(7) There are 55 companies (**Table 4 of Chapter 10 of Dr.U.V.Singh's Report**) from where M/s ET&L has received large sums of money in its account no 7740. Further investigation is required to find out the role of these companies in illicit iron ore trade and recovery thereon.

(8) M/s ET&L is a major trader in the business of illicit iron ore It has actively colluded with the "mining group" in procuring illicit iron ore from various mines controlled by the 'group' and others places and supplying the illicit material to various exporters like SB Logistics, Dream Logistics Ltd and others.

4. The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities.

5. Action should also be taken against Sri B. Nagendra, who is presently Member of Legislative Assembly and all those who are involved in the illegal mining under the relevant provisions



of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

6. The State Government may request the Competent Authority in Govt. of India/ Reserve Bank of India to take action under the relevant Law for cash flow in various Bank Accounts.

7. The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

**THEFT OF IRON ORE FROM THE LEASE NO. 2572 OF N.  
SHAIKH SAB  
(SIDDHAPURA IRON ORE MINE)**

A Mining lease ML No. 2572 in favour of N.Shaikh Sab (Siddapura Iron Ore Mine) has been granted under the Mines and Minerals (Regulation & Development) Act 1957 to an extent of 15 hectares on 05-01-2008 for 20 years. The lessee has taken approval under the Forest (Conservation) Act 1980 for the extent of 15 hectares. The area comes in the NEB range of Sandur Taluk. The area is having low grade iron ore deposits, mixed with BHQ. The area has been operated in highly unscientific manner. Under the Rule 13 (1) of MCDR 1988, the operations are supposed to be carried out manually, but during the inspection it is observed that the entire lease area was mechanically operated. This being the violation, mining activities have been suspended by the Regional Controller of Mines, Indian Bureau of Mines, Bangalore and presently under suspension **(Annexure to Chapter-11 at pages 10 & 11 of Dr. U.V.Singh's Report)**.

2) During the investigation regarding issue of bulk permits for mining lease no 2572 of N. Shaikh Sab the following facts have come to the light.

1. Sri. Basavaraj A.E of the office of Deputy Director, Mines, Hospet has submitted a stock report on 20-04-2010 to the Deputy Director, Mines and Geology, Hospet **(Annexure to Chapter-11 at page 1 of Dr. U.V.Singh's Report)**. There is no inward number on the report. The report dated: 20-04-2010 has directly been placed before the Deputy Director, contrary to the official procedure.

2. As per the stock report of Sri Basavaraj, he submits that a stock of 25000 MT of Iron ore lumps and 50000 MT of Iron ore (IO) fines are available at the mining lease area on 18-04-2010.
3. The Deputy Director issued the Bulk permits against the stock certificate as under.
  - a. Permit no. 305/22.04.2010 for 7392 MT IO lumps.  
**(Annexure to Chapter 11 at page 2 of Dr. U.V.Singh's Report)**
  - b. Permit no. 287/21.04.2010 for 24992 MT IO fines.  
**(Annexure to Chapter 11 at page 3 of Dr. U.V.Singh's Report)**
  - c. Permit no. 286/21.04.2010 for 10000 MT IO files.  
**(Annexure to Chapter 11 at page 4 of Dr. U.V.Singh's Report)**
  - d. Trip sheets for 21504 MT have been surrendered in back date on 21-05-2010. It is evident from the letter and trip sheet as received in the office of Deputy Director, Mines, Hospet on 21-06-2010. **(Annexure to Chapter 11 at page 5 of Dr. U.V.Singh's Report)** This indicates that the letter of surrender is structured for back date.
4. Out of the permit issued, the quantity of iron ore dispatched against the permits are as under:
  - a. Permit no. 305- 7392 MT IO lumps
  - b. Permit no. 287- 3488 MT IO fines
  - c. Permit no. 286- 10000 MT IO fines

5. Against the above permits there are unused trip sheets for the quantity of 21504 MT (permits are claimed to be surrendered).
6. Stock, dispatch and balance at mining lease area is shown in the table given below:

Sl.No	Stock of iron ore as per AE report MT	Permit issued for MT	Dispatch MT	Stock to be available at mines MT
1	25000 Lumps	7392	7392	17608
2	50000 Fines	34992	13488	36512
Total	75,000.00	42384	20880	54120

7. In the above table it is observed that there should have been a total stock of 54120 MT (17608 lumps; 36512 fines) available at mining head.
8. During the inspection along with the Sri Deepak Sharma, APCCF, Director, Mines; Deputy Director, Mines, Hospet, Sri. Basavaraj A.E and staff of the Forest Department and Mines Department and others it is found that there is no stock whatsoever available at the leased area. On enquiry nobody was in position to explain the matter at the spot.
9. The bulk permits are issued in favour of M/s. Sree Minerals owned by Sri B.V. Srinivas Reddy who is a partner in the OMC, Bellary. **(Annexure to Chapter 11 at pages 6 to 9 of Dr. U.V.Singh's Report).**
10. The Forester Sri Sanjeev Kumar on special duty has issued forest permits (form No. 27) mechanically by simply entering 16 MT in each permit. In fact, issue of Form no. 27 has lost its relevance. **(Annexure to Chapter 11 at Pages 12 to 14 of Dr. U.V.Singh's Report)**

3. With the above facts and circumstances it is concluded that:

- 1) The Deputy Director, Mines, Hospet, Deputy Conservator of Forests, Bellary have issued the permit in violation of Rule 13 (1) of MCDR 1988 for the quantity of 20880 MT.
- 2) There is a theft of 54120 MT of iron ore (fines and lumps).
- 3) There is a direct loss of Rs. 13,53,00,000 to the State Government with this theft (amount calculated at the rate of market value of Rs. 2500 per MT).
- 4) The Mines and Forest Department have issued the permits without observing the violation under the MCDR 1980 and for this lapse action should be initiated against the Deputy Director, Mines and Deputy Conservator of Forests, Bellary.
- 5) There is no good quality of ore deposition in the leased area and lease had been granted without having any prospecting operations under prospecting license. Due to this, 15 hectares of highly developed forest area has been destroyed. In fact it is not worth to have an open cast mine in this area.
- 6) The loss to tune of Rs. 13,53,00,000-00 (the cost of the iron ore) with a penalty of five times should be recovered from the lessee and action should be initiated against the officials of Mines and Forest

Department who are directly or indirectly responsible for allowing theft of such a large quantity of iron ore. The lease should be determined by the following due course of Law and the area shall be rehabilitated.

- 7) The action should also be taken against Sri Basavaraj A.E who has given stock certificate without proper quantification of the ore.
- 8) Similar action should be initiated against the ACF/RFO who have verified the stock for issue of Form No.27
- 9) Action should be initiated against the Forester who has mechanically issued the form no. 27 by entering 16 MT in each permit.

4. The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Further, in this Chapter, wherever the names of the officers are stated and in some instances, designation of the officers are stated, it is recommended to the State Government to initiate action against such officer/officials under the Prevention of Corruption Act, 1988 or under the relevant Disciplinary Rules.

5. Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

6. The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.

7. The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA.

**ILLICIT EXTRACTION TRADE AND TRANSPORTATION OF  
IRON ORE BY SRI K.V. NAGARAJ (SWASTIK NAGARAJ),  
KARAPUDI MAHESH AND THEIR ASSOCIATES**

Department of Income Tax conducted search proceedings under section 132 of the Income Tax Act 1961 in connection with Sri K.V.Nagaraj (Swastik Nagaraj), Karapudi Mahesh and his associate Dada Peer on 25.10.2010 and seized various documents and computer files. The copies of these documents are also available with the Income Tax department. On a request made by the Lokayukta Institution, these documents and files were made available to the Lokayukta by the Income Tax department on 23.3.2011. The material sources of raid by the Income Tax department reveals wide spread network of places and parties that carried out illicit trade in iron ore that included transportation and stocking of illicit material, export of illicit material, and payments of “risk” amounts and involvement of multiple persons/firms/companies and others including domestic consumers of iron ore.

2. An examination of the file No.A/DP/08 (Annexure-1 to Chapter-12 of Dr.U.V. Singh’s Report), which contains the Daily Loading Reports of iron ore transportation through trucks pertaining to the period May-June 2010. The details of the same have been extracted in Chapter-12 of the report submitted by the investigating team headed by Dr.U.V.Singh.

3. Further the material supplied by the Income Tax department contains files and details of iron ore transportation. These details include from (location), to (location), number of trips, quantity, etc. This sheet pertains to the period July 2010. Particulars found in the said sheet is extracted in Chapter-12 of Dr. U.V. Singh’s Report.



4. Further the file containing some sheets with details of iron ore transportation which gives the particulars of loading, unloading and the names of the parties such like MM, SM etc., It is to be noted that the word SM indicates Swastik Nagaraj (Safia Minerals) and MM indicates Karapudi Mahesh (Sri Manjunatheshwara Minerals). All the above particulars could be seen from Table-1, 2 and 3 in Chapter-12 of the report of the investigating team.

5. Further the materials given to this Institution by the Income Tax department as a sheet with the headings pre-printed with "EAGLE, ILC & Y MINERALS" gives the particulars of the iron ore transportation. This is found at Table - 4 of Chapter-12. The material given by the Income Tax department also contains sheet with heading "STAR PLOT, TIRUMALA PLOT & OWN TRADING". This also gives the information with regard to the iron ore transportation between loading and unloading points. This is found at Table - 5 in Chapter-12 of Dr.U.V. Singh report.

6. Further some sheets containing details of iron ore transportation with details of DATE, LDO, PARTY NAME, FROM, TO, NUMBER OF TRUCKS, M TON, S TON, M+S TON, TNS and also starting and destination points which is found at Table - 6 of Chapter-12 in the report of Dr. U.V. Singh. Another sheet found in the document obtained has a heading "From SBM (PK Halli) Plot to Belikeri & Karwar". This sheet contains details of iron ore transportation of 20,161.66 MT of Fines - Fe 62.5%+ from SBM (PK Halli) Plot to Belekeri & Karwar vide 848 trips between 17.4.2010 and 6.5.2010. From the above materials found from the various documents, particulars of which have been extracted in the reports

submitted by the investigating teams, following conclusion can be drawn –

(1) Transportation of iron ore between the above starting and ending points were without permits and hence all the iron ore is illegally extracted and transported and also sold.

(2) Use of pre-printed forms shows that Transportation of illicit iron ore was a planned and organised activity.

(3) Number of beneficiaries are fairly large and include many domestic industries like JSW, Kalyani, Kirloskar, Satavahana etc.,

(4) Some of the loading points are stockyards involved in illegal iron ore activities. Many of the loading points are illegal points of loading.

(5) The business was conducted primarily by two entities viz., Swastik Nagaraj and Karapudi Mahesh. SM (Safia Minerals) and MM (Sri Manjunatheshwara Minerals) were involved in transport of illicit iron ore by fake/forged permits to Belekeri port as discussed in Chapter-2 of the Report submitted by the investigating team.

(6) Documents also show money transaction among various parties with regard to transportation of iron ore. The documents also point to sharing of profits among various parties including SM and MM.

7. Documents referred to at A to G in the report of the investigation team provide a glimpse in to the extensive scale of illegal iron ore transportation without permits or may be use of forged/fake permits etc., The tables 1 to 6 listed in Chapter-12 of the report of Dr. U.V. Singh are not exhaustive and merely pertain to a short period which indicates that a large number of parties are active in this illegal business of iron ore which included a number of domestic sponge iron and steel units. The investigation team has also made some comments about the contents of file No.A/SN/7/132/25.10.10. According to them the file contains details of “Iron Ore dispatches from Star Plot to Krishnapatnam with regard to Swastik Steel Hospet Pvt Ltd Hospet”. The details include DATE, LOADING FROM, TRIPS, QUANTITY etc.,

8. As per the record, 71,661.513 MT of iron ore was transported to Krishnapatnam from various loading points including STAR Plot, LMC, JSW, SAI KATA, Baba etc between 17.6.2010 and 3.8.2010. Further 29,630 MT of this quantity was exported by vessel “MV Port Moresby” and 40,101 MT by vessel “MV Sattar” from Krishnapatnam port.

9. From the above it could be safely concluded that the export of said quantity of iron ore via MV Port Moresby and MV Sattar by M/s.Swastik Steel Hospet Pvt. Ltd has taken place and it is also confirmed from the Customs and Port data. The materials was exported through shipping bills Nos.517/10-11 dated 30.7.2010 and 569/10-11 dated 12.8.2010 respectively. The date of departure of vessel MV Port Moresby was 13.8.2010, while date of departure of vessel MV Sattar was on 21.8.2010 as per the port data.

10. The export realization against these shipments is confirmed from the “ENC data of the RBI”. An amount of \$ 26,16,922 and \$ 45,77,856 was realized through the Authorised Dealer Bank (AD Code 6120090). The rupee value of realized amount was approximately Rs.32.37 Crore @ Rs.45 per US Dollar.

11. As per the permit records, no permits were issued to M/s.Swastik Steel Hospet Pvt Ltd from the loading points and the date mentioned in the seized document for transportation to Krishnapatnam port except for 5280 MT from Star Minerals. This clearly indicates that almost the entire shipments comprised of illicit iron ore and should be recovered with exemplary penalty and other actions under various applicable laws. In addition to the two export consignments discussed above, information from Customs shows that M/s.Swastik Steels Hospet has sent 2 more export consignment to China from Belekeri port in 2010. The details are in Table 7 of Chapter12 of Dr. U.V. Singh’s Report. As the two mentioned exports from Krishnapatnam are strongly suspected to be composed of illicit iron ore, it is recommended that the source of iron ore for the two exports through Belekeri should be probed further. It can be noted that these exports were done just after seizure of iron ore at Belekeri port. For more particulars, the contents of Table - 7 of Chapter-12 of Dr. U.V. Singh may be looked in to.

12. From the documents received as file No. A/SW/7/132/25.10.10 at sheet page No.48, details of iron ore transportation from JSW to Autonagar, LMC to Star and JSW to Baba Plot in July 2010 are found. The quantity transported from JSW to Autonagar was 28,212.63 MT, from LMC to Star was 19,757.14

MT and from JSW to Baba Plot was 32,803.61 MT. No permits were issued for the said source and destination points during that period. The source points are neither registered stockyards. LMC is a Mining lessee in NEB Range. Hence the entire transported material is taken as illegal. It is learnt that there is an illegal stock yard by the side of JSW premises run by Sri Swastik Nagaraj and Karapudi Mahesh and their Associates. At Sheet 1-15, contain information with regard to supply of iron ore for Eagle by SM & MM. The total quantity of iron ore supplied for Eagle by SM and MM as compiled from the file is 5,88,808 MTs between 13/3/2010 and 9/7/2010. The sources of these material mentioned under the hearing Plot wise are given in Table 9 of Chapter 12 of Dr.U.V.Singh's Report. A perusal of file No.A/DP/13/25/10/10 and Computer files of K.V.Nagaraj and Dadapeer (SLVM Laptop), it is seen in the computer files, there is a folder named "DATA OF DADA PEER / DATA OF SLVM-LAPTOP/XLS". This file folders contain details of day-wise iron ore transportation, which occurred among various source and destination points between Nov. 2009 and June 2010. The data were analyzed and it is noted that a total of approximately 20 lakh MT of iron ore was transported during the said period.

13. A large number of loading points mentioned in the files are neither mining leases nor registered stockyards. This shows that the entire materials transported to various destinations are illicit. The list of such loading point destinations and names of the parties are mentioned in Annexure-4 of Chapter 12 of Dr. U.V. Singh's Report.

14. In addition there are many loading points mentioned in the said files which are either mining leases or registered

stockyards. However it was observed that no permits were issued from such loading points for the destinations, date and for the parties mentioned in the files. This clearly indicates that the said material was also extracted and transported illicitly.

15. Further the files also mention transport of material from loading points in Chitradurga and Gadag. It is to be noted that there are no approved iron ore leases in Gadag district. All such iron ore is illegal.

16. Further ten files contain details of iron ore transportation from LMC to Jindal. The total quantity transported from LMC (indicating Lakshminarayan Mining Company) to Jindal (indicating JSW) was 27,024.39 MTs during June 2010. The permits did not match with the transportation of iron ore from LMC to Jindal for the said period. Hence the entire transported quantity is illicit. This transported quantity could be part of the iron ore that was illegally extracted from LMC as discussed in Chapter-9 of investigating team's report.

17. File No.A/SN/4/132/25.10.10. Pages 3 – 4 under the heading "OMC TPT" (OMC indicating Obulapuram Mining Company) contains iron ore transportation details from LMC (indicating Lakshmi Narayan Mining Company) to Jindal (indicating JSW) between 02.6.2010 and 13.6.2010. Total quantity transported adds up to 38,286.06 MTs. Permits did not march with the transportation of iron ore from LMC to JSW. Hence the entire material is illicit. Misuse of permits issued for ML No.2186 of BR Yogendranath Singh cannot be ruled out for transportation of this illegal iron ore. Sheet 4 contains money transfer details under the heading 2/7/10. The details are "920 75.00 L/recd 428927 SBI". Bank account of Adi Shakti Transport in Vikas Souharda Bank Hospet confirms the

payment of Rs.75 lakhs to Adi Shakti Transport from Janadevi Minerals (A/c. No.31189482023-SBI Hospet) on 3.7.2010. Further investigation is required to locate the source of this money. This transported quantity could be the part of the iron ore that was illegally extracted from LMC during 2010. The subject of illegal extraction of iron ore from LMC in the account of Obulapuram Mining Company (OMC) during 2009 and 2010 has been separately dealt with in Chapter-9 of the report of investigating team.

18. File No.A/DP/10/25.10.10 contains a statement with the heading "Eagle" in which details of transportation of 3,06,147.415 MT of iron ore for the period from September to November 2010 along with some financial details are mentioned. There are no permits with Eagle as party during the said period. This indicates supply/transaction of illicit material by Swastik Nagaraj and others to Eagle Traders.

19. This file at pages 42 contains a copy of the invoice dtd.3.12.09 (Lorry No.KA 34/3535) for transportation of 17.00 MT of iron ore from V.M.(indicating Veeyam Mines) to M.R.K. (indicating MRK Stockyard) by Sri Manjunatheswara Transport. It is to be noted that there are no permits issued to Veeyam mines after 2007-08. This clearly indicates that the material was illicit.

20. The same file contains multiple sheets which show transactions from SM to MM with names of Swastik, Jambunath, Mahesh etc. They have been mentioned as Risk amounts in various places which clearly indicates that these are towards transactions with regard to supply/ transportation of illicit iron ore among SM (indicating Swastik Nagaraj), MM (indicating Karapudi Mahesh), Sri Jambunatheswar and others.

The details pertaining to reconciliation of payments between Sri Karapudi Mahesh and Swastik Nagaraj are at Page Nos.25 to 29 of this document contain the following information –

(a) There are date wise monetary transactions among various parties. The use of terms like “risk”, “commission” etc., clearly indicates that these are transactions with regard to the illicit iron ore material which is being supplied/transported/stocked etc.,

(b) Amounts have been arrived at by multiplying the quantities with rates like Rs 110/MT, Rs 5/MT etc., This clearly indicates the rates at which different transactions with regard to the illicit material was carried out among various parties.

(c) The records indicate that money was withdrawn through self-cheques and distributed in cash to many parties. Most of the self-cheques shown in the record have been verified in the three accounts (Axis bank, Hospet branch, Account No.267010200016667, 618010200003681, 618010200006606) of Sri Laxmi Venkateshwara Minerals.

(d) One such reference mentions “May to August Risk amounts Gift to Suresh Babu” with Rs 25,00,000 and number “051932” mentioned against this transaction.

On verification of the Axis Bank account of Sri Laxmi Venkateshwara Minerals (Account



No.267010200016667) it was found that Rs.25,00,000 was withdrawn through a self Cheque No.051932 from the Axis bank account No.267010200016667, confirming the above stated transaction. Similarly there is one more transaction which mentions Rs.5,00,000 against Suresh Babu along with reference of a self cheque No.051929. The same amount was also verified to have been encashed through the said cheque from the same Account.

(e) It also contains transactions against the name of Ali Khan. These have been mentioned in few places as “commission” being paid at the rate of Rs 2/MT. It is to be noted that the involvement of Ali Khan who is the Managing Partner in Devi Enterprises in the illicit iron ore trade has been discussed in Chapter-9. It also contains money transactions against names of Y Minerals, Maheshanna (indicating Karapudi Mahesh) etc. All this clearly indicates towards complex interlinkages with regard to role of a group of persons closely related and associated in this illegal and unlawful mining activities.

(f) The said transaction records contain terms like “Hawala Bellary” which also indicates that the money from the illicit business was being pumped in to illicit non-banking channels as well. The Hawala money is also reflected in the file of Karapudi Mahesh dealt separately in this report.

(g) Sheet page number 40, with heading Ashwathnarayan Singh & Co, contains information of movement of 50,199 MT of iron ore fines, in the period 8<sup>th</sup> Jan 2010 to 9<sup>th</sup> Feb. 2010, from Mahalaxmi Plot (indicating stockyard of Ashwathanarayan Singh & Co) to Belikeri and Karwar. On verification with the permits of DMG it was found that no permits were issued from the said plot for the said destinations in the period mentioned above. On verification with the seized computer files of SMSPL it was found that in the said period material was received in the Belikeri port with supplier mentioned as DLC Mahalaxmi, Mahalaxmi etc. This clearly indicates the source of material as Mahalaxmi plot in account of exporter DLC. This clearly indicates that the above mentioned material was illicitly transported and exported by Dream Logistics Company (DLC).

From the examination of the seized documents, it is seen that following companies/entities/firms are in the business of illegal iron ore and are associated or have close business links with Swastik Nagaraj, Karapudi Mahesh and others. In the light of the fact that the documents provide transactions details of illicit iron ore, the activities of these companies need to be probed further.

1. Adishakti Cargo Movers
2. Adishakti Transport Company
3. Ayyappa Industries
4. Fabio Exports
5. Swastik Steels (Hospet) Pvt Limited

6. Swastik Steels
7. Ayyappa minerals
8. Swastik Cements Minerals Company
9. Star Minerals
10. Shri Bhakta Markandeshwara Minerals
11. Sri Srinivasa Minerals
12. Greentex Mining Industries Limited
13. Sri Lakshmi Venkateswara Minerals
14. Sri Manjunatheshwara Minerals
15. Jambunatheshwara Transport
16. Jambunatheshwara Minerals
17. others.

21. With the above facts and circumstances, the following conclusions are drawn by the investigating team of Dr.U.V. Singh:

1. Documents provide a glimpse into the extensive scale of illegal iron ore extraction and transportation without license and permits or maybe use of forged or fake permits etc during the period 2009 and 2010. The available details merely pertain to a short period and highlight that a large number of parties were active in this alleged illegal business of iron ore which included exporters, number of domestic sponge iron and steel units.
2. The business of transport/trade of illicit iron ore was conducted primarily by Sri Swastik Nagaraj (KV Nagaraj) and Sri Karapudi Mahesh.
3. The illicit iron ore was supplied both for domestic users and for exports mainly through Krishnapatnam and Belekeri ports.

4. The exporters to whom illicit iron ore was supplied included ILC, SB Logistics (SBL), Dream Logistics (DLC), Obulapuram Mining Company (OMC), Arshad Exports and others.
5. The names of traders to whom illicit iron ore was supplied/ purchased included Eagle, SMSK, Devi Enterprises, Lakshmi Aruna Minerals (LAM), Y Minerals, SMM and others.
6. The regular recipients of illicit iron ore were ILC, Eagle, Y Minerals and others.
7. The domestic beneficiaries of illicit extraction transport and trade include JSW, Kalyani, Kirloskar, Satavahana, GRMTC and others.
8. The leases and their stockyards from where illicit iron ore was sourced included SVK Vyasankere (SB Minerals ML No 2515), SVK NEB Range A & B Block (SB Minerals ML No 2550), VENAG (Shantalakshmi Jairam ML No 2553, VEEYAM Private Limited ML No 988, Lakshminarayana Mining Company ML No 2487, Muneer Enterprises ML No 2339 , Trident Minerals ML No 2315, Ashwathnarayan Singh & Co ML No 2531, Bharat Mines & Minerals ML No 2245, Bellary Mining Corporation ML No 2651, Hothur Traders ML No 2313 and others.
9. Many loading points mentioned in the file are registered stockyards which are involved in illegal activities. The names of such stockyards include MRK Stockyard, Clarita Marketing Services,

Mahalaxmi Plot, ILC Plot, Star Plot, Kineta Minerals and Metals Plot, Red Rock Plot, Zest Enterprises and others.

10. Many loading mentioned in the file are unregistered and unauthorized points of loading of iron ore. These include Baba plot, PVG Plot, Anji Plot, Tirumala Plot and others
11. There was transport of illicit iron ore from loading points in Chitradurga and Gadag also. It is to be noted that there are no approved iron ore leases in Gadag district.
12. The documents indicate payments of risk for movement of illicit iron ore.
13. In the seized documents certain quantities of iron ore is stated which is not backed by the permits or legal documents. All such quantities should be considered as illegal iron ore and recovery of market cost with exemplary penalty should be collected following due course of Law.
14. As per the seized record, 71,661.513 MT of iron ore was transported to Krishnapatnam from various loading points including STAR Plot, LMC, JSW, SAI KATA, Baba etc between 17-06-2010 and 03-08-2010. Further it is mentioned that 29,630 MT out of this quantity was exported via vessel name "MV Port Moresby" and 40,101 MT was exported via vessel name "MV Sattar" from Krishnapatnam port. It is noted that permits were issued only for 5280 MT in

favour of Star Minerals the rest of the quantity should be treated as illegal and an amount of \$ 26,16,922 and \$ 45,77,856 should be recovered with exemplary penalty.

15. Further investigation should be done to find out the total illegalities involved and loss to State for the remaining exporters, companies, firms, individuals, local steel plants and others.

22. The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities.

23. Action should also be taken against all those who are involved in the illegal mining including use of forged/fake permits for transportation/exportation of iron ore, charging risk amount, etc., under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

24. The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.

25. The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

**EXPORT OF ILLICIT IRON ORE BY I.L.C. INDUSTRIES  
LIMITED, BANGALORE**

1) M/s. ILC Industries Limited, having its address at No.835/64, Shop No.F-2, 4<sup>th</sup> Block, Rajajinagar, Bangalore, Karnataka 560 010 is a Private Limited Company. It has been assigned an Exporter IEC Code 0703015311, by the Director General of Foreign Trade on 16/12/2003.

2) The exports of entire iron ore by the Company in different years through different ports have been perused as reflected in Table-1 of Chapter 13 of the report of Dr. U.V. Singh's team, which shows that between 2006-07 and August 2010, this company has exported from Belikeri port 15,58,657 MTs of iron ore; from Karwar port, 3,98,459 MTs of iron ore; from Krishnapatnam Port, 19,02,413 MTs of iron ore; and from Mangalore port 4,70,671 MTs of iron ore, thus totally from the above 4 ports, this company has exported for the above said years 43,30,200 MTs of iron ore. If the export made during the period 2008-09 to 2009-10 is seen, it indicates that the said company's export grew up by 140% i.e., from 8.25 Lakh MTs to 19.7 Lakh MTs and much of the exports was through ports of Belikeri and Krishnapatnam. It is to be noted here that the illegalities at Belikeri and Krishnapatnam ports are comparatively much more than the other ports referred to herein above.

3) Further, the company started exporting iron ore through Krishnapatnam port from 2008-09 and from 2008 till August 2010, exports through Krishnapatnam constituted over 50% of the total exports by the Company during the relevant period. Exports through Belekeri port constituted 30% of the total exports by the company. As against the exports, the permits

issued to the company as party for different ports during the same period shows that the permits issued to export from Belikeri was for 2,68,896 MTs; from Karwar port was for 1,81,060 MTs; from Krishnapatnam port was for 5,70,606 MTs; and from Mangalore port was for 1,40,452 MTs. Thus the total permits issued for export from this company was only for 11,61,014 MTs during the relevant period.

4) Table-3 of Dr.U.V. Singh's report show that out of the exports made from all ports put together, for the year 2006-07 to July 2010 when compared with the permits granted, demonstrates that the quantity exported without permits comes to 31,69,186 MTs. This amply demonstrates that there is a wide gap between the permitted quantity and the exports made by the company.

5) The Lokayukta police had seized computer files at Belikeri port, which contain a daily truck inward reports, with details of suppliers, company, etc for the period from October 2009 to February 2010. The information is supplemented with the information obtained from Adani Enterprises and Sri Mallikarjun Shipping Company Limited for the period February 2010 to May 2010. The data shows that 8,60,333 MTs of iron ore was received at Belikeri port on account of M/s. ILC Limited during the above mentioned period. Month-wise quantity received and the permits used for Belekeri port by ILC Limited are found in Table-4 of Dr. U.V. Singh's report. From the said table, it is seen that totally 8,63,333 MTs of quantity transported, the permitted quantity was only 2,19,816 MTs. Hence, there is a difference of 6,40,517 MTs, valued at US\$ 6,64,15,207.73. An average of the export value of all consignments of ILC from October 2009 to May 2010 from all



ports is US \$103.69 per MT. In rupee terms this value comes to Rs.265,66,08,280 @ Rs.40/- per US \$.

6) Further, the Customs Data of Belekeri port reveals that M/s. ILC Limited had exported 8,66,628 MTs of iron ore from Belikeri port during the same period. This quantity matches with the quantity received at Belekeri port on account of M/s. ILC Limited. The export details are given at Table-5 of Dr. U.V. Singh's report. This clearly shows that M/s. ILC did not have permits for around 6,40,517 MTs of iron ore transported to and exported from Belekeri port during the period from October 2009 to May 2010.

7) Further, the daily truck inward details also indicate, in a few cases, the source of material along with the name of the company/supplier on whose account the material was received at the port. A verification of such records with the permits indicates that the material was illicitly transported from these sources. The Table-6 of Dr. U.V. Singh's report shows the daily truck inward details and some of the sources from which material was transported without permits and exported in the account of M/s. ILC Limited.

8) As per the information in the Table-6, it is seen that 3,09,963.62 MTs of iron ore was transported without permits from the mining leases of S.B. Minerals (ML 2515), Trident Minerals (ML 2315), Shanthalaxmi Jayaram (Nagappa) Mines (ML 2533), and the ILC Stockyard at Bevinahalli and other stockyards of P.K. Halli. The source for the remaining quantity i.e., 3,30,553.68 MTs requires further investigation.

9) The computer files 'stockdetails.xls' having spreadsheets named "Stock" and "Commitment & Movements" among others

contains details of iron ore quantity committed and dispatched to M/s. I.L.C. Limited, mines from which the committed quantity is to be supplied and details of financial transactions thereof. The spread sheet with name “Commitments and Movements” contains a table with heading “ILC-Quantity details”. This table shows a total commitment of 8,96,418 MTs of iron ore to M/s. ILC Limited. The mine from which this commitment has to be fulfilled is also indicated. These mines are OMC, indicating Obulapuram Mining Company, A Block, indicating “SVK, NEB Range, A Block, Jaisingpura 44.52 Ha – 111 acres” in the spread sheet “stock” in the same file. This refers to S.B. Minerals, (ML No.2550), VENAG (indicating Shanthalakshmi Jayaram, ML No.2553), Vyasarayanakere (Indicating S.B. Minerals, ML No.2515); MBT (indicating Mehaboob Transport Company ML No.2568), BMC indicating Bellary Mining Corporation, M.L No.) LMC, indicating Lakshminaryana Mining Company M.L. No.2487) and others. The Table 7 of the report deals mine wise commitments and dispatches as indicated in the file. From the above, it is seen out of the commitment, a total of 8,67,314 MTs has been shown as dispatched quantity and additional 5,00,000 MTs has been commitment against which dispatches have not been shown in the same sheets.

10) On verification with the permit data, it is found that there are no permits issued for the above quantity with M/s. ILC Limited as a party. Table – 8 of the report under the Heading “ILC- Amount details” contains information of amounts paid by M/s. ILC Limited for the committed/dispatched quantities with details of amount due, received, balance to receive, etc. It shows, an amount of ₹49.40 crores out of the total due amount of ₹85.40 crores has been shown as received. This amount is

the payment towards 1,96,440 MTs and 2,80,796 MTs respectively.

11) From the seized file "Production Details (2) 1.xls" contains date wise dispatch of material extracted and transported from MBT (indicating Mehaboob Transport Company, ML No.2658) to Krishnapatnam on Account of M/s. ILC Limited. As per the contents of the file, between 20/9/2009 and 4/11/2009, totally 1,00,019 MTs of iron ore was dispatched to Krishnapatnam. This confirms the dispatch of 1,00,000 MTs of iron ore to M/s. ILC Limited as per the details given in spread sheet "Commitments & Movements" in the file "Stock Details.xls". The permits did not match with dispatch quantities shown in Table-8B of Chapter 13 of Dr.U.V. Singh's Report, with ILC as party for the period mentioned in the Table. Thus it is clear that the entire 1,00,000 MTs of illicit iron ore sourced from MBT was exported out from Krishnapatnam port by M/s. ICL Limited.

12) Further, the computer file "portwise\_details.xls" contains a spread sheet named "ILC - Final" among others. The spreadsheet has details of calculation for arriving at ex-mine price of iron ore, permit risk amount etc and shipment quantity exported from Krishnapatnam port during July-October 2009. The shipment details relate to the committed quantity as discussed in the earlier Para. The shipment quantities mentioned in the spreadsheet match with the actual export shipment of M/s. ILC Limited from Krishnapatnam port during July - October 2009 as per the Customs data. Further, a permit risk amount of ₹75/- per MT of iron ore is mentioned in the calculations. "Risk Material/Zero Material" refers to iron ore that is illegally extracted, transported and traded. "Risk amount" is the amount paid to facilitate the same. Moreover,

the documents seized by Income Tax Department during their searches show that M/s. ILC has been making regular payment of “Risk Amount” to Karapudi Mahesh and others. The details have been dealt with in a separate chapter of this report. In view of the above, it is clear export shipments of M/s. ILC Limited from Krishnapatnam port during the said period comprised of illegal iron ore.

13) The export shipment of M/s. ILC Limited from Krishnapatnam Port, that are mentioned in the electronic file and which match with the Customs Data have been extracted from the report of Dr. U.V. Singh’s report as under:-

<b>Sl. No.</b>	<b>SB_NO</b>	<b>SB_DT</b>	<b>QUANTITY MTS</b>	<b>VESSEL _NM</b>	<b>Exporter</b>
1	250/09-10	03-07-2009	30000	MV Wren	ILC Industries LimitedD-6, Near Industrial Estate, Dam Road, Hospet, Karnataka A/c. M/s. Empire Minerals & Transporters, Chennai NA Hospet
2	255/09-10	04-07-2009	15250	MV Wren	ILC Industries LimitedD-6/7, Near Industrial Estate, Dam Road, Hospet-583203NAHospet
3	259/09-10	08-07-2009	290	MV Wren	ILC Industries LimitedD-6, Near Industrial Estate, Dam Road, Hospet, Karnataka A/c. M/s. Empire Minerals & Transporters, ChennaiNAHospet
4	329/09-10	22-07-2009	50900	MV Equinox Seas	ILC Industries LimitedD-6, Near Industrial Estate, Dam Road, Hospet, Karnataka A/c. M/s. Empire Minerals & Transporters, ChennaiNAHospet
5	414/09-10	13-08-2009	70600	MV Iron Man	ILC Industries LimitedD-6, Near Industrial Estate, Dam Road, Hospet, Karnataka A/c. M/s. Empire Minerals & Transporters, ChennaiNAHospet
6	472/09-10	29-08-2009	46094	MV Spar Cetus	ILC Industries LimitedD-6, Near Industrial Estate, Dam Road, Hospet, Karnataka A/c. M/s. Empire Minerals & Transporters, ChennaiNAHospet
7	478/09-10	31-08-2009	50900	MV Nyala	ILC Industries LimitedD-6, Near Industrial Estate, Dam Road, Hospet, Karnataka A/c. M/s. Empire Minerals & Transporters, ChennaiNAHospet

8	535/09-10	17-09-2009	68050	MV Powerful	ILC Industries LimitedD-6, Near Industrial Estate, Dam Road, Hospet, Karnataka A/c. M/s. Empire Minerals & Transporters, ChennaiNAHospet
9	536/09-10	17-09-2009	43700	MV Zsq Star	ILC Industries LimitedD-6, Near Industrial Estate, Dam Road, Hospet, Karnataka A/c. M/s. Empire Minerals & Transporters, ChennaiNAHospet
10	633/09-10	13-10-2009	36000	MV Clymene	ILC Industries LimitedD-6, Near Industrial Estate, Dam Road, Hospet, Karnataka A/c. M/s. Empire Minerals & Transporters, ChennaiNAHospet
11	703/09-10	20-10-2009	4000	MV Clymene	ILC Industries LimitedD-6, Near Industrial Estate, Dam Road, Hospet, Karnataka A/c. M/s. Empire Minerals & Transporters, ChennaiNAHospet
12	735/09-10	27-10-2009	48856	MV Pax Phonix	ILC Industries LimitedD-6, Near Industrial Estate, Dam Road, Hospet, Karnataka A/c. M/s. Empire Minerals & Transporters, ChennaiNAHospet
13	740/09-10	30-10-2009	45425	MV Mippo Bonanza	ILC Industries LimitedD-6, Near Industrial Estate, Dam Road, Hospet, Karnataka A/c. M/s. Empire Minerals & Transporters, ChennaiNAHospet
14	759/09-10	05-11-2009	55000	MV Bao Wealth	ILC Industries LimitedD-6, Near Industrial Estate, Dam Road, Hospet, Karnataka A/c. M/s. Empire Minerals & Transporters, Chennai NA Hospet

14) The file "PHANI.xls" contains the details of payments made by M/s. ILC Limited against 1,00,000 MTs; 1,967,440 MTs and 2,50,000 MTs of iron ore. The spreadsheet is reproduced below.

		OLD ACCOUNT				ILC- PAYMENTS OLD ACCOUNT 1LAKH ,OMC & A BLOK			
PARTY	QTY	RATE/MT	C PORTION	BILL	AMOUNT	DATE	MODE	AMOUNT	
OMC	50000	1200	600	600	60000000	15 June 2009	CHEQUE	2.40	DEVI ENTERPRISES
A BLOK	50000	1000	1000	0	50000000	24 June 2009	RTGS	0.60	MADHU
						16 June 2009	C	2.40	
						23 June 2009	C	2.00	
						27 June 2009	C	2.00	
						03 July 2009	C	1.60	
				<b>TOTAL</b>	<b>110000000</b>		<b>TOTAL PAID</b>	<b>11.00</b>	
							DUE AMOUNT	NIL	
					33000000				
		NEW ACCOUNT				ILC- PAYMENTS FOR 196440 MT			
PARTY	QTY	RATE/MT	C PORTION	BILL	AMOUNT	DATE	MODE	AMOUNT	
AMC/OMC	100000	1000		25%	100000000	03 July 2009	C	3.00	
V NAG	50000	1000		25%	50000000	10 July 2009	C	5.00	
VYSANKERE	150000	1000		25%	150000000	19 July 2009	C	2.00	
						14 July 2009	RTGS	1.75	AMC
						15 July 2009	RTGS	2.00	DEVI
						20 July 2009	RTGS	1.00	SREE MINERALS
						31 July 2009	RTGS	2.75	DEVI
						09 August 2009	C	5.00	
						11 August 2009	C	2.00	GIVEN TO RAVI KALYAN
							<b>TOTAL PAID</b>	24.50	
							DUE AMOUNT	NIL	
						ILC- PAYMENTS FOR 250000 MT			
							<b>TOTAL DUE</b>	60.00	
						<b>DATE</b>	<b>MODE</b>	<b>AMOUNT</b>	
						18 August 2009	C	10.50	
						18 August 2009	RTGS	3.40	DEVI
							<b>TOTAL PAID</b>	13.90	
							BALANCE DUE	46.10	
							C 75%	34.58	
							RTGS 25%	11.53	
						TOTAL AMOUNT DUE			

							95.50	
						AMOUNT GIVEN	49.40	
						BALANCE TO RECEIVE		
						C 75%	34.58	
						RTGS 25%	11.53	46.10

15) From the above table, Dr. U.V. Singh's team has arrived that 75% of the total value is paid through cash and only 25% is paid through the Banks. I think the concerned departments like Income Tax Department should take note of the same and the Government of Karnataka should also bring this to the notice of the Income Tax Department for further action.

16) According to the spread sheet shown above, for 50,000 MTs it is mentioned that the rate per MT is ₹1,200/- (Table-10 of Chapter-13 of Dr.U.V.Singh's Report). Out of this "C portion" indicating cash portion is Rs.6 Crores, while the "Bill" indicating bank transaction is Rs.6.00 crores. In few other cases, entire receipts have been shown against 'C portion' while in few other cases "bill" portions have been shown as merely 25%. Thus, it is clear that only a small portion of the receipts is in the form of Bank transactions and a large number of receipts is obtained in the form of cash.

17) In the "Mode" column at Table-10, entries have been made showing RTGS, Cheque, C (indicating cash). In these RTGS and Cheque modes, the names of the parties i.e., Devi Enterprises, Madhu, Sree Minerals, AMC had received the payment along with the dates provided. On verifying the Bank accounts of the parties shown in the statements, Devi Minerals – A/c. No. 202011012661 of Ing. Vyshya Bank, Bellary; Sree Minerals – A/c. No.267010200007733 of Axis Bank, Bellary; and AMC (Ananthapur Mining Corporation) – A/c. No.267010200001694

of Axis Bank, Bellary, is found that the money was received on the dates mentioned. Further, the ILC Limited's Bank A/c. No.1082065634 of State Bank of India, shows transfer of ₹60.00 Lakhs to A/c. No.0010444917121 of SBI dated 24/6/2009 with remarks "Adv fr Bal 10,000 MTs." A/c. No.0010444917121 in State Bank of India belongs of Obulapuram Mining Company (OMC). This confirms payment of ₹60,00,000/- on the same date mentioned against "Madhu" in the seized documents.

18) M/s. Devi Enterprises, Madhushree Enterprises and Sree Minerals are front companies of OMC. According to Dr. U.V.Singh's team, this has been discussed in a separate chapter with supporting documents and the above mentioned documents establish that M/s. Devi Enterprises, Madhushree Enterprises and Sree Minerals are receiving payment on behalf of OMC. Further, a large chunk of payments is made in the form of cash. Moreover, the iron ore for which these receipts have been shown are part of the "commitment" as mentioned in another excel file "stock". This clearly indicates that the material for which the money was received by various front end companies was being illicitly extracted and transported.

19) The investigating team examined the documents seized by the Income Tax Department during search proceedings in the case of Sri K.V.Nagaraj on 25/10/2010, which reveals a few sheets with pre-printed heading "EAGLE, ILA and Y.MINERALS" contain the entire iron ore transportation details between the following loading and unloading points.



**Loading and Unloading of illegal Iron ore with M/s. ET & L  
and ILC as party**

<b>S No</b>	<b>Loading</b>	<b>Unloading</b>	<b>Party name</b>
1	Andra Plot	Krishnapatnam	Eagle (DLC)
2	TM	Gujarat	Eagle (SMM)
3	SVK (V)	Krishnapatnam	Eagle (LAM)
5	Nagappa	Gujarat	Eagle (SMM)
6	ILC Plot	Gujarat	ILC (Dinesh)
7	ILC Plot	Bellary (Autonagar)	ILC
8	Sudaka Plot	Krishnapatnam	Eagle (SBL)
9	VM Plot	Krishnapatnam	Eagle (SMSK)
10	VM Plot	Krishnapatnam	Eagle (SBL)
11	VM Plot	Gujarat	Eagle (Devi)
11	VM Plot	Kalyani	Eagle (Devi)
12	Nagappa	Gujarat	Eagle (SMM)
13	SVK (V)	PKL	Eagle (DLC)
14	SVK (V)	PKL	Eagle (SBL)
15	NEB	ILC Plot	ILC
16	Chatgiri	Kalyani	Eagle (OMC Anil)
17	SVK	PKL	Eagle (LAM)
18	VM Plot	Krishnapatnam	Eagle (SMSK)
19	ILC Plot	Kalyani	ILC
20	VM	Kirloskar	Eagle (Devi)
21	VM	Satvahana	Eagle (Devi)
22	Chatgiri	Kalyani	Eagle (Devi)
23	Others		

The document shows that the transportation of iron ore between the above listed starting and end points was without permits and hence the iron ore quantities mentioned in the file were illegally extracted, transported and traded. The use of pre-printed forms shows that transportation of illicit iron ore was a planned and organized activity. This document further confirms the involvement of ILC Limited in transport of illicit material under “Risk”.

20) The investigating team received an anonymous complaint against the alleged illegal activities of M/s. ILC Limited, in which it is alleged that M/s. ILC Limited has two front companies viz., Elite Brilliant Limited and Mineral Embassy (HK) Limited, as exports buyers of iron ore. Both these companies, it is alleged, share a common address at Hongkong i.e., Suite 1508, 17-19,

Empress Plaza, Chatam Road, South TST, Kowloon, Hongkong. Further, it is alleged that M/s. ILC Limited has some domestic front companies i.e., M/s. Mineral Embassy, M/s. SVM Nett Projects Private Limited and M/s. Janadevi Minerals. Further M/s. Mineral Embassy has sent an export shipment of iron ore from Krishnapatnam port in August 2010 even after the ban on export of iron ore by the Government. Further the complaint alleges links between M/s.ILC Limited, Mineral Embassy and OMC along with some documents as a proof. The complainant has other allegations against M/s. ILC Limited.

21) The enquiry by the team of Dr. U.V. Singh, revealed that M/s. Mineral Embassy, SVM Nett Projects Private Limited have made iron ore shipments. Similarly, M/s. Elite Brilliants is a consignee of exports by M/s. ILC Limited and M/s. Mineral Embassy (India). It is also confirmed that M/s. ILC Limited did export iron ore to M/s. Elite Brilliant as consignee from Krishnapatnam port in August 2010. The export details of Mineral Embassy and SVM Nett Projects Private Limited are as below:-

**Details of Export of Iron Ore by M/s Mineral Embassy & M/s SVM Nett Project Solutions Pvt Ltd**

Port	Shipping Bill No	Shipping Bill Date	Total Quantity	Vessel Name	Name of the Exporter	Name of the Consignee
Belekeri	133/10	12-04-2010	51,000	MV MARYLISA	M/s MINERAL EMBASSY	M/S.ELITE BRILLIANT LTD., M/S.ELITE BRILLIANT LTD., SUITE 1508, 15/F, EMPRESS PLAZA, 17-19, CHATAM RD SOUTH TST, KOWLOON, HONGKONG.--
Belekeri	61/10	11-02-2010	55,800	MV SHANG WANG HAI	M/S SVM NETT PROJECT SOLUTIONS PVT LTD.	SINOSTEEL INTERNATIONAL NACAO COMMERCIAL OFFSHORE LTD, ALMEDA DR. CARIOS D'ASSUMPCAO, NO. 180, 18 ANDAR E-F, EDIFICIO TONG NAM AH CENTRO COMMERCIAL MACAO
Krishnapatnam	127/10-11	04-05-2010	34,500	MV.IRENE	M/S.MINERAL EMBASSY, M/S.MINERAL EMBASSY, F.NO.8, ASHWATHI APARTMENT, 1ST FLOOR, VIVEKANAND NAGAR, BEHIND RTO OFFICE, JOLDARASI GUDDA, HOSPET -583203 – HOSPET	M/S.ELITE BRILLIANT LTD., M/S.ELITE BRILLIANT LTD., SUITE 1508, 15/F, EMPRESS PLAZA, 17-19, CHATAM RD SOUTH TST, KOWLOON, HONGKONG.--
Krishnapatnam	133/10-11	05-05-2010	2,000	MV.IRENE	M/S.MINERAL EMBASSY, M/S.MINERAL EMBASSY, F.NO.8, ASHWATHI APARTMENT, 1ST FLOOR, VIVEKANAND NAGAR, BEHIND RTO OFFICE, JOLDARASI GUDDA, HOSPET -583203 – HOSPET	M/S. ELITE BRILLIANT LTD., M/S. ELITE BRILLIANT LTD., SUITE 1508, 15/F, EMPRESS PLAZA, 17-19, CHATAM RD SOUTH KOWLOON, HONG KONG--
Krishnapatnam	212/10-11	21-05-2010	71,050	MV.CHENG GONG	M/S.MINERAL EMBASSY, M/S.MINERAL EMBASSY, F.NO.8, ASHWATHI APARTMENT, 1ST FLOOR, VIVEKANAND NAGAR, BEHIND	M/S. ELITE BRILLIANT LTD., M/S. ELITE BRILLIANT LTD., SUITE 1508, 15/F, EMPRESS PLAZA, 17-19, CHATAM RD SOUTH KOWLOON, HONG KONG--

						RTO OFFICE, JOLDARASI GUDDA, HOSPET -583203 - HOSPET			
Krishnapatnam	338/10-11	28-06-2010	33,000	MV. ANGLE 1	M/S. MINERAL EMBASSY, M/S. MINERAL EMBASSY, FLOT NO. 8, ASHWATHI APARTMENT, 1ST FLOOR, VIVEKANAND NAGAR, BEHIND RTO OFFICE, JOLADARASI GUDDA, HOSPET - 583203 - HOSPET	M/S. ELITE BRILLIANT LTD., M/S. ELITE BRILLIANT LTD., SUITE 1508, 15/F, EMPRESS PLAZA, 17- 19, CHATAM RD SOUTH KOWLOON, HONG KONG--			
Krishnapatnam	341/10-11	29-06-2010	68,177	MV. YONG PING	M/S. MINERAL EMBASSY, M/S. MINERAL EMBASSY, FLOT NO. 8, ASHWATHI APARTMENT, 1ST FLOOR, VIVEKANAND NAGAR, BEHIND RTO OFFICE, JOLADARASI GUDDA, HOSPET - 583203 - HOSPET	M/S. ELITE BRILLIANT LTD., M/S. ELITE BRILLIANT LTD., SUITE 1508, 15/F, EMPRESS PLAZA, 17- 19, CHATAM RD SOUTH KOWLOON, HONG KONG--			
Krishnapatnam	342/10-11	30-06-2010	4,473	MV. YONG PING	M/S. MINERAL EMBASSY, M/S. MINERAL EMBASSY, FLOT NO. 8, ASHWATHI APARTMENT, 1ST FLOOR, VIVEKANAND NAGAR, BEHIND RTO OFFICE, JOLADARASI GUDDA, HOSPET - 583203 - HOSPET	M/S. ELITE BRILLIANT LTD., M/S. ELITE BRILLIANT LTD., SUITE 1508, 15/F, EMPRESS PLAZA, 17- 19, CHATAM RD SOUTH KOWLOON, HONG KONG--			
		<b>TOTAL</b>	<b>3,20,000</b>						

**The particulars of export of Iron ore to M/s Elite Brilliant by Embassy Minerals and M/s. ILC Limited are as under:-**

S N	Port	Shipping bill no	Shipping Bill Date	Sale rate (\$)	Total Quantity (MT)	Vessel Name	Name of the Exporter	Month of Export	Avg Sale Rate during Month (\$)
1	Krishnapatnam	06/10-11	03-04-2010	85.00	80000	MV. CAPE COSMOS	M/s. ILC INDUSTRIES LTD., M/s. ILC INDUSTRIES LTD., D-No.6/7, NEAR INDUSTRIAL ESTATE, DAM ROAD, HOSPET - HOSPET	Apr 2010	128.27
2	Krishnapatnam	20/10-11	07-04-2010	127.00	35000	MV. CHENG GONG	M/s. ILC INDUSTRIES LTD., HOSPET	Apr 2010	128.27
3	Krishnapatnam	21/10-11	07-04-2010	127.00	35000	MV. CHENG GONG	M/s. ILC INDUSTRIES LTD., - HOSPET	Apr 2010	128.27
4	Krishnapatnam	26/10-11	09-04-2010	127.00	700	MV. CHENG GONG	M/s. ILC INDUSTRIES LTD., HOSPET	Apr 2010	128.27
5	Krishnapatnam	127/10-11	04-05-2010	125.00	34500	MV. IRENE	M/S.MINERAL EMBASSY, M/S.MINERAL EMBASSY, F.NO.8, ASHWATHI APARTMENT, 1ST FLOOR.	May 2010	130.19

6	Krishnapatnam	133/10-11	05-05-2010	125.00	2000	MV. IRENE	VIVEKANAND NAGAR, BEHIND RTO OFFICE, JOLDARASI GUDDA, HOSPET - 583203 - HOSPET	May 2010	130.19
7	Krishnapatnam	205/10-11	17-05-2010	105.00	36200	MV. CONSTANTINOS G	M/S. ILC INDS LTD., M/S. ILC INDS LTD., DAM ROAD, HOSPET, KARNATAKA - HOSPET	May 2010	130.19
8	Krishnapatnam	212/10-11	21-05-2010	120.00	71050	MV. CHENG GONG	M/S. MINERAL EMBASSY,	May 2010	130.19
9	Krishnapatnam	226/10-11	28-05-2010	105.00	90500	MV. ETERNAL OCEAN	M/S. ILC INDS LTD., M/S. ILC INDS LTD., DAM ROAD, HOSPET, KARNATAKA - HOSPET	May 2010	130.19
10	Krishnapatnam	338/10-11	28-06-2010	120.00	33000	MV. ANGLE 1	M/S. MINERAL EMBASSY,	Jun 2010	125.97
11	Krishnapatnam	341/10-11	29-06-2010	100.00	68177	MV. YONG PING	M/S. MINERAL EMBASSY, HOSPET	Jun 2010	125.97
12	Krishnapatnam	342/10-11	30-06-2010	100.00	4473	MV. YONG PING	M/S. MINERAL EMBASSY, HOSPET	Jun 2010	125.97
13	Krishnapatnam	570/10-11	12-08-2010	120.00	39600	MV. POSEIDON V	M/s. ILC INDUSTRIES LTD., M/s. ILC INDUSTRIES LTD., D-No.6/7, NEAR INDUSTRIAL ESTATE, DAM	Aug 2010	121.50

14	Belekeri	107/09-10	22-03-2010	110.00	80,160	MV PREM VIDYA	ROAD, HOSPET - HOSPET	Mar 2010	105.85
15	Belekeri	115/09-10	30-03-2010	128.00	28,750	MV RAAZI	M/S ILC INDUSTRIES LTD	Mar 2010	105.85
16	Belekeri	119/10-11	01-04-2010	128.00	22,500	MV RAAZI	M/S ILC INDUSTRIES LTD	Apr 2010	128.27
17	Belekeri	127/10-11	06-04-2010	135.00	50,800	MV JIN YAO	M/S ILC INDUSTRIES LTD	Apr 2010	128.27
18	Belekeri	13/10-11	12-04-2010	115.00	51,000	MV MARYLISA	M/S. MINERAL EMBASSY	Apr 2010	128.27
19	Belekeri	138/10-11	22-04-2010	127.00	53,850	MV MOKORA COLOSSUS	M/S ILC INDUSTRIES LTD	Apr 2010	128.27
20	Belekeri	152/10-11	05-05-2010	110.00	21,000	MV MOLITOR	M/S ILC INDUSTRIES LTD	May 2010	130.19
21	Belekeri	154/10-11	05-05-2010	120.00	34,000	MV MOLITOR	M/S ILC INDUSTRIES LTD	May 2010	130.19
22	Belekeri	158/10-11	10-05-2010	115.00	51,850	MV IMPERIAL SPIRIT	M/S ILC INDUSTRIES LTD	May 2010	130.19
23	Belekeri	159/10-11	11-05-2010	120.00	1,000	MV MOLITOR	M/S ILC INDUSTRIES LTD	May 2010	130.19
24	Belekeri	162/10-11	14-05-2010	65.00	29,000	MV UBC LUZON	M/S ILC INDUSTRIES LTD	May 2010	130.19
25	Belekeri	167/10-11	14-05-2010	65.00	1,500	MV UBC LUZON	M/S ILC INDUSTRIES LTD	May 2010	130.19

22) On perusal of the above table, it is seen that in a few cases, there is a wide difference in the sale price of iron ore charged by M/s ILC Ltd and the average sale price of exports during the month by all the exporters from all the ports. Exports shown at S No 1, 7, 9, 11, 12, 24 & 25 are alleged to be cases of export under invoiced.

23) Examination of bank accounts of several companies engaged in mining activities reveals large monetary transaction with M/s ILC Ltd. M/s ILC Ltd has one of its bank accounts in State bank of India with A/c No 10820656534. As the records indicate that M/s ILC is involved in trading and export of illicit iron ore, the business links of these companies with M/s ILC need to be investigated further by the Competent Agency. The list of such companies/firms is given below:

**Bank Accounts and companies/ firms linked to ILC in iron ore trade (Illegally)**

S No	Name of Company	Name of Bank	Bank Account No
1	Ananthapur Mining Corporation	Axis Bank	267010200001694
2	Obulapuram Mining Company	Axis Bank	267010200001700
3	Bachhawat Enterprises Pvt Ltd	Axis Bank	267010200005364
4	BMM Ispat Ltd	Axis Bank	267010200000295
5	Dream Logistics India Pvt Ltd	Axis Bank	618010200000222
6	Sri Lakshmi Venkateshwara Minerals	Axis Bank	618010200003681 & 267010200016667
7	Shree Mallikarjun Shipping (P) Ltd	Axis Bank	272010200001359
8	Sri Ganesh Minerals	Axis Bank	910020002746616
9	SVK Minerals	Axis Bank	618010200000541
10	Swastik Steels	Axis Bank	267010200017116
11	Yessar Trading Corporation	Axis Bank	618010200002196



12	Madhusree Enterprises	ING Vysya Bank	202011012670
13	Swastik Steels Hospet Pvt Ltd	Lakshmi Vilas Bank Sarada	0298358000000189
14	SB Logistics	State Bank Of India	30799888242
15	Devi Enterprises	ING Vysya Bank	202011012661
16	Shafia Minerals		
17	Lakshmi Aruna Minerals		
18	Shri Jambunatheshwara		
19	Siddheshwara Traders		
20	Vyshnavi Minerals		
21	Daksh Minerals		
22	Others		
15	Devi Enterprises		

24. From the above facts and circumstances the investigating team has drawn the following inferences;

1. The ILC, Bangalore has exported a total quantity **43,30,200 MTs** iron ore from various ports since 2006-07 to 2010.
2. Out of this quantity permits were issued only for **11,61,014 MTs**. The remaining quantity **31,69,186 MTs** is considered as illegal. Action should be taken to recover the cost equivalent to market value with exemplary penalty. Other contemplated action should be taken under the relevant Laws.
3. From the Belekeri port alone, about 640517 MTs of illicit iron ore has been exported during the period from October 2009 to May 2010. This is

equivalent to Rs.265,66,08,280/- @ \$103.69 per MT and Rs.40/- per US \$. It should be recovered from ILC with exemplary penalty.

4. 1,00,019 MT of iron ore illicitly extracted and transported from Mehaboob Transport Company (ML No.2658) was exported by M/s. ILC during October – November 2009. The export value of this iron ore is computed to be approximately Rs.41,48,38,804/-. Action should be taken to recover this amount with the exemplary penalty after due process of law.

5. M/s.ILC connived with the “Mining Group” and received iron ore illicitly extracted and transported from, among others, SVK Mines (SB Minerals ML No. 2515), ILC Stockyard at Bevinahalli Koppal, Trident Minerals ML No. 2315, Stockyards at PK Halli and Nagappa Mines, (Shantalakshmi Jairam ML No. 2533) and others. Action should be initiated to cancel the lease grants for all the leases involved in this illegality.

6. Seized records show a total commitment of 8,96,418 MT of iron ore to M/s ILC Ltd. The mines from which this commitment have to be fulfilled are also indicated. These mines are SVK NEB A Block (SB Minerals ML No 2550), VENAG (Shantalakshmi Jayaram ML No 2553), VYASNAKERE (SB Minerals ML No 2515), MBT (Mehaboob Transport Company ML No 2568), BMC (Bellary Mining Corporation), LMC (Lakshminarayan Mining Company ML No 2487)

and “OTHERS”. All the dispatch quantity from all the leases as stated in above paras should be considered as illegal and an amount multiplication of Rs. 2500 per MT or market value prevailing during the period whichever is higher with exemplary penalty should be recovered from the ILC and other beneficiaries.

7. The quantity exported without permits should be considered as illegal and cost equivalent to market cost prevailing during the period with exemplary penalty should be recovered from the ILC. Other contemplated action should also be taken.
8. As seen from the records, large portions of payments in trade of illicit iron ore were made in cash. The competent government authority should take note of it and take action under appropriate Law.
9. The activities of suspected “front companies” of M/s ILC viz. M/s Elite Brilliants, M/s Mineral Embassy and M/s SVM Nett Project Solutions Pvt. Ltd and cases of under-invoicing of export sales by M/s ILC as indicated in **Tables 12 & 13** of Chapter-13 Dr.U.V. Singh’s Report of should be taken note of by competent authority for taking action under appropriate Law.
10. Further investigation should be initiated into the activities of various companies/ firms/ having large financial transactions with M/s ILC Ltd as indicated in **Table 14** of Dr.U.V. Singh’s Report.

25. The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities.

26. Action should also be taken against the Directors/ Managing Partners of I.L.C. Limited (present and past) and all those who are involved in the illegal mining including use of forged/fake permits for transportation/exportation of iron ore, charging risk amount, etc., under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

27. The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.

28. The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

## **THREAT TO MINING LEASES OF IRON ORE IN BHS REGION**

In my first report on illegal mining submitted in December 2008 it has been stated that the iron ore of the grade of average 60 Fe content would last for 20 to 25 years at the rate of extraction for the years of 2004 to 2007 in Bellary, Hospet, Sandur region (BHS). After submission of first report in 2008, the production including the illegal extraction has gone up manifolds. There were debates for and against about the reserve available in this zone in various forums. Keeping all the factors in to consideration including inspection of leases and discussion with experts in mining etc. it has been thought to bring this matter in the report with facts for immediate action.

2) The life of the leases has been calculated based on the IBM plan sanctioned and the rate of extraction (present production per year) going on. The Deputy Director, Mines, Hospet and Bellary have submitted the total deposition of the iron ore and the production during the year of 2009-10 and 2010-11. Based on their submission the life of the leases is calculated and it is shocking to note that the most of the leases will be running out of deposit of iron ore for the Fe content of 60 grades plus in a span of 3-12 years.

3) The consent approvals from the MoEF and also the IBM have been increased irrationally without keeping in view the total deposition of the ore in the leases and environmental damages. This unscientific and unsustainable extraction has caused a serious concern for the existing steel plants and plants coming up in the State in future. There is proposal for establishing the steel plants for about 15 to 20 million tons in addition to the existing plants in the State.

4) The IBM plans are prepared by the lessees themselves and then taken approval from the IBM, Government of India. The consent of MoEF under the Environmental Protection Act has been given based on the approval of IBM. But it is not always mandatory. Arguments may be made that there are certain unexplored areas in the leases and also in this region. While discussing with some of the lessees on the spot they were in agreement about the reserve available in their mining leases of grade 60 and above. It was informed by them that the mineral of 60 plus Fe are likely to be exhausted as per the IBM approved plan. They have expressed the hope that the reserve of low grade with blended hematite quartz (BHQ) for another 10-15 years. It is pertinent to mention here that the new mines sanctioned in the area are also not having proper iron ore deposition for the Fe grade of 60 plus. Out of the total 94 leases (details given by Deputy Director, Hospet, Bellary) about 20 leases would have life of 20 years and above provided there is no further increase of production in quantity per year in these leases. Rest all are in "red zone". The life is calculated from the date of consent of MoEF. In some leases it may even further reduce.

5) It is also to state that the consent given by the MoEF and Karnataka State Pollution Control Board is found quite arbitrary in many of the cases. The production is increased in some cases manifolds without looking into the reserve available, the life of the leases and the environmental impact. It is a common knowledge that the environment (air and water) is highly polluted in this region. Though self conducted studies may speak otherwise. Such type of arbitrary consent should be stopped forthwith. A specific opinion of the Mines Department should be taken by the Ecology and Environment department, MoEF and KSPCB. The production should not be increased

arbitrarily for one year or so. There should be complete moratorium in the BHS Region to increase production. The present rate of production should be brought down keeping the 2002-03 as base year.

6) The details submitted by Deputy Director, Hospet in regard to expected life of leases in Forest land in Hospet and Sandur Taluk; expected life of leases in Revenue/Patta Land in Hospet and Sandur Taluk and also the expected life of leases in Revenue land in Bellary Taluk, is reproduced in Chapter 14 of the report of Dr. U.V. Singh. After going through the details submitted by Mines Department (based on the information of IBM) the following conclusions are drawn and recommendation are made by the investigating team.

- 1) To increase the duration of life of the leases for iron ore production, there shall be complete ban on the export outside the country.
- 2) Per year production for all the leases which are having life of 15-20 years shall be brought down to  $\frac{1}{4}$  of the present production.
- 3) Per year production for all the leases which are having life of 10-15 years shall be brought down to  $\frac{1}{5}$  of the present production.
- 4) Per year production for all the leases which are having life of 1-10 years shall be brought down to  $\frac{1}{10}$  of the present production.
- 5) The overburden generated of the grade of 30-50 Fe shall be simultaneously used after having beneficiation.

- 6) Illegal extraction shall be viewed seriously. If any illegal removal is found that mining lease shall be determined by following the law.
  - 7) The upper limit of dispatch in BHS region shall not exceed to 25 MTs per year including low grade.
  - 8) The quantification of low grade reserve or high grade reserve shall not be left to consultants and lessees. This should be done by the IBM and State Mines department.
  - 9) The IBM shall consult the State Government before approval of mining plan of any of the leases. All plans shall be revisited and modified as suggested above. The State Government should take immediate action to revive the IBM plans.
- 
- 7) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities.
  - 8) The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.
  - 9) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-

(N.SANTOSH HEGDE)  
LOKAYUKTA



## ISSUES OF ROYALTY AND FOREST DEVELOPMENT TAX

In my first Mining Report itself I had noticed the absurdity in levying royalty, which was just a pittance when compared to what the lessee or the exporter gets from the sale of iron ore. Dr. U.V. Singh's team has made some recommendations, which I recommend to be implemented. The said report also points out the cases where various permits were issued by forest department for some companies, which is detailed in a separate chapter of Associated Mining Company. There are some more examples, similar to non-recovery of FDTs. Therefore, immediate action to be taken to recover the FDTs from all parties, who have been given authorized permits without first collecting the FDTs and action should be taken against the defaulting officers.

### 1. Royalty on Ad-Valorem Basis

(1) The Mines and Minerals (Development and Regulation Act, 1957 (MMDR) and the Mines Act, 1952, together with the rules and regulations framed under them, constitute the basic laws governing the mining sector. The relevant rules in force under the MMDR Act are the Mineral Concession Rules, 1960, and the Mineral Conservation and Development Rules, 1988.

(2) Sec 9 of the MMDR Act has provision with regard to royalty payment by the holders of mining leases. Schedule 2 of the Act provides for the rate of royalty payment in respect of various minerals including iron ore. The provision with regard to iron ore is reproduced below:

*“22. Iron Ore (lumps, fines & concentrates all grades):*

*Ten percent of sale price on ad valorem basis.”*

(3) Sec 64 D of the Mineral Concessions Rules provide for the guidelines for computing royalty on ad valorem basis. The provisions under Sec 64 D are reproduced as below:

*“64D. Guidelines for computing royalty on minerals on ad valorem basis:- Every mine owner, his agent, manager, employee, contractor or sub-lessee shall follow the following Guidelines for computation of the amount of royalty on minerals where the royalty is charged on ad valorem basis, namely:-*

**Guidelines:**

*The Guidelines for calculation of royalty in typical cases are as follows, namely:-*

**Case 1: all atomic and non fuel minerals and minerals other than aluminum, primary gold, silver, copper, lead, zinc, nickel and tin –**

*The Indian Bureau of Mines publishes ‘Monthly Statistics of Mineral Production’ which contains state-wise total value of each mineral produced during a month in a State. The State-wise average value for different individual minerals as published by Indian Bureau of mines in the ‘Monthly Statistics of Mineral Production’ shall be the bench mark for computation of royalty by the concerned State Government in respect of any mineral produced any time during a month in any mine in that State. For the purpose of computation of royalty the State Government shall add twenty percent to this bench mark value. This value shall be reckoned to be the sale price for the purpose of computation of royalty. Also the value of the minerals published in the latest published issue of the ‘Monthly Production’ will be deemed to be*

*applicable for the mineral mined in the previous month, irrespective of when the royalty actually accrues. If for a particular mineral, the information for a State is not published in a particular issue, the last information available for that mineral in the State in a previous issue shall be referred, failing which the latest published information for the mineral for all India shall be referred.”*

(4) Accordingly, royalty is being calculated based on the state wise average sale value of iron ore for different Grades published by Indian Bureau of Mines on a monthly basis in their “Monthly Statics of Mineral Production”. Since the introduction of Ad valorem rate of royalty on the minerals, IBM has been publishing the sale value/price of minerals for different states on a monthly basis.

(5) The procedure adopted by IBM for fixing the sale value of iron ore is found to contain numerous discrepancies. Given below are some of the observations in this regard:

(i) (a) The sale price of iron ore by IBM, is calculated as the weighted average price per ton of Pit’s Mouth Value (PMV) of the ore as reported by the top ten non-captive producers or actual number of non-captive producers whichever is less in monthly returns under MCDR 1988. This methodology is flawed as the sale value, in many cases, does not accurately reflect the market price of the iron ore.

(b) This is largely due to incorrect reporting by the producers, which may either be deliberate or due to an incorrect procedure, leading to suppression of PMV. This is clearly evident from the high variation in prices in respect of

particular grades of iron ores. In a competitive market for the same grade of material the PMV derived from the end sale prices after taking into consideration deductions for transportation and other costs should not have large variations. Therefore the observed high variations indicate incorrect reporting.

(c) As an example, the monthly IBM rates for Grade 62-65% FE Fines for the period Jan 2010 to July 2010 have been compared with purchase rates of Grade 63% Fe Fines iron ore by M/s JSW Torangallu, Bellary district for the same period. The table prepared by Dr.U.V.Singh's team shows the difference in the two rates and the consequent national loss of royalty to the government. (Table 1 of Chapter 15 of Dr. U.V.Singh team's report) The permits issued during the same period from DMG Bellary and Hospet for ports as destination have been considered for computations of loss.

(d) The difference in the IBM rates (that are considered for calculation of royalty amount) with the prevailing purchase rates in the market as indicated from the purchase rates of M/s JSW, indicates a royalty loss of 76.48%.

- (ii) It is observed that in a few cases the sale price, as fixed by IBM, for lower grade iron ore (e.g.62-65% Fe lumps) is much higher than the sale price fixed for higher grade iron ore (e.g. 65% Fe and above lumps). Further in a few cases the IBM sale price value almost doubles with a change in grade from 60-62% Fe Fines (₹1087 per MT in Feb 2011) to 62-65% Fe Fines (₹2052 per MT in Feb 2011). This is anomalous and highlights procedural flaws in calculation of sale price by IBM. Further such huge variation in sale prices between two adjacent grades besides being

unrealistic encourages the lessees to report a lower grade of iron ore in order to avoid payment of higher royalty.

(iii) Further it is observed that there is a wide variation in Fe content with in a Grade. E.g. With Grade 62-65, the % Fe content varies from 62% to 65%. The market prices vary substantially with % Fe content in such high grades. However the sale rate calculated by IBM is uniform across the grade i.e. for % Fe content from 62 to 65 which is quite improper and unrealistic.

(iv) Moreover there is no systemic check to cross verify data submitted by the lessees to IBM.

(6) In view of the above, sale price values fixed by IBM are an under estimate in many cases. As a result the State Government is losing huge revenues in terms of royalty.

(7) The following suggestions are made to ensure that the IBM sale prices accurately reflect the market price of the iron ore:

(i) The present system of fixing the sales price by utilizing only the returns of top ten producers should be discarded.

(ii) In addition to the figures submitted by different lessees in Form – F & H, IBM should also take into consideration the following documents to arrive at the PMV prices.

- a. FOB Price from Customs
- b. Stevedores, Plot rent etc from concerned Port Authorities
- c. FOR price from RR copies/Railways

- d. Cost of loading, unloading, and transport from concerned lessees/local truck owners association etc.
- e. Copy of sale invoices
- f. Copy of buyer/importer agreement
- g. Sale price figures from other than pit head sales e.g. Bench mark prices of PSUs like NMDC, big corporate sector units like JSW Steel Ltd. Etc.

It would be fair to consider the highest price reported by a lessee (rather than the average of the prices reported by lessees) for a particular grade and type of ore for the purpose of calculation of royalty in a region. This could then be triangulated with the bench mark prices as mentioned above.

(iii) The sale price should be adjusted on a prorated basis for change in % Fe contents in high grade iron ore e.g. 62-65 Grade.

(iv) An audit of the statistical figures on price of iron ore (submitted by lessees), should be conducted to avoid wide variation in price of iron ores of identical nature and grade.

(v) Action should be initiated against lessees who are found to be suppressing facts or submitting erroneous figures with recovery of all consequential taxes, royalty, cess and others.

(vi) The PMV and sale values submitted by the lessees and which have been considered for calculation for the IBM price should be made transparent and put in public domain.

## **2. Need for accurate assessment of Fe in ad valorem royalty regime:**

(i) In the ad valorem regime the assessment of Fe content should be made scientific and accurate, since a small change in Fe content leads to substantial differences in the royalty amount. It is learnt that due to these considerations lessees who till recently were claiming to have iron ores of very high grade in their mines, have started submitting documents to DMG stating that their present ore is of lower Fe content which is unlikely. During this investigation, further it is also observed that the Fe content is being analysed by the local private test labs and the private test labs in Goa by taking the samples provided by the lessees. The test labs do not collect the samples independently from the source, hence the entire testing procedure is dubious and should be done away with. The samples should be analysed by a Government Test Lab by drawing the samples at source. Once this is fixed any further variation should not be accepted without re-verification. Further, the Fe content should be re examined with the prices paid for by the end users of the ore. During this investigation, it has been observed that in a few leases, royalty is paid for low Fe grade resulting in loss to the government. Further enquiry is recommended in this regard through an independent audit.

## **3. Forest Development Tax (FDT)**

(i) As per the notification dated 16/08/2008, provision has been made for levy of Forest Development Tax (FDT) on iron ore extracted from leases within forest area. As per the notification, FDT should be calculated *“on the amount of consideration paid therefore, with regard to iron ore disposed of by the lease holder*

*of mines and quarries situated in forest area by sale or otherwise.”*

(ii) Presently the collection of FDT is being done as per a direction issued through a letter of Principal Secretary dated 23/08/2008. The letter states that the consideration, in case of export trade need to be based on amount shown in invoices, while in case where iron ore is traded for local use, the consideration is to be decided on the DMG/MML/NMDC rates whichever is higher. Some of the issues that need to be resolved in this regard are:

(a) It is to be noted, while collection of royalty is presently being based on the monthly sale value fixed by the IBM, the FDT is being collected based on invoices as well as rates of DMG/MML/NMDC. This anomaly of taking different sale values for assessment of royalty and FDT for the same iron ore needs to be resolved without further delay.

(b) The invoices submitted for assessment of the “consideration” in case of EXORTS can be easily manipulated by using undervalued invoice to a “front company”. Therefore the FDT should be collected provisionally based on the provisional invoices. The final settlement of FDT collection should be based on the final invoices, Bank realizations and FOB values as recorded in shipping bills.

(c) With regard to the iron ore traded for the LOCAL USE, it is observed that the DMG/MML/NMDC do not have monthly rates for all the categories and grades of iron ore. For the purpose of uniformity, it is suggested that IBM monthly sale rates for various categories and grades of iron ore may be adopted. However before that, IBM sale rates itself would need



to be rationalized as per the computation process outlined in this chapter.

(d) The “consideration” needs to be decided based not only on the Pits’ mouth value (PMV) as declared by the IBM, but also on the figures of (Free on Board) FOB with deductions like cost of transportation, permit cost etc. also taken into account. This methodology has been adopted by several large domestic iron and steel units for determining their procurement prices of iron ore.

During the investigation it has been observed that in few cases forest permits are issued without recovery of FDT on the said permits. M/s Associated Mining Company (dealt in a separate chapter on Associated Mining Company) and many more are examples in this regard. A further enquiry should be ordered in all such cases of non-recovery of FDT for taking further needful action.

3. The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities.

4. The Principal Secretary, Forest, Ecology and Environment should assess the non-recovery of FDT within 50 days and take appropriate action for recovery and also against the officials, who have failed to recover the FDT and issued the permits.

5. The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.

6. The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or

proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-

(N.SANTOSH HEGDE)  
LOKAYUKTA

**ILLEGALITIES IN M/S. JANTHAKAL ENTERPRISES ML NO.  
593/993**

1) A mining lease No.593/993 at Hirekandawadi and Tanigehalli Villages of Holalkere Taluk, Chitradurga Dist. was granted in 1965 in favour of one Sri K. Raghavendra Rao and further it is claimed by M/s. Janthakal Enterprises that the said mine has been transferred in its favour in the year 1967 though no Government Order is available in any file/ records of the State Government as well as with the lessee. The said mining lease has been renewed twice under Section 8 (2) of Mines and Minerals (Regulation & Development) Act (MMDR), 1957 vide two notifications dated 23.08.2007 with retrospective effect on the same day with a gap of 22 years. The renewal had been approved by the Secretary of the then Chief Minister stating as (whether such approval is legally valid or otherwise should be taken note of):

16) ಕಂಡಿಕೆ 12ನ್ನು ಮಾನ್ಯ ಮುಖ್ಯಮಂತ್ರಿಗಳು ಅನುಮೋದಿಸಿದ್ದಾರೆ.

(ಡಿ.ವಿ.ಪ್ರಸಾದ್)

ಮುಖ್ಯಮಂತ್ರಿಯವರ ಕಾರ್ಯದರ್ಶಿ

2) It is to note here that the second renewal of the lease without having entered into the lease deed Agreement between the department and lessee is an incomplete process of the first renewal and in that respect the second renewal on the same day is not legally valid. However the second approval given as above is based on the recommendation of the Secretary, Mines. The copies of notifications (1 and 2) dated 23-08-2007 are enclosed here for ready reference **(Annexure to Chapter 16 pages 1-10 enclosed to Dr. U.V. Singh's report).**

3) The approval under Forest (Conservation) Act, 1980, is not accorded so far due to insufficient records etc. and subsequently, certain problems, have arisen due to submission

of forged documents purportedly issued from MoEF, New Delhi for permission of lifting of old waste dumps.

4) To mine in the leased area after lapse of lease period and without having approval under Forest (Conservation) Act, 1980 (FCA) and Environmental Protection Act is contrary to Law. To overcome this, the GPA holder Sri Vinod Goel of M/s. Janthakal Mining Company Pvt. Ltd (JMCPL)/Janthakal Enterprises (JE) **(Annexure to Chapter 16 at pages 43-68 enclosed to Dr. U.V. Singh's report)** has hatched a conspiracy to do mining at the garb of lifting the stocks, which he claimed as "old dumps". Sri Vinod Goel, GPA Holder of M/s. JMCPL, is native of Mumbai and having the office at Bangalore also. Sri Vinod Goel is also having another Iron Ore Mine in Tumkur District by name Hanuman Mines ML. No. 2220. It is to state here that Sri Vinod Goel is involved in another matter of grant of mining lease to M/s Shree Sai Venkateshwara Minerals (SSVM) which is separately dealt in this report. With this background it seems he has well established connections with the officials of Mines and Forest Departments, at the State and Central Government and also at Political level.

5) Sri Vinod Goel has forged two letters viz., J-11015/19/2007-IA, II(m) dated 27-08-2007 and J-11015/82/2008-IA, II(m) dated 14-02-2008 purportedly issued from the MOEF to the Authorized signatory i.e., Sri Vinod Goel, GPA Holder and to the Principal Chief Conservator of Forests, Aranya Bhavan, 18<sup>th</sup> Cross, Malleshwaram, Bangalore respectively **(Annexure to Chapter-16 pages 17-20 enclosed to Dr. U.V. Singh's report)**. These forged letters were submitted to the Mines and Geology Department and PCCF by Sri Vinod Goel along with covering letters requesting to grant permission

to lift the iron ore claiming that the MOEF has granted permission to lift the old dumps. By virtue of these correspondences, the Director, Mines and Geology had issued an order allowing him to lift so called “old dumps” vide his letter no. గభూం: గగుతా: ఆర్ఎంఎల్ 993: 2007-08 dated 11-09-2007 **(Annexure to Chapter-16 at pages 99 enclosed to Dr. U.V. Singh’s report)**. Before issuing this order for lifting the iron ore it is relevant to observe the noting made by the Commissioner, Mines in the connected file. The relevant para no. 220 of the note sheet of file no. గభూం: గగుతా/99 ఎంఎంఎల్ 84/08-09 of the office of Director, Mines is reproduced herein:

**“220) 99 AML 84/ Janthakal Enterprises/ 11.09.2007**

*Discussed with AD(M). There is tremendous pressure from the Hon’ble Chief Minister office as well as Hon’ble CM spoke to me regarding issue of working permission, which is not at all possible in absence of Forest Clearance & Environment Clearance from the Ministry of Environment & Forests, Government of India. However the Government of India vide letter No. J-11015/19/2007-IA.II(M) dated 27.08.2007 has given permission to lift about 1 lakh m tones of low grade Iron ore and Manganese with the condition that the old stacked dump to be removed in a scientific manner so that the Environmental hazardous due to erosion of the old dump are minimized. No fresh production activities or cutting of trees or forest grown during the course of lifting of the old material allowed. Lessee is also directed to comply with the condition imposed by their office as per Forest Conservation*

*Act, 1980. No fresh mining production will be taken up without obtaining Forest Clearance.*

*There is tremendous pressure, repeated telephone calls. This case has been followed by Mr. Vijay Kumar; Suspended Police officer Mr. Daya Nayak of Maharashtra, Mr. Darshan Goel & Mr. Vinod Goel; from the date of Notification till now. They have been putting pressure hell and heaven and the Hon'ble CM also spoke to me thrice. I have to explain that nothing is pending in our office. Sooner the report received from the DD/Chitradurga, regarding availability of the old stocks, permission will be given.*

*There is procedure, to first get approval from the Commerce & Industries Department, Government of Karnataka, then communicate to the lessee & DD/Chitradurga and in this present case, Hon'ble CM has given ultimatum that the permission should be given within TWO HOURS, without loss of time. Therefore permission should be issued and directions should be given to the DD/Chitradurga to allow lessee to lift old dumps as it is already permitted by the Government of India, Ministry of Environment & Forests, letter dated 27.8.2007 with the above mentioned conditions should be strictly be complied.*

*Therefore one letter must be addressed to the Government for approval and another letter must be written to the DD/Chitradurga in view of the kind of pressure put up by the above mentioned persons on this office through the Hon'ble CM.*

*Sd/-  
COMMISSIONER”*

6) The approval and issue direction to Deputy Director, Mines, Chitradurga for lifting the old dump without even having received letter from MoEF to his office under extraneous pressures is illegal and improper on his part.

7) The Government of India, MoEF vide their letter no. L-1011/51/2009-IA. II(M) dated 01-12-2009 and L-1101/51/2009-IA. II(M) dated 24-12-2009 have confirmed that no such communication had been addressed by the Ministry to M/s. Janthakal Enterprises (Authorised Signatory) and PCCF, Karnataka. **(Annexure to Chapter-16 at pages 21 and 15 enclosed to Dr. U.V. Singh's report)**. It is also been stated by them that there is no person by name Sri Irfan Saikh working in the section of Office of MoEF, New Delhi. Later on Sri Vinod Goel has also admitted that the letter dated 14-02-2008 allegedly issued from MoEF was not genuine.

8) After going through the contents of the letter dated 14-02-2008 submitted by Sri Vinod Goel to PCCF, it has cropped suspicion about the genuineness of the said letter and had surfaced. Meanwhile, the letters and correspondences made by Sri Vinod Goel to PCCF office and from PCCF office to Government of India, MOEF and to State Government (FEE Dept.), were stolen from the files of the office of the PCCF. Further, it is noticed that the connected papers in the subject matter were also stolen from the office of the Principal Secretary to Government, Forest, Environment and Ecology Dept., M.S. Building, Bangalore. In this regard, the complaints have been filed from the office of PCCF as well as from the office of the Principal Secretary for "missing" of the documents after lapse of more than six months. It is submitted here that this subject is not only the case of "missing" of the records, but it is a case of

theft of the records from the files and involvement of concerned officers/ officials cannot be ruled out. A proper enquiry should be conducted against all the officials/ officers at the office of the PCCF and also at the office of the Principal Secretary (FEE) under the Conduct Rules. It is learnt that no such action has been taken even after lapse of 3 years.

9) It is further stated that Karnataka State Pollution Control Board (KSPCB) has had a public hearing for the said mining lease to onward submission to MoEF for giving environmental clearance. Hearing had been conducted without involving the villagers of the Tanigehalli and Hirekandavadi villages where the mining lease is located. Not having involved the connected villagers whose stakes are there for grazing etc. and other effects of mining is a serious lapses and also extending favour to the lessee. However, it is learnt that MoEF has rejected the permission sought by the lessee after knowing the irregularities happened in this case and involvement of GPA holder in forged documents. It is stated here that the Commerce and Industries Department vide their letter no. CI 91 MMM 96 dated 30-09-1996 has rejected the renewal application dated 22-06-1984 for ML No. 593/993 of the M/s Janthakal Enterprises on the direction in the Writ Petition No. 25827/1995 of the High Court of Karnataka for consideration of the application of the lessee. The lessee again went to High Court and got direction to consider case in 1997. Since then the matter was pending.

10) It is also noted that M/s Janthakal Enterprises has submitted the details of production for the years 1981-1983 indicating that 7900 MT of material was available in 1984. It is not known how the quantity of 1,17,800 MT has arrived as claimed by the lessee to lift and transport. This should be



scientifically got measured and if there is any irresponsible measurement done by the concerned Officials action should be initiated against them.

11) Sri Vinod Goel on behalf of M/s Janthakal Enterprises filed a Writ Petition on 30-03-2009 before the Karnataka High Court WP No. 8094/2009 seeking the following reliefs:-

*“issue a writ of mandamus directing the respondents to permit the petitioner to lift the dumped material lying in the mining yard of ML 593/993 at Hirekandawadi & Thanigehalli village of Holalkere Taluk, Chitradurga District, by collecting the requisite fee and royalty.”*

12) The above said writ petition has been disposed off in favour of the petitioner on 02-07-2009 granting the relief as sought by him. **(Annexure to Chapter 16 pages 23 to 42 enclosed to Dr. U.V. Singh's Report)**. Against the said order the State Government (Forest department) has gone to Supreme Court in special leave (SLP No. 33773-333774/2009). The connected contents of the order dated 15-04-2011 of the Hon'ble Supreme Court is reproduced as under:

*6. The said writ petition came up for consideration before a division bench of the High Court on 24.4.2009 for preliminary hearing. The High Court directed issue of notice to the respondents and also issued an ex-parte interim direction to the forest department, to furnish the following details to the court:*

*(i) What was the actual quantity of the dumped material available in the mining yard?*

*(ii) What would be the royalty, EPF, NPV which the writ petitioner was otherwise liable to pay?*

*(iii) What was the damage they had caused to the flora and fauna? And*

*(iv) What was the extent of afforestation, if the writ petitioner was liable to make it?*

*7. When the matter came up for preliminary hearing on 2.7.2009, the Government Advocate handed over to the court, a copy of the report dated 18.6.2009 submitted by the Deputy Conservator of Forests, Chitradurga Division to the Principal Chief Conservator of Forests, prepared in compliance with the order dated 24.4.2009.*

*The said report furnished the following information:*

*Q: What is the actual quantity of the available material:*

*A: There are 9 old dumps in the above ML area. The quantity of the material assessed by the Dept. of Mines & Geology is 1,17,800 M.T.*

*Q: Since when it is dumped and the damages caused thereto due to that dumping:*

*A: As per this records in the above ML no mining activities were carried out in the area since 1985. Due to dumping of the material, forest growth and*

vegetation in the area and surrounding streams are disturbed.

*Q: What is the royalty, damages has to be paid by the petitioner?*

*A: The royalty is to be collected by the Dept. of Mines and Geology. Hence, the information is to be provided by the Dept. of Mines and Geology. The surrounding area about 12.00 Ha was damaged. As per the Hon'ble Supreme Court of India order dated 28/03/2008 in I.A. No. 826 in 566 with related I. As in writ petition (Civil) NO. 202/1995 the value of the damaged forest land is estimated at the rate of Rs. 8.03 lakhs per Ha. Hence, for 1200 Ha. the damages in mandatory terms amounts to Rs. 96.36 lakhs (Rupees Ninety six lakhs thirty six thousand only).*

*Q: The amount of Net Present Value, EPF to be paid by the petitioner*

*A: As per the Hon'ble Supreme Court of India order dated 28/03/2008 in I.A. No. 826 in 566 with related IAS in Writ Petition (Civil) No. 202/1995 the Net Present Value is to be paid by the petitioner is as follows:*

Sl. No.	Particulars	Density	Extent (in ha)	Rate of NP (Rs. In Lakhs)	Amount (Rs in lakhs)
1	Eco-Class III	Dense	80.94	8.03	649.9482

*The Compensatory afforestation charges at the rate of Rs. 84,000/- per ha for 80.94 ha. amounting to Rs. 67,98,960/- (Rupees Sixty seven lakhs ninety eight*

thousand nine hundred and sixty only) if the user agency take action to transfer and mutate the 80.94 ha non-forest land in favour of the Forest Department. If the compensatory afforestation land is not available and the petitioner fails to identify and transfer non-forest land in favour of the forest department, double the amount i.e. Rs. 67,98,960 x 2 times = Rs. 1, 35,97,920/- (Rupees One crore thirty five lakhs Ninety seven thousand Nine hundred and twenty only) is to be paid by the petitioner to raise the compensatory afforestation in the forest land.

Environmental loss may be assessed by the Environmental Department, Government of Karnataka. “

8. At the said hearing on 2.7.2009, when the matter came up for further orders, the Government advocate appeared for respondents 1, 2, 4 and 5. There was no representation on behalf of the third respondent (MoEF, Government of India). As only a short time had elapsed after service of notice, the State and its forest and mining departments could not file their statement of objections. The Forest department claims that it could not even appoint a Litigation Conducting Officer nor furnish its parawise remarks to the counsel for preparing the counter-affidavit, for want of time. The High Court however allowed the writ petition by the impugned order dated 2.7.2009, with the following directions:

“The petitioner is permitted to remove the dumped Iron ore quantified at 1,17,800 Metric Tonnes lying in the mining yard (M.L.No. 593/1993) situate at Hirekandawadi and Tanigehalli villages of Holalkere

taluk, Chitradurga District, subject to the following conditions:

- (i) The iron ore which has already been extracted and quantified at 1,17,800 Metric Tonnes lying staked as on date, can be lifted by the petitioner upon proper notice to the Mining Authorities.
- (ii) On getting such notice, the Mining Authorities shall depute a competent officer, who shall remain present at the time of such lifting.
- (iii) Such lifting will take place in accordance with law and upon payment of required royalty to the State.
- (iv) The lifting operation must be completed within a period of six weeks from the date of receipt of this order or production of the certified copy of the order, whichever is earlier.
- (v) Petitioner shall make payment of the following amounts before lifting the dumped Iron ore:
  - a) Royalty : Rs. 11,04,375/-
  - b) Damage of forest land in monetary terms : Rs. 96,36,000/-
  - c) Net present value, EPF For the entire area : Rs. 6,49,94,820/-
  - d) Compensatory Afforestation charges. : Rs. 67,98,960/-

OR

Penalty on compensatory Afforestation charges if the Land is not available & if the Petitioner fails to Identify and transfer the non-forest land. : Rs. 1,35,97,920/-
- e) Any other statutory dues
- vi) It is made clear that it is for the forest authorities to decide, whether Net present value as directed to be

*paid, is adjustable towards the approval under section 2 of the Forest (Conservation) Act.”*

*9. The first respondent thereafter filed an application seeking modifications in the order dated 2.7.2009. The said application was allowed on 27.8.2009, without giving opportunity to the State or Central Government to file their objections. Direction (iii) and onwards in the operative portion of the order dated 2.7.2009 were recast as follows:*

*“(iii) Such lifting will take place in accordance with law and upon payment of required royalty and amount ordered to be deposited by this court, necessary permission for transport for lifting the iron ore shall be issued within thirty days of depositing the royalty and amount ordered to be deposited by the petitioner by this order.*

*(iv) The lifting operation must be completed within a period of six months from the date of receipt of this order or production of the certified copy of the order, whichever is earlier.*

*(v) Petitioner shall make payment of the following amounts before lifting the dumped Iron ore:-*

- |  |                        |
|--|------------------------|
| <i>a) Royalty</i>  | <i>: 11,04,375/-</i>   |
| <i>b) Net present value,<br/>EPF for the entire area</i> | <i>: 4,69,45,200/-</i> |
| <i>c) Compensatory Afforestation<br/>charges</i>         | <i>: 67,98,960/-</i>   |

*OR*

*Penalty on compensatory  
Afforestation charges if the  
Land is not available and if  
The petitioner fails to identify  
and transfer the non-forest land*

*: 1,35,97,920/-*

*d) Any other statutory dues.*

*vi) The petitioner shall be entitled to adjust the present amount to be paid as per the order towards amount payable as EPF for the purpose of granting permission under section 2 of the Forest (Conservation) Act”.*

*10. The said orders dated 2.7.2009 and 27.8.2009 are challenged by the State Government and its authorities in these appeals by special leave. The appellants contended that the following incorrect factual assumptions were made by the High Court, while disposing of the writ petition, which are not borne out by the record:*

- (a) That the material on record showed that first respondent was not carrying on any mining activities in Mining Lease Area No. 593/933, after coming into force of Forest (Conservation) Act, 1980 in the mining area;*
- (b) That that nine dumps of iron ore found in the mining lease area quantified at 1,17,800 metric tons had been validly extracted by the first respondent when the mining lease was valid and was in force (that is prior to 5.7.1985);*
- (c) That the respondents in the writ petition (appellants herein) did not dispute the claim of the first respondent that it had stopped the mining operations and only wanted to shift the dumped iron ore excavated prior to 1980. Therefore, the writ petitioner (first respondent herein) was entitled to permission to*

*remove the 1,17,800 metric tons of dumped iron ore from the mining lease area.*

*(d) The state Government and the central Government conceded the claim of the first respondent.*

*11. We find considerable force in the contentions of the appellants. Neither the State Government nor the Central Government filed any counter nor did they have sufficient opportunity to file any counter. Nor did they concede any claim of the first respondent. Apparently, the entire order was passed on the basis of the report dated 18.6.2009 submitted by the Dy. Conservator of Forests, by assuming it to be an admission on behalf of the state government. But the report dated 18.6.2009 is only a report submitted by the Deputy Conservator of Forests to the Principal Chief Conservator of Forests in pursuance of an ex-parte interim order of the High Court. Even the said report does not state that the ore in the nine dumps was mined prior to the Forest (Conservation) Act came into force, but only states that there was no mining activity in the area since 1985. The said report does not say when the said ore was mined. In fact that information was not sought by the High Court. Significantly, apart from the said report of the Deputy Conservator of Forests, there is no other material to conclude that the material was mined legally prior to 1980, when the lease was in force or that the said quantity of dumped ore belongs to the first respondent or that the first respondent is entitled to remove or sell the said material. The first respondent had not placed any material to show that the said*



*quantities of ore had been mined before the lease expired or that the said quantities of ore had been mined before the lease expired or that the said quantities of ore were lying at the site prior to 1980. No report was also called for from the Director, Mines and Geology which is the concerned department, or from the central government. The four questions in the order dated 24.4.2009, significantly do not refer to the following important aspects:*

*(i) When was the said material mined/excavated?*

*(ii) What is the grade (percentage of ore content) in the dumped ore?*

*(iii) Whether the first respondent was the owner of the dumped material?*

*(iv) Whether there was any impediment for removing the dumped material or transporting them?*

*The above questions can be answered only by the Department of Mines and Geology and not by the forest department.*

*12. The correctness and reliability of the report dated 18.6.2009 of the Dy. Conservator of Forests is itself doubtful and far from satisfactory. The inspection and verification was not done by the Dy. Conservator of Forests who had furnished the report. The Principal Chief Conservator of Forests informed the Dy. Conservator of Forests, about the ex-parte interim direction of the High Court, by letter dated 30.05.2009. IN turn, the Deputy Conservator directed the Assistant Conservator of Forests to given a report.*

*The Assistant Conservator of Forests gave a report dated 16.06.2009 to the Dy. Conservator of Forests which was incorporated in his report dated 18.6.2009. There was not even an affidavit supporting or verifying the said report. The report appears to have been prepared rather casually and in a hurry.*

*13. There was unexplained delay and laches in filing the writ petition. The lease period came to an end on 6.7.1985. The writ petition was filed twenty four years later that is in the year 2009, seeking a direction to the State Government and Central Government to permit lifting of the ore by collecting necessary fee/royalty. Except stating that the dumped material had earlier no value, there was no explanation why for 24 years, no action was taken by the first respondent either to claim ownership in respect of the said "material" or remove the same. There was no material to show that the said material was of a grade of 62% to 63% or less. There was no material to show that the first respondent had informed the Mining Authorities or Forest authorities or the state government about the existence of mined ore in the mining area in nine dumps, either by way of returns, reports or otherwise. The first respondent had earlier produced a fake document dated 14.2.2008 wherein it was stated that the waste dumps (of one lakh tones) was not mined material but consisted of natural eroded soil and wastage thrown from neighbouring mines. Though first respondent subsequently admitted that the said letter dated*

*14.2.2008 was a fake, it did not aver that the contents of the document were false and concocted. Thus at one stage before filing the writ petition, the first respondent claimed that what was sought to be removed was not mined mineral, but eroded soil and waste thrown from neighbouring mines. But in the writ petition, the first respondent claimed that the material in question was low grade ore mined by it when the lease was in force. The contradictory stands raise doubts about the claim of the first respondent.*

*14. The courts should share the legislative concern to conserve the forests and the mineral wealth of the country. Courts should be vigilant in issuing final or interim orders in forest/mining/Environment matters so that unscrupulous operators do not abuse the process of courts to indulge in large scale violations or rob the country of its mineral wealth or secure orders by misrepresentation to circumvent the procedural safeguards under the relevant statutes. The court should also realize that Central Government and the State Government are huge and complex organizations and many a time require considerable time to secure information and provide them to court, in matters requiring enquiry, investigation or probe. Where writ petitions involving disputed questions of fact in regard to forest/mining/environment matters, come up for consideration, courts should give sufficient time and latitude to the concerned ministries/departments to file their objections/counters after thoroughly verifying the facts. If there*

*is undue hurry, the concerned ministries/ departments will not be able to make proper or thorough verifications and place the correct facts. Instances are not wanting where the public interest will be sabotaged, by the officers of the state/central government who are supposed to safeguard the public interest, by colluding with the unscrupulous operators. A wrong decision in such matters may lead to disastrous results – in regard to public interest – financially and ecologically. Therefore, writ petitions involving mineral wealth, forest conservation or environmental protection should not be disposed of without giving due opportunity to the concerned departments to verify the facts and file their counters/objections in writing.*

*15. This case is a typical example where a writ petition requiring decision of disputed and unascertained factual allegations filed on 30.3.2009 has been disposed of on 2.7.2009 without giving due opportunity to the mining and forest departments of the State Governments and the MoEF, to file their counter- affidavits. When there was delay of nearly a quarter century on the part of the writ petitioner in approaching the court, the writ petition ought not to have been disposed of in hardly three months, without counter-affidavits from the concerned respondents. Even though there were no counter affidavits, nor any opportunity to the respondents in the writ petition to file counter-affidavits, the High Court assumed that the State and the Central Governments had conceded the claims of the first*

*respondent in the writ petition and allowed the writ petition on 2.7.2009. Again, the High Court without calling for objections from MoEF or the state government, on an application by the writ petitioner, amended the final order and reduced the Net Present Value (NPV) from Rs. 6,49,94,820/- to Rs. 4,69,45,200/-. Anxiety to render speedy justice should not result in sacrifice of the public interest.*

*16. We are of the considered view that the High Court committed a serious error in hurriedly deciding seriously disputed questions of fact without calling for a counter and without there being any proper verification of the claim of the first respondent by the authorities concerned. The order of the High Court cannot be sustained.*

*17. We, accordingly, allow these appeals and set aside the order of the High Court and dismiss the writ petition filed before the High Court. We impose costs of Rs. 50,000/- upon the first respondent payable to the state government.*

*18. The learned counsel for first respondent submitted that this order should not come in the way of the first respondent seeking appropriate remedy in accordance with law. If the first respondent has any remedy in law or cause of action for seeking any remedy, this order will not come in the way of first respondent seeking such remedy in accordance with law.*

*New Delhi  
April 15, 2011*

*..... J.  
(R.V. RAVEENDRAN)  
.....J.  
(A.K.PATNAIK)*

13) The Order of the Hon'ble Supreme Court in SLP Nos. 33773-333774/2009 dated 15.04.2011 is relevant to reproduce as above on account of the complexity of the matter and to know the sequential events and facts. As per para 12 of the said order the Hon'ble Supreme Court has expressed its displeasure the manner Deputy Conservator of Forests has submitted the report. Therefore action should be initiated against the DCF accordingly. Further the Hon'ble Supreme Court has also passed structures against the order of the Hon'ble High Court of Karnataka. The order copy of the Karnataka High Court is enclosed as **(Annexure to Chapter 16 at pages 23-42 of Dr. U.V. Singh's report)**.

14) There was a petition filed by one Sri G. Ravi stating that the mining lease in question has been sold by Sri R. G. Janthakal to Sri Vinod Goel by charging a cost of Rs. 3.01 crores. The details of cheques and drafts were given in the said petition **(Annexure to Chapter-16 pages 11-13 of Dr. U.V. Singh's report)**. The connected drafts and cheques were verified with the respective accounts of Janthakal Enterprises and it is found that the money has been credited in the bank account no. 06009010002741 of Syndicate Bank, Bellary. The copy of the said bank account is enclosed as **(Annexure to Chapter 16 pages 91-98 of Dr. U.V Singh's report in this regard)**.

15) A case under Section 420, 468 of IPC has been filed against Sri Vinod Geol (GPA Holder) in the Chikkajajur P.S., Chikkajajur, Holalkere Taluk, Chitradurga District. It is learnt that the investigation is stayed by the Hon'ble High Court and the matter is pending.

16) A complaint was also filed at Sadashivanagar P.S. by the Administrative Officer of PCCF office for missing of the papers/ records after lapse of 6 months. The preliminary investigation has been conducted by the PSI Sadashivanagar P.S. and he has sent a report stating that the PCCF may initiate a departmental enquiry against the concerned officers/ officials for the missing of the records and the complaint is closed at their Police Station. The outcome of other complaints filed in M.S. Building is not yet known since there is no response from Government. On going through the copies of the complaints filed in M.S. Building as well as Sadashivanagar Police Stations regarding “missing” of the records, it may be stated here that they are not proper. There should have been a case of theft of records and a proper FIR.

17) Since, this is a matter of serious nature wherein a conspiracy is hatched for creating forged documents and subsequently theft of records to destroy the evidence to escape from the clutches of Law, a proper handling is required in the matter for prosecution. The connivance of the officers/ officials is very much evident while going through the whole episode. Hence, the facts would come to light only when a proper and in depth investigation is done by a Competent Authority for the theft of records from the office of Principal Secretary, Forest, Ecology and Environment and the office of Principal Chief Conservator of Forests, Aranya Bhavan, Bangalore.

18) It is to state here that after issue of permission by the Director, Mines Sri Vinod Goel had started working in the leased area. Two offence cases were booked by the officials of the Forest department and the same has been compounded by the Deputy Conservator of Forests. It is to state that offence case

was booked against the unconnected persons and not against the original culprit. Hence the offence case filed was very weak and only for the sake of filing it.

19) The Director of M/s Twenty First Century Wire Rods Ltd made a submission before this office on 14-08-2010 regarding export of iron ore fines from Belekeri port and iron ore lumps from Murmagao port, Goa. **(Annexure to Chapter 16 pages 69-72 of Dr.U.V. Singh's Report)**. As per this submission a total amount US \$ 20,00,000 has been received as advance against the iron ore lumps exported from Murmagao port to Pakistan Steels, Karachi, Pakistan. The Director further submits that

*“Against the commercial invoice of US \$ 2741325.54 for export of Iron ore Lumps, Payment amounting to US \$ 2645673.21 (including carryover of US \$ 645673.21) were received and advances on various dates as mentioned above through our bank. There is a shortfall of US \$ 95652.33 to be received from the buyer i.e. Alsaa Petroleum towards this shipment. As the buyer did not make this payment and raised quality issued after consuming the entire consignment.”*

On verification of the records submitted by the Deputy Commissioner of Customs, Goa **(Annexure to Chapter 16 pages 73-90 of Dr.U.V. Singh's Report)** it is to note that as per the shipping bill no. 5024498 dated 18-12-2009 and the performa invoice dated 16-12-2009 for IEC No. 0593019083, an amount of US \$ 1319284.75 at the rate of 35 PDMT for the quantity of 37693.85 DMT is fixed as cost of the iron ore lumps of 61% Fe. This amount is a short by US \$ 1422041.54 against the commercial invoice of the Company (i.e. 2741325.54 USD).



This seems to be a case of under-invoicing and the Competent Authority should further investigate this matter.

20) As per the iron ore lumps supply contract dated 31-10-2009 between M/s Twenty First Century Wires Rods Ltd, Sadashivanagar, Bangalore and the Alsa Petroleum and Shipping FZC, RAK free trade zone UAE; the supplier is suppose to supply the lumps from the Sri Hanuman Mines and M/s Janthakal Enterprises, Karnataka **(Annexure to Chapter 16 pages 101 to 107 of Dr.U.V. Singh's Report in this regard)**. On verification of the permits issued by the Tumkur, Deputy Director, Mines; permit of 2992 MT is issued for RKB Plot, Santona Sanguces, Goa in the year of 2009-10. Even if this quantity is taken for export there remains a deficit of 36478 WMT. There is no permit issued from Janthakal Enterprises. This indicates that the export of iron ore lumps to Pakistan is from the illegal iron ore source. The iron ore lumps for export are either transported from Hanuman Mines or from the Janthakal Enterprises Mines or from any other unknown source illegally. The details of permits issued by Deputy Director, Tumkur are submitted herein.

Sl. No.	Name of the Lessee	Permit No.	Permit Date	Quantity MT	Lumps	Party	Destination
1	Hanuman Mines ML No. 2220	10974	15/12-2009	2992	2992	Self	RKB Plot Santona Sanguces Goa
2	Hanuman Mines	86268-86298	05-10-2007	496	496	Jain Udyog	Jain Udyog Goa
3	Hanuman Mines	82029-82059	27-09-2007	496	496	Self	Jain Udyog Goa

21) With the above said facts and circumstances the following conclusions are drawn by the Investigating team for further needful action.

- 1) The second renewal accorded on 23-08-07 without having entered into lease deed Agreement for the first renewal under Section 8(2) of MMRD Act is improper and incomplete.
- 2) Sri Vinod Goel hatched a conspiracy to work in the lease area on the garb of lifting the “old dumps” by creating forged and fake documents purportedly issued from MoEF and bringing extraneous pressure to issue permission for lifting the “old dump”.
- 3) The two letters in favour of Authorised Signatory and Principal Chief Conservator of Forests purportedly issued from MoEF, New Delhi were forged and fake. The letters are no. J-11015/19/2007-IA, II(m) dated 27-08-2007 and J-11015/82/2008-IA, II(m) dated 14-02-2008 respectively.
- 4) The permission granted by the then Commissioner, Mines and Geology, Bangalore to lift the old waste dumps of iron ore under extraneous pressures was illegal, irregular and improper. The permission was granted even without receiving a letter from MoEF to him. No letter was addressed to him by MoEF. Action should be initiated against him by following due course of law.
- 5) The connected records were stolen from the files of the offices of Principal Chief Conservator of Forests (FC section) and Principal Secretary, FEE. No action was taken even after lapse of 5-6 months on

this matter. No action is taken even today against the officers and officials responsible for it. No case of theft has been registered. Hence action should be initiated against all officers/officials responsible for this act of misconduct.

6) The lease No. 593/933 of M/s Janthakal Enterprises has been sold at a cost of Rs 3.01 crores to Sri Vinod Goel who is also a Proprietor of Hunuman Mines, Tumkur and M/s Twenty First Century Wire Rods Ltd. The money has been deposited in the Bank account No. 06009010002741 of Syndicate Bank Bellary of Janthakal Enterprises. This is in violation of Rule 37, 46 and 48 of the MCR 1960 therefore lease should be cancelled by following due procedure under the Law and the amount of Rs. 3.01 crores should be forfeited to State Government.

7) It is learnt that after having approval of Commissioner, Mines for lifting the old dumps of Iron ore, Sri Vinod Goel started working in the mines. The sign of working is available at the mine head even today. There were two offence cases i.e. FOC No. 8/2007-08 dated 13-09-2007 and FOC No. 35/2008-09 dated 28-09-2008 were booked against the irrelevant persons by the Section Forester. Both the offence cases have been compounded by DCF, Chitradurga without having in depth investigation. Both the cases should be investigated by the Department from an officer

with known integrity and not below the rank of CCF.

- 8) The Hon'ble Supreme Court has passed strictures against the order dated 02-07-2009 WP No. 8094/2009 (GM-MM/S) of the Hon'ble High Court of Karnataka. It is to be noticed that Government which was a respondent in this petition did not even file a counter affidavit.
- 9) The Hon'ble Supreme Court has also passed strictures against the Deputy Conservator of Forests, Chitradurga. Appropriate action should be initiated against him for filing the report in the High Court without any order in this regard (in para 12 of Supreme Court judgment).
- 10) 37693.85 DMT of iron ore lumps had been exported from the Murmagao port to Pakistan Steel Mills, Karachi, Pakistan by M/s. Twenty First Century Wire Rods Ltd, proprietor Sri Vinod Goel. Sri Vinod Goel submits that he owns two mines 1) Hanuman Mines, Tumkur and 2) Janathkal Mines, Chitradurga in a contract signed with consignee. Since for 2992 MT, permits were issued to Goa from Hanuman Mines the rest of the iron ore has either gone from the Janathakal Mines, Chitradurga or Hanuman Mines, Tumkur or from unknown source illegally. The cost of lumps US \$ 2741325.54 with exemplary penalty should be recovered by following due procedure from Twenty First Century Wire Rods Ltd of Sri Vinod Goel along with other actions. The exports of fines from

Belekeri port is separately dealt in this report. The matter of under-invoicing should be taken note by the concerned Authorities to further investigate.

11) As seen in the matter there are many illegalities and irregularities have been committed in the said lease by the lessee and his GPA holder. It justly deserves cancellation of mining lease granted on 23-08-2007 ML No. 593/933 by following due process of Law.

12) Action should be initiated against all the officers/officials involved in this matter by following the due procedure under the Law.

22) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Further, in this Chapter, wherever the names of the officers are stated and in some instances, designation of the officers are stated, it is recommended to the State Government to initiate action against such officer/officials under the Prevention of Corruption Act, 1988 or under the relevant Disciplinary Rules.

23) Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

24) In the case of Sri H.D.Kumaraswamy, former Chief Minister of Karnataka, since he is not holding any public post under the State at present, no action is recommended.

However, it is open for the Government to make assessment, if any loss is caused and take appropriate action against him.

25) The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.

26) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

SD/-

(N.SANTOSH HEGDE)  
LOKAYUKTA

**ILLEGAL APPROVAL OF MINING LEASE IN FAVOUR OF  
SHREE SAI VENKATESHWARA MINIERALS**

1) Sri S.V. Sakre of Maharashtra State, a PWD Contractor submitted an application on 17/4/2006, in favour of Shree Sai Venkateshwara Minerals (SSVM), giving its address as No.6, 3<sup>rd</sup> cross, Sudhamanagar, Bangalore 560 027. (This address is a fictitious address). The application was made to grant Mining Lease for an area of 550 acres in NEB Range, Sandur Taluk, Bellary District, for winning of iron ore. It is to be noted that the proposed area was a surrendered area; out of the Mining Lease granted to M/s. Chaugle and Company vide M.L. No.119/13. The area also overlaps with the proposal of M/s.VISL to an extent of 140 hectares. The application was received in the office of the Director of Mines and Geology, Bangalore on 17/4/2006, the date the application was signed. The same was registered as 376 AML 06. As per the records of the Director of Mines and Geology, there were other 29 applications for the same area for different extent of land. It could be safely presumed that Sri S.V.Sakre's application was perhaps the last application received. In the application, the Applicant has described himself as a leading manufacturer of steel and iron rods. He also claimed at Para (4) that mining and industries as his profession. At para (2) of the application, he has stated that SSVM is a private limited company, which is subsequently contradicted by him. Now he claims that SSVM is an unregistered partnership firm, as could be seen at Annexure to Chapter-17 of Dr. U.V.Singh's Report at pages 1 to 7.

2) The then Director of Mines and Geology in Karnataka had made a comparative statement of all the applications and submitted the same to the State Government on 14/9/2006 for processing the same under Rule 26(1) and 59(2) of the M.C.

Rules. It is to be stated here that the said proposal is missing from file No.CI 252 MMM 2006 of the Secretary to Government (Mines). A reminder was sent to the Government to obtain approval under Rule 59(2) of the M.C. Rules from the Govt. of India. But the State Government has raised certain objections and the matter was under correspondence for a period of one year.

3) Later, the Director of Mines and Geology, after considering the objections raised by the Government, had built up a proposal and submitted to the State Government stating that there are many applications filed in this behalf and it is left to the State Government to take a decision. He also submitted the details of other 28 applications received in his office in the subject matter. Subsequently, a note from the Secretary (Sri. D.V. Prasad) of the then Hon'ble Chief Minister) was sent to the Secretary to Government, Commerce and Industries Department to submit the file of SSVM for perusal. The Note was numbered as Mu.Ma.Ka 2414/2007 dated 5/10/2007 found at Annexure to Chapter-17 of Dr.U.V.Singh's Report at page 8.

4) Following the directions issued in the above said note, a note was put up by the case worker and then placed before the Additional Secretary on 5/10/2007 i.e. on the same day in the file which was moved to the Secretary to Government, Commerce and Industries Department. After attending the file, the Secretary (Mines) submitted the file to the Secretary to the Chief Minister on the very same day i.e. on 5/10/2007, who in turn placed the same before the Chief Minister. The Chief Minister, as per the noting at para 16, page 7, of the file which is at Annexure to Chapter-17 of Dr.U.V.Singh's Report at page 9



had approved the proposal. The Noting of the Chief Minister is as follows:-

*“I have perused the records. The Mining Lease in respect of 550 acres of land in Jog, Thimmappagudi, Vhavihalli, NEB Range, Sandur Taluk, Bellary District is granted in favour of the following:*

*M/s. Sri Sai Venkateshwara Minerals”*

*Sd/-*

*H.D.Kumaraswamy,  
Chief Minister.*

5) The file was then sent back to the Secretary (Mines) on 6/10/2007. This approval accorded is in violation of Rule 59 of the M.C. Rules. It is stated here that the approval in this case was given without taking necessary relaxation from the Central Government under Rule 59(2) of the M.C. Rules, which was a requirement under Rule 59(1)(a) of the M.C. Rules. The Secretary (Mines) in Paras 14 and 15 of the File No. CI 252 MMM 2006, had pointed out for taking such relaxation from the Government of India, among others. It is to be noted that the approval of such a large extent of 550 acres in forest area for mining lease to the Applicant in this case i.e. SSVM, which is an unregistered partnership firm, having no experience in mining activities and iron ore trade is arbitrary, non-transparent and in violation of Rule 59 of M.C. Rules

6) After having the approval from the then Chief Minister, a letter was written to the Director of Mines and Geology, on the very same day i.e., on 6/10/2007 to submit the proposal for onward submission to Govt. of India (Annexure to Chapter 17 of Dr.U.V. Singh's Report at page 10). In the said letter, the name of Sri Vinod Goel as proprietor of the firm of SSVM was introduced for the first time by substituting the name of Sri. S.V. Sakre,. The letter has been sent by Sri K. Jayachandra, the

then Under Secretary to Government (Mines), Government of Karnataka. The relevant part of the letter is as follows:-

“ಮೇಲಿನ ವಿಷಯ ಕುರಿತು, ಉಲ್ಲೇಖಿತ ತಮ್ಮ ಪತ್ರದತ್ತ ಗಮನ ಸೆಳೆಯ ಬಯಸುತ್ತೇನೆ. ಬಳ್ಳಾರಿ ಜಿಲ್ಲೆಯ ಸಂಡೂರು ತಾಲ್ಲೂಕಿನ ಜೋಗ, ತಿಮ್ಮಪ್ಪನಗುಡಿ, ಭನಿಹಳ್ಳಿ, ಎನ್.ಇ.ಬಿ ರೇಂಜಿನಲ್ಲಿ 550-00 ಎಕರೆ ಪ್ರದೇಶಕ್ಕೆ ಕಬ್ಬಿಣ ಅದಿರಿಗಾಗಿ ಗಣಿ ಗುತ್ತಿಗೆಯನ್ನು ಮೆ: ಶ್ರೀ ಸಾಯಿ ವೆಂಕಟೇಶ್ವರ ಮಿನರಲ್ಸ್ (ಪ್ರೊಪ್ರೈಟರ್ ಶ್ರೀ ವಿನೋದ್ ಗೋಯಲ್) ಇವರಿಗೆ ಮಂಜೂರು ಮಾಡಲು ಮಾನ್ಯ ಮುಖ್ಯ ಮಂತ್ರಿಯವರು ಆದೇಶಿಸಿರುತ್ತಾರೆ. ಅದರಂತೆ, ಕೇಂದ್ರ ಸರ್ಕಾರದ ಪೂರ್ವಾನುಮೋದನೆಗೆ ಕಳುಹಿಸಬೇಕಾಗಿದ್ದು, ಈ ಕೆಳಕಂಡ ದಾಖಲಾತಿಗಳ ಮೂರು ಪ್ರತಿಗಳನ್ನು ಕೂಡಲೇ ಕಳುಹಿಸಿಕೊಡಬೇಕೆಂದು ತಮ್ಮನ್ನು ಕೋರಲು ನಾನು ನಿರ್ದೇಶಿಸಲ್ಪಟ್ಟಿದ್ದೇನೆ:-

- (1) ಮೆ: ಶ್ರೀ ಸಾಯಿ ವೆಂಕಟೇಶ್ವರ ಮಿನರಲ್ಸ್ (ಪ್ರೊಪ್ರೈಟರ್ ಶ್ರೀ ವಿನೋದ್ ಗೋಯಲ್) ಇವರ ಗಣಿಗುತ್ತಿಗೆ ಅರ್ಜಿ ಹಾಗೂ ಅದಕ್ಕೆ ಸಂಬಂಧಿಸಿದ ಅಭಿಡವಿಟ್ಟುಗಳು.
- (2) ಚೆಕ್ ಲಿಸ್ಟ್ ಮತ್ತು ಪ್ರೋಫಾರ್ಮ್‌ದಲ್ಲಿ ಮಾಹಿತಿ.
- (3) ಸದರಿ ಪ್ರದೇಶದ ಚೆಕ್‌ಬಂದಿ ವಿವರಗಳುಳ್ಳ ದೃಢೀಕೃತ ನಕ್ಷೆ.

ತಮ್ಮ ನಂಬುಗೆಯ,

ಸಹಿ

(ಕೆ.ಜಯಚಂದ್ರ)

ಸರ್ಕಾರದ ಅಧೀನ ಕಾರ್ಯದರ್ಶಿ (ಗಣಿ)

ವಾಣಿಜ್ಯ ಮತ್ತು ಕೈಗಾರಿಕೆ ಇಲಾಖೆ”

7) As per Para 16 of the Note file in No.CI 252 MMM 2006, the name of the Proprietor Sri Vinod Goel, was not there. Also there was no such name in the original application of Sri S.V. Sakre. After going through the records of the file of the Director of Mines and Geology and Secretary to Government, (Mines), it is observed in the report of Dr. U.V. Singh that the name of Sri Vinod Goel as proprietor, had been introduced later on and it could not have happened without the connivance of the officials. Having perused these documents, I am in agreement with the observations made by Dr.U.V.Singh.

8) In compliance to the letter dated 6/10/2007 of the Under Secretary (Mines), the then Director of Mines and Geology (Sri S.K. Prabhakar), submitted a proposal vide letter No. DMG 367 AML 06/2007-08/2011 dated 8/10/2007 along with check list

and other documents. In the check list at para (1) against the name of the Applicant, the Director has stated as M/s. Sri Sai Venkateshwara Minerals (Proprietor Sri Vinod Goel). The same has been reiterated in Para 8 of the check list. Likewise, in the proforma for recommending for grant of mining lease at Para 11 also, it is mentioned against the name of the Applicant as M/s. Sri Sai Venkateshwara Minerals (Proprietor Sri Vinod Goel). This is a deliberate attempt to favour Sri Vinod Goel and it is contrary to the original application submitted by Sri S.V. Sakre. Copy of the proposal submitted by the Director of Mines and Geology is enclosed to the report of Dr. U.V. Singh at Annexure of Chapter 17 pages 11-17. As seen from the proposal and its annexures submitted by the Director of Mines and Geology, the original application which was submitted by Sri S.V. Sakre has been replaced with another application and proposal was built up in favour of Sri Vinod Goel, as if the same was the original application. The proposal so prepared by the Director was submitted to the State Government. It is necessary at this point to state that suitable Disciplinary action is to be taken against the then Director of Mines and Geology in accordance with law for his misconduct in permitting the substitution of fresh application in place of original one.

9) On receipt of the proposal dated 8/10/2007 from the Director of Mines and Geology, a draft proposal was put up on the same day i.e., on 8.10.2007 by the Under Secretary to Government for submitting the same for approval under M&M (R&D) Act, to the Government of India. The said file contains the draft letter and in the draft letter it is written as "Not to Issue". But the proposal signed by the Under Secretary, State of Karnataka had been received at the Government of India, Ministry of Mines. It is a matter for investigation, whether this

is an afterthought attempt subsequently done to cover up the matter.

10) It is to be noted here that the Government of India had sent a letter vide No. 5/20/2010-M.IV (New Delhi) dated 5/8/2010, sent by the Under Secretary to Government of India, (Sri C.K. Rawat), along with Xerox copy of the proposal of the Government of Karnataka vide No. CI 252 MMM 2006 dated 9/10/2007 sent by Sri K.Jayachandra, Under Secretary to Government (Mines), Commerce and Industries Department. This letter was received in the office of the Secretary to Government (Mines), Commerce and Industries Department. This is an indication that a signed proposal was submitted to the Govt. of India. The letter dated 9/10/2007 was signed by Sri K.Jayachandra, Under Secretary has been compared with the draft letter available in the file of the Secretary to Government (Mines) by Dr.U.V. Singh's team and it is found that this letter is the same copy of the draft letter available in the file of the Secretary to Government, Mines. This indicates the fraud that has been played by Sri Vinod Goel and how the concerned officials colluded with Sri Vinod Goel. The copies of letters are at Annexure of Chapter-17 at ages 18 to 22.

11) A Writ Petition No. 22348/2009 was filed before the Hon'ble High Court of Karnataka by Sri Vinod Goel, to which petition, Union of India, State of Karnataka and the Director of Mines and Geology were made Respondents. The green bench of the High Court delivered a judgment on 26/8/2009. Certain observations are made in the said writ petition, which indicates that the case of the Respondents was not properly argued by the counsel representing the Respondent Government. It is also to be noted that the State Government had not even filed its

Written objections. Thereafter, the Government Advocate, who appeared for the State by his letter dated 24/9/2009 informed the Legal Cell, Commerce and Industries Department, opining that this is not a fit case to prefer an appeal. However, recently, it is noticed a Review Petition has been filed by the State Government.

12) A perusal of the connected records and the sequence of events indicates that Sri Sai Venkateshwara Mines of Sri S.V. Sakre is an unregistered firm having its office at Maharashtra. (The Bangalore address was given as Sudhamanagar, showing its office at No.6, Sudhamanagar, Bangalore 27, as mentioned earlier). The letter written by Dr. U.V.Singh, in his office was returned undelivered, which indicates that the address given was bogus. The Application for grant of mining lease indicates that the company is a private company and there was no mention of any partnership as is being claimed now. A letter dated 12/4/2006 of SSVM, if perused, shows that Sri S.V. Sakre, representing himself as partner of SSVM. Whereas the partnership deed was signed three days later i.e. on 17/4/2006. In the partnership deed, now produced, it is claimed that Sri Rajkumar Agarwal and Somanath V. Sakare as shown as partners. But this partnership deed was annexed to the original application filed by Sri S.V. Sakre. Dr. U.V. Singh's investigating team had written a letter dated 17/2/2011 to Sri S.V. Sakre to submit his reply on certain specific questions. In reply, Sri S.V. Sakre submitted;

(b) the firm (SSVM) was not registered because no transaction and trading has been done with this firm so far;

(c) they have not obtained VAT registration in Karnataka;

- (d) they have not obtained VAT registration in Maharashtra State also;
- (e) Mr. Rajkumar Agarwal is his partner;
- (f) No MST and KST number obtained;
- (g) They have not opened any account by this firm Shree Sai Venkateshwara Minerals, because no transaction and trading has been done by this firm.

13) Sri S.V. Sakre, who claims as partner in Shree Sai Venkateshwara Minerals submits his new address as No.6, Chowdappa Road, Shantinagar, Bangalore, which also happens to Sri Rajkumar Agarwal's address, whose name now found in the partnership deed. It is to be noted that on 14/4/2006, this firm was not in existence, because as per their own statement, the partnership was signed on 17/4/2006, the day of filing the application for mining lease before the Director of Mines and Geology. It is a matter of concern, as to how a firm which does not have VAT number, no financial transaction, no KST registration, no experience in mining and iron ore trading can be granted mining lease to an extent of 550 acres. When Sri Rajkumar Agarwal was questioned by the team of Dr. U.V. Singh, his answer was they are not in the mining business. Sri S.V. Sakre is a P.W.D. Contractor in Maharashtra. He also has no mining experience. The partnership deed of SSVM had not been enclosed while submitting the proposal application on 17/4/2006, instead in the application it has been recorded as a private company.

14) The records pertaining to registration of VAT of Sri Sai Venkateshwara Minerals, proprietor Sri Vinod Goel, has been called from the Commissioner of Commercial Taxes, Bangalore and the same was examined by the team of Dr. U.V. Singh. From the records, it is noted that the application filed by Sri

Vinod Goel (SSVM) in the office of the Asst. Commissioner of Commercial Taxes, Local VAT office, which is dated 19/10/2007. The firm SSVM (Proprietor Sri Vinod Goel) was not in existence on 17/4/2006 the day on which Sri S.V. Sakre had filed the application. Hence, the claim of Sri Vinod Goel for filing original application for grant of mining lease before the Director of Mines and Geology on 17/4/2006 is false. The Demand Draft filed along with the application has also been verified from the respective Bank and found that it pertains to the address as stated in the Bangalore address i.e., Sri S.V. Sakre, Sudhamanagar, Bangalore. It is clear from the perusal of files of the Director of Mines and Geology and Secretary to Government (Mines) that Sri Vinod Goel has conspired with the officials of the said office to eliminate the claim of the original Applicant, i.e., Sri S.V. Sakre and substituted the same with his name, obviously for wrongful gain. Therefore, it is necessary that a Departmental Enquiry should be initiated against all the concerned officials. Sri Vinod Goel should be proceeded against by filing criminal cases for cheating, forgery and conspiracy.

15) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Further, in this Chapter, wherever the names of the officers are stated and in some instances, designation of the officers are stated, it is recommended to the State Government to initiate action against such officer/officials under the Prevention of Corruption Act, 1988 or under the relevant Disciplinary Rules.

16) Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of

Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

17) In the case of Sri H.D.Kumaraswamy, former Chief Minister of Karnataka, since he is not holding any public post under the State at present, no action is recommended. However, it is open for the Government to take appropriate action against him for his misconduct as stated in this chapter.

18) The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.

19) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA



**ILLEGAL MINING IN M.L. NO.2220 OF HANUMAN MINES IN  
FOREST LAND (TUMKUR DISTRICT)**

Dr. U.V. Singh has traced the history of the grant of Mining Lease to Sri B.D. Hanuman Singh. He has found that the applicant had filed two applications for grant of Mining Lease before the Director of Mines and Geology, Bangalore one for over an area of 135.66 Hectares and another for over an area of 320 Acres in Karekurchi and other villages of Gubbi Taluk and Tiptur Taluks, Tumkur District.

2) It is found that Applicant has also filed an Affidavit in both the cases to the effect that he did not possess any mining lease in the State and had not applied for the same simultaneously. It is also noted that the sketch maps filed along with the applications are identical with difference in extent of land. Dr. U.V. Singh has come to the conclusion that the part grant of mining lease is in forest land bearing Sy. No.95 of Rajathadripura Reserve Forest. Further, the finding in that report is that between 1997 and 2009, 7,19,244 MTs of iron ore was excavated. The said excavation, according to Dr. U.V. Singh is in contravention of the Forest (Conservation) Act, 1980 and guidelines issued by MOEF therein. He has also found serious irregularities committed by Sri T.Thimmappa, the then Deputy Director of Mines and Geology, Tumkur.

3) Further, Dr. Singh, notes that Sri B.D. Hanuman Singh, the lessee submitted proposal for transfer of the lease to M/s. Matha Overseas Limited, but in between the lessee put up proposal for transfer of the lease to Sri Vinod Goel, Chairman, Twenty First Century Wire Rods, who was already having General Power of Attorney to operate the mining from Sri B.D. Hanuman Singh. It is noted that on the strength of GPA, Sri

Vinod Goel has worked the mine unauthorisedly. The Mining for extraction of iron ore has been done in excess of what was permitted by Karnataka State Pollution Control Board. It is noted that the Deputy Commissioner Tumkur had also complained that the lessee was operating the mine without statutory clearance vide his letter No. IND/CR/83/2005-06 dated 14/5/2007. Despite the serious lapses, as pointed out, the then Director of Mines and Geology, has permitted the Lessee (Transferee) to carry out mining operations quoting the irrelevant provisions of M.C. Rules in his letter dated 22/11/2007.

4) On the above basis, Dr. U.V. Singh, has concluded thus;

- (1) Sri Hanuman Mines ML No.2220 of an Extent of 206.40 acres comprised of Forest land; 71.20 Acres in Survey No. 95 of Rajathadripura and Revenue Land of 135.20 acres in Survey Nos. 150 and 20 of Rajathadripura and Karekurchi.
- (2) The assessment made by the PCCF on 20/8/1992 to the effect that the land sought for mining lease is revenue land was not correct. A part of land sought for lease formed the part of Rajatadripura Reserve Forest.
- (3) Although the Senior Geologist, Tumkur had reported in his inspection report dated 21/4/2991 that the applied area comprised partly forest land and have Eucalyptus trees, the Director of Mines and Geology, did not think it proper to bring this fact to the notice of the Principal Chief Conservator of Forests, when he

sought the opinion of the Principal Chief Conservator of Forests.

- (4) The Deputy Commissioner, Tumkur did not mention that a part of the land sought for mining lease forms the part of Rajatadripura Reserve Forest (383 Acres in Sy. No.95 is included in the said Reserve Forest ever since 1943).
- (5) Before issue of notification granting mining lease in the present case, it was brought to the notice of Director of Mines and Geology by the Deputy Commissioner, Tumkur (in respect of another application seeking mining lease in the same Sy. Nos. i.e., 95 and 150 by the same Applicant dealt with in the same files) that mining activity would adversely affect the nearby temples, the hill and the devotees and recommended to reject the application. Accordingly, the application came to be rejected. But the Director of Mines and Geology did not bring this fact to the notice of the Government to reject the application in the instant case. Thus by filing two applications, the Applicant succeeded in securing the lease on the basis of other application. Action taken cannot be suggested since the period is beyond the terms and reference of this investigation.
- (6) As per the Joint survey an area of 5.38 acres have been encroached in the form of mining in Forest Land. The Hon'ble Supreme Court in Writ Petition (Civil) No.562/2009 dated 14/4/2011

has directed the Central Empowered Committee for survey of 99 mines in Bellary District and if encroachment is found the mining activities should be stopped. The same yardsticks should be applied for this case also.

- (7) An assessment of the iron ore extracted from the forest land (other than revenue land) should be made and 5 times of market value should be recovered with exemplary penalty from the lessee along with the other environmental damages.
- (8) The lessee succeeded in securing temporary injunction order restraining the Forest Department from interfering with mining operation and transportation of ore through the road passing throughout the Reserve Forest from the Court of Hon'ble JMFC on 31/10/2007 and 5/11/2007 in O.S. No.124/2007 and 125/2007. This order continued to operate till the Hon'ble High Court passed order on 6/8/2009 in Writ petition No. 12028/2008 (by hearing the Writ Petition along with the original suits), where the Hon'ble High Court had declared that the impugned land is not available for mining activity as it is forest land, unless a clearance is obtained U/s. 2 of the Forest (Conservation) Act, 1980.
- (9) The fact that a part of leased area is forest land approval of the Central Government under Forest (Conservation) Act, 1980 is mandatory. No mining should be allowed even in the revenue land till the approval is obtained. After the fact

came to the notice of the Director Mines and Geology that the part of the leased area is forest land, the issuance of mineral dispatch permits by the Deputy Director of Mines and Geology to the lessee is unlawful and hence, Disciplinary action should be initiated against him.

- (10) The environment impact assessment notification dated 27/1/1994 which has been replaced with the Notification dated 14/9/2006 stipulates obtaining prior approval of the Central Government in the Department of Environment and Forests to undertake any new project or expansion/ modernization of the existing industries. Mining is one among the industries identified for this purpose. Similarly, consent of Karnataka State Pollution Control Board is a must for establishment of any industry or enhancement of production capacity. The production capacity of iron ore approved in the instant case by both these authorities viz., Ministry of Environment and Forests and Karnataka State Pollution Control Board is only 7000 and 7300 MT per annum respectively. But in gross violation of these statutory stipulations, the lessee has produced 8,100, 17,345, 1,49,120 and 2,17,754 MT of iron ore during the years 1998-99, 2003-04, 2006-07 and 2007-08 respectively without ensuring the environmental safeguards. Thus, lessee had violated the provisions of Environment impact assessment notification dated 27/1/1994 as modified in

Notification No. S.O. 1533 (E) dated 14/9/2006 and Sec. 21 of Air (Prevention and Control of Pollution) Act, 1981. Action should be taken against the Environmental officer, Tumkur for allowing the Mining without adhering the permitted quantity.

(11) By furnishing the false information to the Ministry of Environment and Forests, to the effect that the entire leased area is Revenue Land, the lessee has misguided the Central Government, although the lessee was well aware of the facts that 71 acres 20 guntas is forest land. Based on the wrong assumption he has succeeded in obtaining clearance for enhanced production of iron ore from 7300 MT/PA to 4,37,000 MT/PA. Appropriate proposal to the Central Government should be submitted to take necessary action.

(12) When the fact of non-obtaining the statutory clearances from Ministry of Environment and Forest and Karnataka State Pollution Control Board came to the knowledge of the Director of Mines and Geology, the lessee was permitted to carry on mining activity quoting Rule 24 A(6) of M.C. Rules in contrary to its applicability in the matter. This should be further investigated.

(13) It is to state here that Sri Vinod Goel who is the proprietor of this mine is also involved in the fraudulent activities in another mine M/s. Janthakal Enterprises, Chitradurga and Sri Sai Venkateshwara Minerals, Bellary.

5) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Further, in this Chapter, wherever the names of the officers are stated and in some instances, designation of the officers are stated, it is recommended to the State Government to initiate action against such officer/officials under the Prevention of Corruption Act, 1988 or under the relevant Disciplinary Rules.

6) Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

7) The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.

8) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-

(N.SANTOSH HEGDE)  
LOKAYUKTA

**ILLEGAL MINING LEASES GRANTED OR IN PROCESS OF  
GRANT IN RAMGAD BLOCK AND OTHERS IN SANDUR  
TALUK CONSIDERING THE LEASE AREA AS NON-FOREST  
LAND OUT OF FOREST**

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1) The Forest (Conservation) Act 1980 herein after read as Act has been brought in by the Union Government of India on 25<sup>th</sup> October 1980 and amended in 1988 for the conservation of forest and connected ancillary matters. As per Section 2 of the said Act, no non-forest activity shall be taken without prior approval of the Central Government in all the forest areas. The Hon'ble Supreme Court of India while hearing a matter in W.P.202/1995 of Sri. T.N. Godavaraman Thirumalpad Vs Union of India and others has issued an order dated 12.12.1996 in this subject matter. In the said order the Hon'ble Supreme Court has defined the "Forest" to be applicable under this Act. The definition given by the Hon'ble Supreme Court in the said order for the "Forest" is as under:

*"The Forest conservation Act, 1980 was enacted with a view to check further deforestation which ultimately results in ecological imbalance; and therefore, the provisions made therein for the conservation of forests and for matters connected therewith, must apply to all forests irrespective of the nature of ownership or classification thereof. The word "Forest" must be understood according to its dictionary meaning. This description covers all statutorily recognized forest, whether designated as reserved, protected or otherwise for the purpose of Section (i) of the Forest (Conservation) Act. The term 'Forest land', occurring in Section 2, will not only include "forest", as understood in the dictionary sense, but also any areas recorded as forest in the Government record irrespective of the ownership. This is how it has to be understood for the purpose of Section 2 of the Act. The provisions enacted in the Forest (Conservation) Act, 1980 for the conservation of forests and the matters connected therewith must*



*apply clearly to all forests so understood irrespective of the ownership or classification thereof. This aspect has been made abundantly clear in the decisions of this Court in Ambica Quarry Works and Ors. V/s State of Gujarat and Ors, [1987 (1) SCC 213], Rural Litigation and Entitlement Kendra V/s State of U.P. [1989 Suppl. (1)SCC 504], and recently in the order dated 29<sup>th</sup> November 1996 in W.P. c No.749/95 (Supreme Court Monitoring Committee V/s Mussorie Dehradun Development Authority and Ors.). The earlier decision of this Court in State of Bihar V/s Banshi Ram Modi and Ors [1985 (3) SCC 643] has, therefore, to be understood in the light of these subsequent decisions. We consider it necessary to reiterate this settled position emerging from the decisions of this Court to dispel the doubt, if any, in the perception of any State Government or authority. This has become necessary also because of the stand taken on behalf of the State of Rajasthan, even at this late stage, relating to permissions granted for mining in such area which is clearly contrary to the decisions of this Court. It is reasonable to assume that any State Government which has failed to appreciate the correct position in law so far, will forthwith correct instance and take the necessary remedial measures without any further delay”.*

2) Subsequently the Government of India framed the guidelines under the Act for application of Section 2 of the Act as Annexure. The content of the said annexure is reproduced herein:

*“..... The term ‘forest land’ occurring in Section 2, will not only include ‘forest’ as understood in the dictionary sense, but also any area recorded as forest in the Government record irrespective of its ownership. This is how it has to be understood for the purpose of Section 2 of Act. The provisions enacted in the Forest Conservation Act, 1980 for the conservation of forests, and the matters connected therewith must apply clearly to all forests so understood irrespective of the ownership or classification thereof.....”.*

3) By going through the definition of the forest defined by the Hon'ble Supreme Court and followed by the Government of India in its guidelines, the forest has to be understood and applied irrespective of its ownership. The Government lands and also non cultivated private lands in Sandur and Hospet Taluks are by and large covered under the said definition. In Sandur Taluk some of the blocks wherein the mining leases are either notified & granted or in the process of notification to grant under MMDR Act 1957 without having approval under the Forest (Conservation) Act have come to light during the investigation. On going through the records, the Mines Department don't even have an intention to do so or to insist to take approval of such leases/applications under the Forest (Conservation) Act 1980 simply because of reason that in these cases the Mines Department have got "No objection Certificate" issued by the officials of the Forest Department / Revenue Department that the land proposed for the mining lease grant is not a forest land. The officials of the Mines Department have not taken pain to verify the status of land knowing fully that there is an order in W.P.202/95 of Hon'ble Supreme Court for prohibition of non-forestry activities in Forest Land. Even the officials of Revenue Department knowing fully that the land in Sandur region is fully covered with forest trees and lands are in the category of deemed forest, have not bothered to verify the status of the land and went ahead to recommend the lease cases taking into consideration that the land is a non-forest land to Mines Department to process the files to issue notification under the MMDR Act. The forest department to whom the responsibility is given to protect the forest, its officials at the level of Deputy Conservator of Forests, Assistant Conservator of Forests and Range Forest Officers have issued no objection certificate based on the revenue records. They have "forgotten" to verify the forest

records based on which the no objection certificate should have been issued. The forest officials had totally failed to comply with the orders of Hon'ble Supreme Court dated 12.12.1996. In fact there is no provision under the Karnataka Forest Act 1963 to issue such "no objection certificates" and also no Government Order or direction to do so by the forest officials. Some of the leases granted under this category are in operation of mining. The details of the areas wherein the status of the land is forest as per the Order of Hon'ble Supreme Court (leases have been either granted under MMDR Act or they are in the process of grant) along with names of the applicants/lessees are given as under:-

**1. Ramgad Block, Sandur Taluk.**

<b>Sl. No.</b>	<b>Name of the Lessee /Applicant</b>
1	M/s Adarsha Enterprises
2	M/s Sparkline Mining Corporation
3	Mr. J.M. Vrushabendraiah
4	M/s Jai Santhoshi Matha Mining Enterprises
5	M/s D. Ramesh Iron Mines
6	M/s Shivavilas Trust
7	Mr. J.M. Vrushabendraiah
8	Mr. Ram Rao M Poral
9	M/s V.S.L. Mining Company (Stock yard)
10	K.S.L.Swamy, Tornagallu
11	K. Kumarswamy
12	M. Mabusab S/o Fakruddin Sab, Thyagadal, Sandur
13	Others

**2. Karthikeshwara Village, Sandur Taluk**

<b>Sl. No.</b>	<b>Name of the Lessee /Applicant</b>
1	M/s Karthikeyan Manganese and Iron Ore Private Limited
2	Mr. A. Arogyadas & Mr. G. Praveen Kumar Nikam
3	Mr. G.Praveen Kumar Nikam & Mr. B. Rudra Gowda, Sandur.
4	Mr. B. Rudra Gowda, Sandur.
5	M/s Mitra Minerals Enterprises, Sandur.
6	Mr. A. Arogyadas, Bellary.

### 3. Muraripur Village, Sandur Taluk

Sl. No.	Name of the Lessee /Applicant
1	M/s Balaji Mines Minerals Private Limited

4) In continuation to the First Report wherein it has been stated that the said area is falling in the category of forest under the definition given by the Hon'ble Supreme Court in writ petition 202/95 order dated: 12.12.1996. In furtherance to the said definition it is stated here that the Sandur Forest Act 1943 was in force in the present Sandur taluk ruled by Shrimant Sarkar Maharaj Yeshwant Rao Hindu Rao Ghorpade, Mamalkatmadar Senapathi. As per Section 2 (11) of the said Act the State Forest had been defined as:

*“(11) “State Forest” includes all land at the disposal of Sarkar not included within the limits of any Village Forest nor assigned under Huzur sanction for any public or communal purpose.*

*Provided that it shall be competent for Sarkar to modify or set aside such assignment and constitute any such land a State or Village Forest, or devote the same to any other purpose they may deem fit.”*

5) As per Section 11(3) of the said Act the District Forest or State Forest defined in Mysore Forest Act is also the State Forest. The same is reproduced as:

*(iii) In Mysore Forest Act wherever the words “District Forest or State Forest” occur read them as “State Forest.”*

6) With these provisions the area in question in Ramgad block has been shown rightly as Reserve Forest in the topo-sheet prepared by Survey of India of Union Government.

7) The Maharaja of Sandur Sri Y.R. Ghorpade had transferred this forest land (4051.40 Acres) vide his letter dated 24-09-1973 addressed to Sri Devaraj Urs to the then Chief Minister of Karnataka and the possession has been taken by the State Government on 27-09-1980. This includes an area of 2395.40 Acres in RM Block in Ramghad area. The Maharaja of Sandur has not stated any claim of any person during the handing over. That makes the things amply clear that there was no right of any institution or individual in this land during handing over. Further the area was surveyed during 1980 and there was no any survey number and claim during the survey. As per the definition provided in Section 2 (11) of the Sandur Forest Act 1943 all the areas remains as State Forest and now it is being called as Reserve Forest under the Karnataka Forest Act 1963.

8) It has been brought to the notice of this office that certain rights have been created in this block with connivance of the officials of Revenue Department. New alleged survey numbers from survey number 5 to 35 have been created and rights in form of land grants have been illegally given. On perusal of the list and the present claimants of ownership of land it is found that most of them are not the residents of alleged Ramgad village. They even do not fulfill the criteria of land grants. In fact there is no notified revenue village by name Ramgarh village. It has been stated as Ramandurg in the village map of 1903. The forged documents in the form of grants certificates have been created and the land has changed many hands. It is pertinent to state here that the land of this Ramgad block is nonagricultural land and having very high quality of iron ore deposits.

9) It is learnt that the so called Ramgad village is not a notified Revenue village as stated above. The forest land now in question of Ramgad block is actually not a part of the survey no. 1-4 which is very often stated as Ramgad village survey numbers. This land, before handing over from the then Maharaja of Sandur and after handing over is not a part of "Ramgad village". In such circumstances the question of settlement of the additional forest land does not arise.

10) The Hon'ble Minister for Revenue has ordered in File No ಕಂಇ 103 ಭೂದಾಸ at para 108 of the note sheet. The note approved by the Hon'ble Minister is reproduced as under:

“ಕಡತ ಪರಿಶೀಲಿಸಿದೆ. ಈ ಕಡತವನ್ನು ರಾಮಘಡದಲ್ಲಿರುವ ಸಮಸ್ಯೆಯನ್ನು ಬಗೆಹರಿಸಲು ಉದ್ದೇಶಿಸಿ, ಬಳ್ಳಾರಿ ಜಿಲ್ಲಾಧಿಕಾರಿಗಳು ದಾಖಲೆಗಳಂತಿರುವ ವಿವರ, ಆಕ್ರಮ ಆರ್.ಟಿ.ಸಿ. ಆಗಿರುವ ವಿವರ ಇತ್ಯಾದಿ ವಿವರ ನೀಡಿ, ಸರ್ಕಾರಕ್ಕೆ ಪತ್ರ ಬರೆದಿರುವುದನ್ನು ಗಮನಿಸಲಾಗಿದೆ. ಕಡತದ ಕಂಡಿಕೆ 105 ರಲ್ಲಿರುವ ವಿವರಗಳನ್ನು ಕಂದಾಯ ಇಲಾಖೆಯ ವ್ಯವಹರಣೆಗಳ ಮಾಹಿತಿ ತಿಳಿಯದವರು ಬರೆದಂತಿದೆ. ಸರ್ವೆ ಸೆಟ್ಲೆಮೆಂಟ್ ಆಗುವ ಮೊದಲು, ಎಲ್ಲರೂ ಬ್ಲಾಕ್‌ಗಳಿದ್ದು, ನಂತರ ಅವುಗಳ ವರ್ಗೀಕರಣವನ್ನು ಮಾಡಿ, ಹೊಸ ಸರ್ವೆನಂಬರ್‌ಗಳನ್ನು ನೀಡಿ, ಕಂದಾಯ ಇಲಾಖೆಯ ಭೂಮಾಪನ ಮತ್ತು ಭೂದಾಖಲೆಗಳ ಶಾಖೆ ಮಾಡುತ್ತದೆ. ಈಗ ಅವುಗಳು ಇಲ್ಲದಿರುವಾಗ, ಯಾವುದೇ ಅಧಿಕೃತ ನೋಟೀಫಿಕೇಶನ್ ಹಾಗೂ ಭೂಮಂಜೂರಾತಿಗಳ ಆದೇಶಗಳಿಲ್ಲದಾಗ, ಯಾವುದೇ ಜಮೀನನ್ನು ಅರಣ್ಯ ಇಲಾಖೆಯ ಜಮೀನು ಎಂದು ಪರಿಗಣಿಸಲಾಗುವುದಿಲ್ಲ. ಅರಣ್ಯ ಇಲಾಖೆಗೆ ಮಂಜೂರಾಗಬೇಕು ಇಲ್ಲವೇ ನೋಟೀಫೈ ಆಗಬೇಕು ಆತನಕ ಖಾಸಾಗಿ ಜಮೀನು ಹೊರತುಪಡಿಸಿ, ಉಳಿದ ಎಲ್ಲಾ ಜಮೀನುಗಳು ಕಂದಾಯ ಇಲಾಖೆಗೆ ಸೇರಿದ ಜಮೀನುಗಳಾಗುತ್ತದೆ.

ಈ ಹಿನ್ನೆಲೆಯಲ್ಲಿ ಸಂಚಾರು ತಾಲ್ಲೂಕಿನ ರಾಮಘಡ ಗ್ರಾಮದ ಪೂರ್ಣ ಸರ್ವೆ ಸೆಟ್ಲೆಮೆಂಟ್ 3 ತಿಂಗಳೊಳಗೆ ಮಾಡಿ, ಈ ಪ್ರದೇಶಕ್ಕೆ ಸಂಬಂಧಪಟ್ಟ ಎಲ್ಲರಲ್ಲೂ ಇರುವ ದಾಖಲಾತಿಗಳನ್ನು ಪರಿಶೀಲಿಸಿ, ವರದಿ ನೀಡಲು ಭೂಮಾಪನ ಮತ್ತು ಭೂದಾಖಲೆಗಳ ಆಯುಕ್ತರಿಗೆ ನಿರ್ದೇಶನ ನೀಡಲು ಆದೇಶಿಸಿದೆ. ”

ಜಿ.ಕರುಣಾಕರ ರೆಡ್ಡಿ  
ಕಂದಾಯ ಸಚಿವರು

11) On perusal of the village map by name Ramandurg, Sandur taluk, Bellary district of the year of 1903, there are only 4 survey numbers. There is no any other land included in this

survey settled village map. Now the forest land in question is not a part of these survey numbers and cannot be included for any grant. There is no Government Order wherein the additional forest land is included in this village map. With these facts and circumstances whether the direction issued by the Hon'ble Minister is legally according to Law or otherwise should be further examined.

12) It is stated here that the Forest Settlement Officer Bellary in this matter has issued an order no. FAF/FSO/RES/CR-9(A)/86-87 dated 24-05-2010 by excluding an area of 265 Acres from the Section 4 Notification issued under the Karnataka Forest Act as claimed by the Forest department. The exclusion of 265 Acres from the forest land as enclosure is bad in Law and deserved to be set aside. It is even against the observations made by the Hon'ble Minister in the para 108. The Notification issued by FSO dated 24-05-2010 for creation of an enclosure is against the provisions of the Karnataka Forest Act 1963 for the following reasons.

(1) The area in question was covered under the then Sandur Forest Act 1943 and now under the Karnataka Forest Act 1963 cannot be considered as non-forest land in any circumstances. If any rights of ownership with forged documents or with connivance is created it should be undone by following provisions of Law.

(2) The Assistant Commissioner himself is a jurisdictional officer for deciding the land matters. He cannot sit on his own judgment to decide the forest settlement. The settlement officer should be an officer having no jurisdiction under the Karnataka Land Revenue Act for this purpose of

Forest Settlement. The Deputy Commissioner of the district may be appointed as Forest Settlement Officer.

(3) The procedure is not followed under the Karnataka Forest Act 1963 and it is done in haste to extend benefits to certain iron ore mining leases already granted or in the process of grant.

(4) Most of the claimants of right of ownership or title are not the residents of the then Ramandurg. Hence their claim cannot be considered. Most of them did not fall in eligibility criteria.

(5) It has been observed during the investigation that most of the documents claiming rights of ownership title are forged and concocted.

13. There are certain claims made over in this forest land. One of such example is in the alleged survey number 17 & 18 of the said village. In this case Good Shepherd Bellary claiming ownership of an area of 14.59 Acres based on the payments made to the then ruler of Sandur. On perusal of records submitted by them it is found that there is no title confirmed on them at any point of time for the claimed land. They have been treated as "tenants". The then Ruler of Sandur did not mention anything about the rights either on the garden land or bungalow while handing over forest land to the State Government. The land in question is forest under the Karnataka Forest Act 1963 by virtue of land defined under the Sandur Forest Act 1943.

14) For the said land (sy. no. 17 & 18); a false sale deed had been created in favour of Sri Jaganath S/o Yerappa, Coal bazaar, Bellary vide sale deed no. 850/08-09 dated 14-10-2008 for Rs. 10,00,000.00. There was no any criminal case filed in



such fraudulent sale deed against the seller and purchaser. An appeal has been filed on 05-08-2009 by Sister Rosliy (Sister Superior of the Good Shepherd Convent Bellary) before the Assistant Commissioner to cancel mutation order no. MR/1/09-10 dated 13-07-2009 of Revenue Inspector. The Assistant Commissioner has heard the matter and passed an order on 14-08-2009 in a span of 9 days only. This order looks to be issued to confirm the ownership land title in favour of Good Shepherd Convent, Bellary. Does it a managed show for confirmation of title of the land? It is to state that the same land has been again sold on 27-08-2009 to one Sri Keshri Prasad Yadav, Village Barwah, District Faizabad, UP by Sister Rosliy, Good Shepherd Convent, Bellary. It is further stated that the land in question is a forest land and there is no survey numbers for this land as per the various records and documents available in hand. There is no sketch and defined boundary for the said land. Without having proper schedule of land how it can be sold for a particular location. Hence the sale deed dated 27-08-2009 is under the clouds of suspicion. This entire matter requires further investigation regarding grabbing of forest land which is purposed to be granted for iron ore mining lease. It is learnt that a Writ Petition is pending before the Hon'ble High Court in this matter. Further Sri D. Pullaia has submitted a complaint to this office stating that illegal mining had been carried out forcibly in this location and in-spite of his several complaints and request to concerned Authorities no action had been taken. He also submits that he had been meted out hardship by many peoples.

15) Subsequent to the first report instead of taking action the State Government has submitted more proposals for grant of mining lease in favour of certain persons treating the forest land as patta land. The cases are detailed below.

(1) Proposal for grant of mining lease to M/s Sushma Singhvi in alleged survey no. 12 of Ramgad village area. A report of Deputy Commissioner, Bellary have been called for and a part of the letter dated 08.04.2011 is reproduced as under:

*“Sy. No. 12 of Ramghad Village is a Government land measuring totally 9.72 acres as per present R.T.C. the genuineness of which is yet to be decided after completion of the survey and settlement recommended by the Deputy Commissioner U/S 106 of K.L.R. Act. On the report of the Tahsildar Sandur No/Bhoomi/266/06-07 dated: 31-7-2007 and on review of the above regularization files, it is revealed on prima facie that the regularization was not in accordance with the rules. Hence a suo-moto review of Khathas created on the basis of the above regularization orders has been taken up U/S 136 (3) of the Karnataka Land Revenue Act and the case was last posted for submission of written arguments on 6-4-2011. Since court sitting could not taken place on the said date, the case is posted for further hearing on 20-4-2011. However the matter will be heard and disposed off as expeditiously as possible and a copy of the final orders will be submitted immediately after the disposal of the case.”*  
.....

The records in this case matter are seems to be forged.

**(2) Grant of mining lease for iron ore in favour of Sri Ram Rao M. Poal over an area of 70.00 acres.**

Sri Ram Rao M. Poal has filed mining lease application on 09-01-1997 (06 AML 97) for winning iron ore over an area of 70.00 acres in RM block, Ramgad range, Sandur taluk, Bellary district. The area so applied was falling within the reserved area. For getting relaxation under Rule 59 (1) of MCR 1960 a proposal was submitted to the Government of India vide letter dated: 11-01-2002. The Government of India returned back the proposal stating that the area should be notified under Rule 59 of MCR 1960. The proposal was returned back in original.

Subsequent to this the notifications dated: 17-02-2003 and 15-03-2003 have been issued including the area in question (block 13/1). Sri Ram Roa M. Poal has filed again an application dated: 16-04-2003 among others as per the record.

A proposal had been built up by opening a new file no.CI 179 MMM 2007 delinking with the original file no.CI 104 MMM 2001. No reason is stated for the delinking of the files. The proposal was built up under Rule 11 (2) of MCR 1960 (preferential rights for the grant of licence). The proposal was approved by the then Hon'ble Chief Minister and a direction was issued to submit the proposal to the Director, Mines. In turn a proposal was submitted by Sri K.S. Prabhakar the then Director, Mines and Geology on 27-09-2007 along with the check list and performa for recommendation. Based on this proposal the C & I Department, State Government has submitted proposal to Government of India vide letter dated 27-09-2007 stating that the land in question is a Revenue land and there is neither stay nor a Writ Petition pending over this area. This information was factually incorrect as pointed out by the Government of India in its letter dated: 17-12-2008. As per

Government of India letter there was a stay in Writ Petition No. 39138-39142/2002 filed by M/s Sesa Goa Ltd V/s the Union of India and others in the High Court of Karnataka at Bangalore and this case relates to the same area applied for by Sri Ram Rao M. Poal. No action taken in this regard. As per the report of CEC this proposal was not as per the norms under the Mines Rules. It is further stated that the notification dated 15-03-2003 has been withdrawn by another notification dated 27-03- 2008. The State Government has issued grant of mining lease notification on 18-07-2009 much after the notification dated 27/3/2008.

It is further stated that the State Government has issued a notification for granting mining lease in favour of Sri Ram Roa M. Poal against the first report of the Hon'ble Lokayukta to State Government and also against the letter of Deputy Commissioner, Bellary. Further the Notification issued vide dated 15-03-2003 has been withdrawn by a Notification dated 27-03-2008. Hence the notification issued for grant of mining lease in favour of Sri Ram Rao M. Poal requires reexamination.

It is to state here that the area in question is a Forest Land as per the order dated 12-12-1996 in Writ Petition 202/95 of the Hon'ble Supreme Court of India. It is also relevant to state here that the then Maharaja of Sandur has handed over this land as forest land to State Government. There are four survey numbers (1-4) as per the Akarband. The remaining land does not find place in this Akarband. All the land other than the land in survey number (1-4) was with the Maharaja of Sandur and subsequently handed over the State Government. The forest land is also covered under the Sandur Forest Act 1943. Hence, this forest land cannot be a part of the so called Ramgad village.

No settlement can be done for a land outside the preview of a village.

It is also learnt that an agreement has been executed by the then Director, Mines and the lessee for mine operation. This is in violation of Supreme Court Order dated: 12-12-1996 and the Forest (Conservation) Act 1980. The matter is seized with the Hon'ble Supreme Court of India and at present the mining operations are closed on the recommendation of Central Empowered Committee, New Delhi. It is to note here that there are violations in this matter at various stages and all the officials including Director, Mines, Deputy Commissioner, Bellary (who has issued No Objection Certificate for Forest land) who are responsible for grant and execution of this mining lease, disciplinary actions should be initiated by following due course of Law for their misconduct and others.

(3) The three proposals submitted by State Government in favour of Sri K.S.L.Swamy, Sri K. Kumarswamy, and Sri Mabusab are against the first report sent by the undersigned and also the letter dated 03-06-2008 of Deputy Commissioner, Bellary. The details are given as under:

**Table-1: Proposal details of Sri KSL Swamy, K. Kumarswamy, and M. Mabusab**

Sl No	Name of Applicant	Applied for extent (Acres)	Status of land shown in the application	Extent for which DC is given consent	Status of land as processed in 2001	Status of land for which Director, Mines recommended proposal	Proposal submitted to GOI Date
1	2	3	4	5	6	7	8
1	K.S.L.Swamy, Tornagallu	10.00	Government (Revenue) Land	No consent given	Revenue land	Patta land	16.06.09
2	K. Kumar	10.00	Patta	Consent	Revenue	Patta	15.06.09

	swamy		land	given	land	land	
3	M. Mabusab S/o Fakruddin sab, Thyagadal, Sandur	10.00	Patta land	5 acres for patta land and remaining 5 acre for Governme nt land	Revenue land	Private land	15.06.09

**a) Recommendation of iron ore mining lease in Ramgad block (RM block) in favour of K.S.L.Swamy. (Annexure 1 of Chapter-19 of Dr.U.V. Singh).**

An application (form 1) for mining lease was submitted by Sri K.S.L.Swamy S/o Sare Lingappa, Torangallu, Sandur Taluk, Bellary District for 10 acres in alleged survey no. 28 of Ramgad village (it is to state that there is no survey number 28 in Ramgad village). As per para IX, X and XI of the application the area has been stated as Revenue land, Government. The application is claimed to be submitted on 28-08-2001 there is an over writing for the date. The application is registered as 168 AML 2001 in the office of the Director, Mines. When this application was processed in 2001, as per para 4 and para 5 of the file of Director, Mines, the area in question was overlapping with the area of 13 other applications.

There is a No Objection Certificate issued from the office of Deputy Commissioner, Bellary dated: 23-01-2001 addressed to Director, Mines, Bangalore enclosed in the file of Director of Mines. This NOC pertains to K. Kumarswamy who is another applicant in the same survey number and his case has also been recommended for grant of mining lease. As per para 1 of this NOC, 5 acre land of Dadakalandar consent is given in favour of Sri K. Kumarswamy. There is no mention of Sri K.S.L Swamy in this No Objection Certificate of Deputy Commissioner. On perusal of the records of the file of Director, Mines and Secretary, C&I it is to state that there is no No Objection

Certificate had been issued for granting mining lease in favour of Sri K.S.L. Swamy by Deputy Commissioner Bellary.

In one of the letter of Sri K.S.L.Swamy dated: 06-06-2008 he states that in his applied area, 5 acre is his own land and the remaining 5 acres is Government Parampoke. He encloses a RTC and mutation copy. On perusal of the RTC as per column 10 the land is granted by no. M.NO.2/2000-2001 21.11.2000 by Tahsildar, Sandur Order No. ADS 111/1990-1991 dated 21.11.1991. If this record is taken as a genuine record then it fails to understand that why he has filed an application (para 9, 10 and 11) stating the status of land as Government Revenue Land. All the records are seem to be forged. Further there is another application in the same file wherein the status is shown as "Patta land". It seems this application is added in the file subsequently.

Further Sri K.S.L.Swamy writes another letter dated: 10-07-2008 enclosing a consent letter of one Mrs H. Ratnamma for 5 acres and it states that remaining 5 acres belongs to him. Both are contradictory and submitted in a span of one month.

On going through these all records it is observed that a conspiracy has been hatched to get grant a mining lease by creating forged documents.

The then Director, Mines Sri M.E. Shivalinga Murthy has submitted the proposal as patta land without verifying the facts of the land in question.

The proposal submitted by Director, Mines to the C&I department, State Government in favour of Sri K.S.L.Swamy, (MLC) has been processed. As per para 9 of a note sheet it is

stated that Deputy Commissioner has given the No Objection Certificate as per page 4 of the file. On perusal of this No Objection Certificate it is to state this NOC is issued in favour of Sri K. Kumaraswamy who is another applicant and his case is also recommended along with this case to Government of India. There is no No Objection Certificate issued in this case by Deputy Commissioner. It is to state that to make fit in the new Mining Policy 2008 of State Government, a letter has been obtained from Tata Steel, Jamshedpur which is quite unjustified. It is to state that to take such certificate from Tata Steel one Sri Hemanth Sanghvi is involved.

In continuation to the above paras pertaining to this proposal, the file No. DMG:MLS:168 AML 2001:09-10 of the Director, Mines and Geology, Bangalore has been examined with respect to recommendation of grant of mining lease in favour of Sri K S L Swamy S/o Sore Lingappa to an extent of 10 Acres in alleged Sy.No.28 of Ramgad Block. It is stated here that an application for grant of mining lease in alleged Sy. No. 28 Ramgad village, Sandur taluk has been submitted on 28-08-2001 (there is overwriting in the date). There are two applications in the file one is from page no. 1-12 and the other is from page no. 13-23. Both the applications have been examined. In the first application page no. 1-12 the status of the land at para 9 (page 10) has been stated as Revenue land Government. In the second application at the same para 9 (page 20) it is stated as Patta land. Further at page 27 of the file Sri KSL Swamy writes to Commissioner, Mines and Geology department on 06-06-2008 stating that out of the 10 Acres 5 Acre is in my own name and the remaining 5 acre is Government Parmboku (Government waste land). In the said file at page no. 28 a No Objection Certificate (NOC) dated 23-01-



2001 issued from the Office of Deputy Commissioner, Bellary is enclosed. This NOC pertains to one Sri K. Kumarswamy and not pertaining to Sri K S L Swamy. There is no any other NOC available in the file. Further there is another letter available in file addressed to Commissioner, Mines and Geology, Bangalore of Sri K S L Swamy (page 31) dated 10-07-2008 stating that for the purposed area 5 acre is his own land and the remaining 5 acre belongs to Mrs. H. Ratanamma and he has taken the consent of her. Further a letter dated 19-11-2008 of the Deputy Director, Mines enclosing an inspection report signed by Geologist Sri Ramlingaya is also available in the file at pages 34-37 in the said inspection report it is stated as patta land. It is further observed at page 29 of the file there is Xerox copy of Sagavali chitty in favour of Mrs. H. Ratanamma. This may be forged.

It is stated here that the proposal has been processed on dated 04-09-2001 stating that the land is Revenue land. Further at para 9 of the note sheet of the said file it is stated that letter should be written to the Deputy Commissioner, Bellary and Deputy Director, Mines, Bellary for getting the status of the land. There is no letter written to the Deputy Commissioner, Bellary as seen in the file. A letter was written dated 17-11-2008 to the Deputy Director, Mines. The Deputy Director, Mines, Hospet replied vide letter dated 19-11-2008 stating that the land in question is a patta land. He is not a Competent authority to issue land status report. It is pertinent to note here that there is no report of the Deputy Commissioner for this land (10 acres). It is to state here that the Deputy Commissioner, Bellary vide letter dated 23 06 08 written to the Commissioner and Director Mines stating that all the survey numbers from 5-35 are

fictitious and no proposal of mining leases should be processed. There is no mention of this letter in the file of Director.

A proposal was submitted by the Director, Mines Sri M.E. Shivalingamurthy to State Government vide letter dated 30/12/2008 with a recommendation stating the status of land as private land. The State Government in turn has submitted a proposal to Government of India vide letter dated 12-06-2009 stating that status of land as patta land for grant of mining lease in 10 acres in Ramgad village for 20 years in favour of Sri K S L Swamy.

On going through the files of Director, Mines and Secretary, Mines it is observed that;

1. There is no NOC obtained from the Deputy Commissioner, Bellary in this case.
2. The original application has been modified. In the modified application the status of the land has been changed from Government land to patta land.
3. The application has been processed in the file of DMG in 2001 as Revenue land.
4. The Deputy Director, Mines, Hospet has submitted false status report.
5. The request of the Deputy Commissioner, Bellary vide his letter dated 03/06/2008 has been ignored and the proposal is submitted to Government of India after duly approved by the Hon'ble Chief Minister.
6. The notification dated 15-03-2003 for Block 31/1 of Ramgad has been withdrawn by a Notification dated

27/3/2008. The Notification dated 27/3/2008 has also been withdrawn dated 19/3/2011. The second notification (27/3/2008) was issued to favour to submit such proposals.

7. The records are manipulated to show undue favour to KSL Swamy.

**b. Proposal of Sri. M.Mabusab (Annexure 2 of Chapter-19)**

An application dated 28-08-2001 has been submitted by Sri. M. Mabusab for grant of mining lease in 10 acres in survey no. 28 of Ramgad block. The date of the application is over written. It is pertinent to note here that the dates in all the three applications i.e., Sri. K.S.L. Swamy, Sri. M.Mabusab and Sri K.Kumaraswamy are having corrections and over written and of the same style. Perhaps all the dates are subsequently written by one person. It is also doubted that the status of land contents of all the applications are modified by inserting new papers. The Deputy Commissioner, Bellary has given no objection certificate for 10 acres vide his letter dated 23-01-2001. In this letter he has stated that one Sri. Kareemsab has given consent letter to the applicant for 5 acres. The remaining 5 acres is government land. (Page 23 of the file). The Deputy Director Mines, Hospet vide his letter dated 19-11-2008 (Page 29 of the file of director) has given inspection report stating the land as patta land for all 10 Acres. It is contrary of the NOC issued by Deputy Commissioner. This is factually incorrect. Since, there is no record of 5 acres land as patta land. The entire process of this proposal is misleading and mischievous.

It is stated here that on 06-09-2001 the proposal was processed stating the status of land as Revenue land in the file

of Director, Mines. If this is the matter of fact then, the application submitted by the applicant pages 1 to 13 is modified subsequently. Further the notification dated 15-03-2003 has been withdrawn vide Government Notification dated 27-03-2008. This notification is subsequently withdrawn by notification dated 19-03-2011. The Director Mines has submitted proposal vide his letter dated 30-12-2008 stating the land as patta land.

On receipt of the proposal of the Director the proposal has been processed in the Government in the file CI 32-MML-2009, in the said file there is a mention of letter dtd. 03-06-2008 of the Deputy Commissioner that, no proposal of the mining lease to be processed in Ramgad block, this has been ignored. The proposal has been processed as patta land and submitted to Government of India vide letter dtd. 12-06-2009.

On going through the files of Director, Mines and Secretary, Mines it is observed that;

1. The Deputy Commissioner, Bellary has submitted the No Objection Certificate vide his letter dated 23-01-2001 stating 5 acre as patta land and remaining 5 acres Government land.
2. The date in the application submitted by the Applicant is over written. The dates in all the three applications are over written by the same person.
3. The application has been processed in the file of DMG in 2001 dtd. 06-09-2001 as Revenue land.

4. The proposal is submitted as patta land contrary to facts that 5 acre land is Government Land (if we take it the other patta land is genuine).
5. The Deputy Director, Mines, Hospet has submitted false status report stating all 10 acres as patta land.
6. The request of the Deputy Commissioner, Bellary of his vide letter dated 03-06-2008 stating that no proposals should be processed for grant of mining lease. This has been ignored and the proposal is submitted to Government of India after approval by the Hon'ble Chief Minister.
7. The notification dated 15-03-2003 for Block 31/1 of Ramghad has been withdrawn by a Notification dtd.27-03-2008. The notification dated 27-03-2008 has also been withdrawn dated 19-03-2011
8. The records are manipulated to show undue favour to Sri. M.Mabusab.

**c. Proposal of Sri K.Kumaraswamy (Annexure 3 of Chapter-19)**

An application for grant of mining lease in alleged survey no. 28 of Ramgad block has been submitted by Sri. K.Kumara-swamy stating the status of the land as patta land (Page 1 to 14). The date of submission of application is overwritten. As per the notification dated 27-03-2008, the land in "survey no. 28" to an extent of 82.00 acres has been mentioned. There is no mention of patta land in the said notification. Further there is no any other document than the No Objection Certificate of the Deputy Commissioner which can satisfy the claim of the petitioner as his own land. It is further stated that, the No

objection Certificate of the Deputy Commissioner, Bellary is quite confusing. He has not stated anything regarding the ownership of this 10 acre patta land. It is simply stated as: 1. ಸ.ನಂ. 28 ರಲ್ಲಿ 10.00 ಎಕರೆ ಪಟ್ಟಾ ಜಮೀನು.

The proposal was initiated stating the land as Revenue land on 06-09-2001. But subsequently the Director Mines has processed the proposal stating the land as patta land. The letter dated 03-06-2008 of the Deputy Commissioner, wherein he has requested the director, mines not to process any mining lease proposal in Ramgad Block has been overlooked. The Director, Mines has submitted the proposal to the Government vide his letter dtd. 15-01-2009 stating the land as patta land contrary to the facts.

After receipt of the proposal in the State Government it was processed in the file No C1-40-MMM-2009 of Secretary Mines. As per para 3 of the said file it has been mentioned that, the Deputy Commissioner, Bellary vide his letter dtd. 03-06-2008 has requested not to process any proposal in the Ramgad block till the survey work is over. This noting has been overruled and the proposal was submitted to the Government of India vide letter dated 15-06-2009 after approval of the Hon'ble' Chief Minister.

On going through the files of Director, Mines and Secretary, Mines it is observed that;

1. The Deputy Commissioner, Bellary has submitted the No Objection Certificate vide his letter dtd. 23-01-2001 stating 10 acres as patta land. But there is no mention of ownership of the land.

2. The date in the application submitted by the applicant is over written. The dates in all the three applications are overwritten by the same person.
3. The application has been processed in the file of DMG in 2001 dtd. 06-09-2001 as Revenue land.
4. The Deputy Director, Mines, Hospet has submitted false status report stating all 10 acres as patta land. As per the Notification dtd. 27-03-2008 there is 82 acres land in survey no. 28 and there is no mention of any patta land.
5. The request of the Deputy Commissioner, Bellary vide his letter dated 03-06-2008 has been ignored and the proposal is submitted to Government of India after approved by the Hon'ble Chief Minister.
6. The notification dated 15-03-2003 for Block 31/1 of Ramgad has been withdrawn by a Notification dtd.27-03-2008. The notification dated 27-03-2008 has also been withdrawn vide notification dated 19-03-2011.
7. The records are manipulated to show undue favour to Sri. K.Kumaraswamy.

It is stated here that, all these three files have been processed in a similar manner including the noting in the files. All the proposals have been simultaneously approved at various stages. It seems all the proposal was pursued by Sri Hemanth Sanghvi, M/s. Citi Maritime Pvt. Ltd. The noting's of the files of all the three files are enclosed. **(Annexure 1-3 of Chapter 19 of Dr. U.V. Singh's Report).**

All the proposals are approved by the Hon'ble Chief Minister, State of Karnataka. The beneficiation utilization certificate is taken from Tata Steel, Jamshedpur which is unlikely to be implemented. This has been done deliberately to fit in the proposals in new mining policy. The Director, Mines has not verified records of the status of the land and submitted the proposal in contravention to the first report of the Hon'ble Lokayukta and the letter dated 03-06-2008 of the Deputy Commissioner, Bellary. The Deputy Commissioner, Bellary in the year 2001 has also erred to submit the No Objection Certificate without proper verification of records. The land in question is forest land. It was a land transferred by the then Maharaja of Sandur to State Government.

The State Government has formulated the Mineral Policy The Karnataka State Minerals Policy 2008 as per the provision para 5.2 (3) the State Government has to promote the grant for mining leases for those who propose to establish industries for value addition within the vicinity of the mineral bearing areas. The relevant para is reproduced as under:

*5.2 (3) To promote transparency in granting mining concessions. To maximize value addition to the minerals extracted within the State by encouraging maximum investments in downstream industries. Priority will be given to the applicants who propose establishment of industries for value addition within the vicinity of the mineral bearing areas.*

In all above three cases i.e. K.S.L.Swamy, Tornagallu, K. Kumarswamy, M. Mabusab S/o Fakruddin sab, Thyagadal, Sandur the said provision of the policy is ignored and proposals



were submitted to Central Government for approval. It is to state here that all the three applicants have taken certificate from Tata Steels, Jamshedpur. It is further stated that most of the provisions of the State Mineral Policy is on papers. There have been no concrete efforts so far to implement the policy though it is very frequently discussed at various forums in taking pride in formulating the Minerals Policy in the State.

**(4) Wrongful withdrawal of an area of 93.18 Hectares from block no. 13/1 of Ramgad block, Sandur Taluk.**

Over an area of 1683.00 hectares of Ramgad block was notified for grant of mining leases to the public vide notification no. CI.33:MMM.1994 dated 15-03-2003. In the said notification block no. 13/1 of Sl. No. 4 was also notified. By without verifying the status of the land for alleged claimants of 37 pattadars the area has been withdrawn of an extent of 93.18 hectares from the notification dated 15-03-2003 by issuing a fresh notification no. CI.03:MMM.2005 dated 27-03-2008. This has encouraged many applicants to create forged documents. Subsequent to this notification many applications have been recommended to Central Government. Some of the cases are K.S.L.Swamy, Tornagallu, K. Kumarswamy, M. Mabusab S/o Fakruddin sab, Thyagadal, Sandur. There may be more cases of this kind. It is learnt that the notification dated 27-03-2008 has been withdrawn dated 19-03-2011 but no action is taken for the cases recommended to the Central Government. It is pertinent to note here that the alleged survey numbers 5-35 are fictitious as per the report of the Deputy Commissioner, Bellary. This entire matter requires in depth investigation. Further action should be initiated against all those officials who were responsible for creating such documents.

**(5) Theft of iron ore from the Ramgad block**

**a) Illegal mining by M/s Ranka International Pvt Ltd.**

The Department of Mines and Geology has had an auction of waste dumps in alleged survey no. 9 of the Ramgad block in 07-09-2006. One company M/s Ranka International Pvt. Ltd represented by its Director Sri Arun B. Ranka has purchased in auction of a quantity of 39000 MT. This auction purchased has been handed with a order of the Director, Mines, Bangalore for final settlement.

During the course of lifting the waste dump and also subsequently Sri Arun B. Ranka and his authorised person Sri G.B. Shivakumar of G.B.S. Logistics, Hospet has unauthorizedly done mining by the side of the waste dump and removed 48168 MT of iron ore of 62 Fe grade of an cost of 9,63,36,000.00 at the rate of Rs. 2000/MT. Sri Arun Ranka and G.B.Shivakumar has committed an offence of theft and violation of Mines and Minerals (Regulation & Development) Act punishable under Section 4 (1) and 21 (1-6) R/W 379 of IPC. It is learnt that there is an offence case pending in the court of the civil judge and JMFC, Sandur.

**b) Illegal iron ore mining in alleged survey no. 17 and 18 of Ramgad block.**

The Geologist of the office of Hospet Mines has drawn a panchanama on 15-03-2011 regarding illegal extraction of iron ore of an quantity of 720 MT in the alleged survey no. 17 & 18 of Ramgad block. It is stated here that there is no approval of mining lease in the said areas and removal of illegal iron ore

amounts to violation of Section 4 (1), 4(1)(A) and 21 (1) to (6) of MMDR Act read with 379 of IPC.

It is to state that this piece of land is under dispute for ownership, sale and proposal for mining lease of iron ore.

A case in the Court of Civil Judge JMFC, Sandur has been filed against Sri Kesari Prasad Yadav S/o Saligaram Yadav.

**c) Illegal mining of iron ore in alleged survey no. 28 of Ramgad block.**

Sri Ramlingaya H, Geologist, Department of Mines and Geology, Hospet and his team has drawn an mahazar on 15-03-2011 stating the in survey no. 28 of Ramgad block an illegal mining of iron ore has been carried out in violation of Section 4 and 25 of MMRD Act. A case has been filed in the Civil Judge, JMFC Court at Sandur making Mrs. H. Ratanamma wife of H. Kumaraswamy as an accused for illegal extraction of 22320 MT of iron ore.

It is to state that a mining lease application has been filed by one Sri K.S.L Swamy having taken consent of owner M/s. H. Ratanamma. The proposal for grant of mining lease in his favour has been recommended to Central Government and it is learnt that the proposal is pending.

Once the consent is given by the alleged owner of the alleged survey no. 28 the filing of case against Mrs. H. Ratnamma may not be proper. Mrs. H. Ratnamma is also not capable to deploy heavy machinery and do the mining. It could be the act of Mr. K.S.L. Swamy who has submitted proposal to the said area. Regarding the irregularities in submission of proposal to Central Government under the MMRD Act, it is

separately dealt in this chapter. However there may be some political force behind this illegal act of mining. It is to state here that there were 4-5 attempts made in this Ramgad block for illegal extraction of iron ore.

**d) Illegal mining in Ramgad block in 2 acres land**

Ramgad block in Sandur taluk is an elevated plateau having rich iron ore grade deposits. This large deposition of iron ore is focal attraction in the eyes of many iron ore traders. On a complaint of illegal mining in Ramgad block I had inspected the area along with the local forest staff. Some police personnel have also joined while perambulating the area. During the inspection it was found that a full fledged mining was going with illegally deploying heavy machinery and heavy duty trucks for transport. Laborers were also engaged. After a full enquiry and ascertaining the facts a police complaint was given on the spot to the Jurisdictional Inspector stating certain names who were behind the illegal mining. The copy of the complaint is reproduced on page 40 for ready reference. During course of inspection certain events took place on the spot. A report in this regard was submitted to Hon'ble Lokayukta and reproduced on page 43.

The Geologist Sri Ramalingya of DDMG office, Hospet has filed a complaint in the jurisdictional police station. Copy of the complaint was handed over on the spot on 12-09-2009 to the concern Police Inspector. In the said complaint Sri Ramalingya stated that after his perambulation of the area it is found that illegal mining is taking place in an area of above 2.00 acres. Heavy machinery is employed. He further states in his complaint that at spot enquiry it is told to him that the work is being executed by Personal Assistant of Bellary MLA Sri

Somashekar Reddy and the Corporator Sri Divakar on a direction of the Bellary MLA Sri Somashekar Reddy. No concrete action is taken on this complaint. The complaint is reproduced here:

ಗೆ,

ಪೋಲೀಸ್ ಸಬ್ ಇನ್ಸ್‌ಪೆಕ್ಟರ್,  
ಸಂಡೂರು ಪೋಲೀಸ್ ಠಾಣೆ,  
ಸಂಡೂರು.

ವಿಷಯ:- ಸಂಡೂರು ತಾಲೂಕಿನ ರಾಮಘಡ ಗ್ರಾಮದಲ್ಲಿ ನಡೆಸುತ್ತಿರುವ  
ಅನಧೀಕೃತ  
ಗಣಿಗಾರಿಕೆ ಕುರಿತು ದೂರು.

\*\*\*=

ಮೇಲಿನ ವಿಷಯಕ್ಕೆ ಸಂಬಂಧಿಸಿದಂತೆ, ರಾಮಲಿಂಗಯ್ಯ ಹೆಚ್, ಭೂವಿಜ್ಞಾನಿ ಉಪನಿರ್ದೇಶಕರ ಕಛೇರಿ, ಗಣಿ ಮತ್ತು ಭೂವಿಜ್ಞಾನ ಇಲಾಖೆ, ಹೊಸಪೇಟೆ ಆದ ನಾನು ಈ ಮೂಲಕ ದೂರು ನೀಡುವುದೇನೆಂದರೆ, ಈ ದಿನ ದಿನಾಂಕ: 12.09.2009 ರಂದು ನಾನು ಹೊಸಪೇಟೆಯಲ್ಲಿದ್ದ, ಸಮಯದಲ್ಲಿ ಮಾನ್ಯ ಉಪನಿರ್ದೇಶಕರು, ದೂರವಾಣಿ ಮೂಖಾಂತರ ನನ್ನನ್ನು ಸಂಪರ್ಕಿಸಿ ರಾಮಘಡ ಗ್ರಾಮಕ್ಕೆ ಹೊಗಲು ಸೂಚಿಸಿ, ತಿಳಿಸಿದ್ದೆನೆಂದರೆ ಸದರಿ ಪ್ರದೇಶದಲ್ಲಿ ಡಾ|| ಯು.ವಿ. ಸಿಂಗ್, ಅರಣ್ಯ ಸಂರಕ್ಷಣಾಧಿಕಾರಿಗಳು, ಲೋಕಾಯುಕ್ತ ಕಛೇರಿ ಬೆಂಗಳೂರು ಹಾಗೂ ಪೋಲೀಸ್ ವರಿಷ್ಠಾಧಿಕಾರಿಗಳು, ಲೋಕಾಯುಕ್ತ ಕಛೇರಿ ಬಳ್ಳಾರಿ ಇವರು ಸ್ಥಳದಲ್ಲಿದ್ದು, ಕೂಡಲೇ ಸಿಬ್ಬಂದಿಯೊಂದಿಗೆ ಸ್ಥಳಕ್ಕೆ ದಾವಿಸಿ ಕಾನೂನು ರೀತಿಯ ಕ್ರಮ ಕೈಗೊಳ್ಳಲು ತಿಳಿಸಿರುತ್ತಾರೆ.

ಉಪನಿರ್ದೇಶಕರ ಆದೇಶದಂತೆ ನಾನು ಹೊಸಪೇಟೆಯಿಂದ ಶ್ರೀ ಪ್ರಕಾಶ, ಕಿರಿಯ ಅಭಿಯಂತರರೊಂದಿಗೆ ಕಛೇರಿಯ ವಾಹನ ಸಂಖ್ಯೆ: ಎಂ-04 ಉ:868 ರಲ್ಲಿ ಸ್ಥಳಕ್ಕೆ ಹೋಗಿ ಸ್ಥಳದಲ್ಲಿದ್ದ ಲೋಕಾಯುಕ್ತ ಅಧಿಕಾರಿಗಳು ಹಾಗೂ ಅರಣ್ಯಾಧಿಕಾರಿಗಳನ್ನು ಭೇಟಿ ಮಾಡಿ ಸ್ಥಳ ಪರಿಶೀಲಿಸಲಾಗಿ ಸ್ಥಳದಲ್ಲಿ ಅಂದಾಜು 2.00 ಎಕರೆ ಪ್ರದೇಶದಲ್ಲಿ ಅನಧೀಕೃತ ಗಣಿಗಾರಿಕೆ ನಡೆಸಿರುವುದು ಕಂಡು ಬಂದಿರುತ್ತದೆ. ಸದರಿ ಅನಧೀಕೃತ ಗಣಿಗಾರಿಕೆಯ ಬಗ್ಗೆ ಸ್ಥಳದಲ್ಲಿದ್ದ ಕೆಲಸಗಾರರನ್ನು ವಿಚಾರಿಸಲಾಗಿ ಸ್ಥಳದಲ್ಲಿದ್ದ ಸೂಪರ್‌ವೈಸರ್ ಎಂದು ಪರಿಚಯಿಕೊಂಡ ಶ್ರೀ ಮೆಹಬೂಬ್ ತಂ. ಜಾಪರ್‌ಸಾಬ್ ಜವಳಿಗಳಲ್ಲಿ ಗದಗ ತಾಲೂಕು ಗದಗ ಜಿಲ್ಲೆ ಇವರನ್ನು ಕೆಲಸ ಮಾಡುತ್ತಿರುವವರು ಯಾರು ಎಂದು ವಿಚಾರಿಸಲಾಗಿ ಶ್ರೀ ಹೊನ್ನೂರಪ್ಪ ಬಳ್ಳಾರಿ ಎಂ.ಎಲ್.ಎ ಸೋಮಶೇಖರ ರೆಡ್ಡಿಯವರ ಆಪ್ತಸಹಾಯಕರು, ಹಾಗೂ ಶ್ರೀ ದಿವಾಕರ್ ಕಾರ್ಪೊರೇಟರ್ ಬಳ್ಳಾರಿ ಇವರು ಮಾಡಿಸುತ್ತಿರುವುದಾಗಿ ಮತ್ತು ಸೋಮಶೇಖರ್ ರೆಡ್ಡಿಯವರು ಮಾಡಲು ಸೂಚಿಸಿರುವುದಾಗಿ ತಿಳಿಸಿರುತ್ತಾರೆ.

ಸದರಿ ಅನಧೀಕೃತ ಗಣಿಗಾರಿಕೆಯಲ್ಲಿ ಬಳಸುತ್ತಿದ್ದ, ವಾಹನಗಳು ಈ ಕೆಳಗಿನಂತಿರುತ್ತದೆ.

- |                      |                       |
|----------------------|-----------------------|
| 1) KA 34:9500 Tipper | 2) KA. 34:9502 Tipper |
| 3) KA 34:9501 Tipper | 4) KA. 34:9550 Tipper |

- 5) KA 34:9547 Tipper      6) TATA Itachi Ex- 210  
Tipper  
7) KA. 34: M-4745      8) M.H-26: B-7845  
TWL-3036 Loader      Compressor

ಸದರಿ ಅಕ್ರಮ ಗಣಿಗಾರಿಕೆಯಲ್ಲಿ ಬಳಸಲಾದ ಚಾಲಕರುಗಳ ವಿವರ ಕ್ರಮವಾಗಿ ಈ ಕೆಳಗಿನಂತಿರುತ್ತದೆ.

- 1) ಅಣ್ಣಪ್ಪ ತಂ. ನಂಜುಂಡಪ್ಪ ತಾಳುರು, ಸಂಡೂರು ತಾಲೂಕು ವಯಸ್ಸು 23 ವರ್ಷ.
- 2) ಮಹದೇವ ತಂ: ಬಾಳಪ್ಪ (ಮಾಣಗಾವಿ) ಬಡೇಕುಂದಿ ಬೆಳಗಾಂ.
- 3) ಕೆಂಪಣ್ಣ ತಂ: ಅಪ್ಪಣ್ಣ ಹೊಲ್ಲಳ್ಳಿ ಬಡೇಕುಂದಿ ಬೆಳಗಾಂ.
- 4) ಮಹೇಶ್ ತಂ: ಚಂದ್ರಕಾಂತ್ ದತವಾಡಿ ತಪಕಾರವಾಡಿ ಚಿಕ್ಕೋಡಿ ತಾಲೂಕು ಬೆಳಗಾಂ.
- 5) ಮೆಹಬೂಬ್ ತಂ:ಜಾಪರ್‌ಸಾಬ್ ಗದಗ ಜಿಲ್ಲೆ.
- 6) ಅನಿಲ್ ತಂ:ರಾಮೇಶ್ವರ ಬಿಹಾರ.
- 7) ಶಿವನಂದ ಚಾಲಕ (ಅಂಟಿಡಿಭರಡಿ).

ಮೇಲೆ ನಮೂದಿಸಲಾಗಿರುವ ಚಾಲಕರುಗಳು ಮೇಲ್ಕಂಡ ವಾಹನಗಳನ್ನು ಬಳಸಿಕೊಂಡು ಅನಧಿಕೃತವಾಗಿ ಗಣಿಗಾರಿಕೆ ನಡೆಸಿರುತ್ತಾರೆ. ಸದರಿಯವರ ಈ ಕೃತ್ಯದಿಂದ ಒಬಿಆಂಫಿಣ-1957 ಸೆಕ್ಷನ್ 4(1)(10) ರ ನೇರ ಉಲ್ಲಂಘನೆಯಾಗಿರುತ್ತದೆ ಹಾಗೂ ಅಂದಾಜು 1400 ಮೆ.ಟನ್ ಕೆಳದರ್ಜೆಯ ಕಬ್ಬಿಣದ ಅದಿರನ್ನು ಗಣಿಗಾರಿಕೆ ನಡೆಸಿ ಪಕ್ಕದಲ್ಲಿ ಸಾಗಾಣಿಕೆ ಮಾಡಿ ದಾಸ್ತಾನು ಮಾಡಿರುತ್ತಾರೆ. ಸದರಿ ಕಳ್ಳತನದ ಅದಿರಿನ ಅಂದಾಜು ಬೆಲೆ 280000 ರೂ.ಗಳಾಗಬಹುದಾಗಿರುತ್ತದೆ.

ಆದುದರಿಂದ ಅನಧಿಕೃತ ಗಣಿಗಾರಿಕೆಯಲ್ಲಿ ಬಳಸಲಾಗಿರುವ ವಾಹನಗಳ ವಿರುದ್ಧ ಮತ್ತು ಚಾಲಕರುಗಳ ವಿರುದ್ಧ ಸೂಕ್ತ ಕಾನೂನು ರೀತ್ಯ ಕ್ರಮ ಜರುಗಿಸಲು ತಮ್ಮಲ್ಲಿ ಈ ಮೂಲಕ ಕೋರಲಾಗಿದೆ ಮತ್ತು ಗಣಿಗಾರಿಕೆ ನಡೆಸಿರುವವರ ವಿರುದ್ಧ ಕಾನೂನು ಕ್ರಮ ಜರುಗಿಸಲು ಕೋರಿದೆ.

ಸ್ಥಳ: ರಾಮಘಡ  
ದಿನಾಂಕ: 12.09.2009

ತಮ್ಮ ವಿಶ್ವಾಸಿ,  
ಸಹಿ/-  
(ರಾಮಲಿಂಗಯ್ಯ ಹೆಚ್),  
ಭೂವಿಜ್ಞಾನಿ,  
ಗಣಿ ಮತ್ತು ಭೂವಿಜ್ಞಾನ ಇಲಾಖೆ,  
ಹೊಸಪೇಟೆ.

There were various complaints regarding illegal mining in Ramgad block and in this regard inspection for on the spot status of illegal mining in the said block had been taken up. A

report in this regard was submitted to the undersigned. The report is reproduced herein:

**“INSPECTION REPORT DATED: 12.09.2009**

*As per your kind direction to me to inspect and report in respect of ground realities about illegal mining and also action taken by various Departments on the report submitted by your kind self to State Government for illegal mining and others in Bellary District, I have inspected the area of Ramgad Block on 12.9.2009. While going to have inspection of M/s. Vrushabendraiah Mines (ML No.2173), I noticed one illegal mining carried out in very recent past, but was not in operation on the day of my visit (dtd.12.9.2009). When enquired from the forest officials accompanied told me that this mine was being done by one Sri Ereswamy, Hospet. They have stopped the mining operation because while doing mining the forest boundary has been destroyed. The area has been photographed. After having inspection to this mine, I further proceeded towards the leased area of M/s. Vrushabendraiah Mines.*

*On my way to this mine (ML No2173) I noticed another illegal iron ore mine in operation. In this regard, to verify the illegalities of the said mine, I did contact the Deputy Director, Mines, Hospet, over phone. In response to the telephonic message, the Deputy Director, Mines, asked Sri Ramalingaiah H., Senior Geologist, Hospet, to come to the spot for verification. On his arrival, I requested him to enquire the entire matter independently and to take action as per law. Sri Ramalingaiah, Geologist, Hospet, with*

*the help of the officials of Forest and Police Departments has enquired the entire illegal mining matter and after satisfying himself, he filed a complaint before the Police Sub-Inspector, Sandur Police Station. The copy of the complaint is enclosed herewith for ready reference. The photographs of the area where the illegal mining is going on with the machineries used in the mining, are also enclosed for ready reference.*

*Meanwhile, I have inspected the mines of M/s. Vrushabendraiah and found that he is carrying out mining in the encroached area which is a part of the forest land. It may kindly be recalled that in the first report submitted to State Government by your kindself, this area is marked as encroachment in the forest land. It is also marked as a disputed area. The actual quantity of iron ore removed during the period from this encroached forest land would be ascertained either by permits issued by Mines Dept. or by actual measurements by a Competent Authority. The working marks of machinery used for mining at the mines are found fresh (The mining is done after the rain in last week). The mining might have been continued even one day before my spot inspection. This is a serious matter and may kindly be taken note of for necessary action. The photographs pertaining to mining of extraction of iron ore in ML No.2173 of M/s. Vrushabendraiah Mines are enclosed herewith. When I was inspecting the mine, the SP, Lokayukta, Bellary, informed me that Sri Somashekara Reddy, MLA, Bellary, is coming to*



*the spot. (where illegal mining is going on). Since MLA was supposed to come to the spot, I decided to stay back at the illegal mining spot. When I was waiting for him, another message came in, informing that he is not visiting the spot, but some of his followers are likely to come over there. At the spot when I was having my food, a person came to me and tried to give his mobile phone asking me to talk to Sri Somashekara Reddy (MLA) who was on the line. I told him that after having my food, I will receive his call. After some time, the same person with same mobile came and told me that Sri Somashekara Reddy is on line and he wants to talk to me. I have received the call. Sri Somashekara Reddy introduced himself on mobile phone saying that he is Somashekara Reddy, MLA, Bellary, brother of District Minister, is on line. He asked me not to proceed in the matter. In turn, I told him categorically that this is a matter of illegal mining and the concerned officials of the Mines, Forest and Police Departments have to enquire and take action as per the law. During the course of conversation over phone, he threatened me saying that whether I have taken the permission to come to Bellary Dist. for inspection of mines from the Bellary District Minister. I replied to him that it is not necessary in a democratic country like ours and I have come over here on the directions of Hon'ble Lokayukta. He went on telling not to proceed in this matter. I finally told him that it is not me, but concerned authorities have to take action in the matter as per law. After 8 to 10 minutes, again the same person tried to give me his mobile saying that*

*Sri Somashekara Reddy is on the line, I refused to receive that phone call.*

*After having thorough enquiry, the Senior Geologist Sri Ramalingaiah has filed a complaint before the jurisdictional PSI, Sandur, on the spot itself. The PSI has received the complaint and subsequently registered a FIR. The copies of the complaint and FIR are enclosed herewith for ready reference. It may kindly be noted here that even though specific three names are mentioned in the complaint as accused, the same are not included in the FIR. This may kindly be taken note of.*

*Further I have over heard that it is being planned to file a complaint against me under the SC/ST Prevention of Atrocities' Act, 1989, if I persue the above matter of illegal mining. This may be a calculated plan to dilute the main issue of illegal mining and also to create fear to stall the process of impartial investigation. At this point, I submit to assure you Sir that such type of threats will not be able to stop me in my endeavour to curb the illegal mining in the State and Bellary Dist. in particular.*

*A **possession certificate** is enclosed herewith in proof of status of the land wherein the above illegal mining is taking place and complaint filed. As per this document the land is stated as Government forest land. In the letter of the then Deputy Commissioner, Bellary Dist., dtd.10.3.2008, it has been categorically stated that there are only four Sy.*

Nos.(1 to 4) in Ramgad village and there is no any other Sy.Nos. constituted as per law.

I have also inspected another mines viz., RMMPL (ML No.2451) in connection with the illegal mining in the disputed area (detected as encroached forest land in the survey). I found that no such illegal mining operations are being taken place within the disputed area in this mine.

I also take an opportunity to submit that shifting of boundaries (by shifting boundary pillars), encroachments and extraction of iron ore in forest and Govt. lands, transportation of iron ore without permits, mushrooming of iron ore stockyards and trespass by way of formation of illegal roads to mines have increased many folds in the Bellary District in last 3 to 4 months. The morale of frontline forest staff is low at all times. A copy of the letter submitted by the field level staff in this regard is enclosed herewith for kind perusal. I had experienced the same during my frequent visits to Bellary District in the month of August, 2009 and September, 2009. This may kindly be taken note of. With these facts and circumstances, I write to submit to your kindself to take needful action in the above said matter.

(U.V.Singh)

Chief Conservator of Forests.

**Enclosures:**

- 1) Complaint filed by the Geologist, Hospet, to PSI, Sandur.
- 2) Copy of a FIR (Sandur P.S.)
- 3) Photographs of the illegal mining at Ramgad Block ( platue) the spot in question as stated above.

- 4) *A CD recorded during the spot investigation on 12.9.2009.*
- 5) *A possession certificate showing the status of the land in question.*
- 6) *A letter of the DC, Bellary Dist.*
- 7) *A letter written by forest officials (lower staff) to RFO dtd.12.08.2009.*

I will comment on the incident of 12/9/2009 separately in another chapter.

On the same day the mining lease of M/s. J.M.Vrushabendraiah was also inspected and it was noticed that the mining activities were going on. It is to state here that in the first report it was found that M/s. J.M.Vrushabendraiah has encroached forest land and large quantity of iron ore has been extracted from this encroached forest land. A forest offence case was filed. Against the said offence case a Writ Petition was filed in the High Court. The disputed area was marked based on the order in this Writ Petition. Sri J.M. Vrushabendraiah was found working in this disputed area. There were the marks of machinery working in the said area. Large numbers of MDPs were issued by the Deputy Director, Hospet. A further investigation in this regard is required for violation of the directions of High Court order and also to ascertain the quantity removed from this disputed encroached forest land. The CEC may take note of it.

The Central Empowered Committee (CEC) appointed by the Hon'ble Supreme Court of India has been requested to submit a report in Writ Petition (Civil) No. 562 of 2009 of Samaj Parivarthana Samudaya and Others. Among others the CEC has submitted a detailed report regarding illegal grants of Mining leases in Ramgad Forest block and

Swamimalai Forest block in Sandur taluk, Bellary District. The copy of the report is enclosed as **(Annexure 4 to Chapter 19 of Dr. U.V.Singh's Report)**.

After going through the report it is noticed that there are certain more proposals in the Ramgad block submitted by the State Government to Government of India for grant of mining lease in addition to the proposals stated in first report of Hon'ble Lokayukta. The details are given as under:

Sl No	Name of Applicant	Applied for extent (Acre s)	Status of land shown in the applicatio n	Extent for which DC is given consent	Status of land as processe d in 2001	Status of land for which Director, Mines recommen ded proposal	Proposa l submitte d to GOI Date
1	2	3	4	5	6	7	8
1	K.S.L.Swamy, Tornagallu	10.00	Government (Revenue) Land	No consent given	Revenue land	Patta land	16.06.09
2	K. Kumara swamy	10.00	Patta land	Consent given	Revenue land	Patta land	15.06.09
3	M. Mabusab S/o Fakruddin sab, Thyagadal, Sandur	10.00	Patta land	5 acres for patta land and remaining 5 acre for Government land	Revenue land	Private land	15.06.09

All the three proposed leases are submitted considering the status of land as patta land contrary to the facts. The other details of submission of proposal at various stages are given in above paras and table. It is relevant to reproduce here the para 18 (ii) of the CEC report:

*“ii) Mr. P. Rajashekhar, the then Deputy Conservator of Forests, Bellary Division, vide letter dated 21.11.2007 falsely took the stand that the mining leases of M/s Karkethian Manganese and Iron ore*

*(Pvt) Ltd was a non-forest land (refer Annexure 26 and Annexure 25 of this Report). Mr. M.K> Shukla, the then Deputy Conservator of Forests, Bellary Division had issued a false NOC dated 1.9.2005 stating the mining lease area of M/s Balaji was a non-forest land (refer Annexure R-19 and Annexure R-20 of this Report). Mr. Thippeswamy, the then Range Forest Officer, Sandur Range issued false NOC at least in five cases (refer Annexure R-25 of this Report) stating that the concerned mining lease areas are non-forest land. The details in respect of the other officers of the Revenue Department and Forest Department for issuing false NOCs also should be ascertained and exemplary deterrent action needs to be taken against all the officers involved in issuing false NOCs;"*

Agreeing with the observations made by the CEC, action should be taken against all the officers named in the above said para. The State Government should be requested to identify all other officials in Revenue, Forest and Mines Departments responsible for issuing the false NOCs in regard to the status of land in Ramgad block and process of proposals for grant of mining leases. It is to state here that the Deputy Director, Mines has recommended wrongly the status of land in case of the three proposals i.e. 1. K.S.L.Swamy, Tornagallu 2. K. Kumarswamy and 3. M. Mabusab S/o Fakruddin sab, Thyagadal, Sandur as patta land for entire area beyond his competence. The Geologist of his office is also equally responsible for this act. It is also submitted to take all other actions as suggested by the CEC in this matter.

16) With the above facts and circumstances the following conclusions are drawn by Dr.U.V.Singh, for further needful action.

1. After going through the various records and reports in the matter it is to state that the land in Ramgad block is forest land for the purpose of application of Forest (Conservation) Act, 1980 and the order of the Hon'ble Supreme Court dated 12-12-1996 in W.P.No. 202/1995.
2. The mining leases already approved under the Mines and Minerals (Regulation & Development) Act, 1957 without having the approval of FC Act should be cancelled by following due process of law.
3. Action should be initiated against the then Deputy Conservator of Forests, Bellary for issuing No Objection Certificate dated 01-09-2005 and also against the then Deputy Conservator of Forests Bellary for taking false stand (Letter dated 21-11-2007) in favour of mining lease of M/s. Kartikeyan Manganese and Iron ore Pvt. Ltd. and all other officials who have been named in the Central Empowered Committee report to Hon'ble Supreme Court dated 14-04-2011 in Writ Petition (Civil) No. 562/2009.
4. Action should be initiated against the then Deputy Commissioner, Bellary, Tahsildar Sandur and others who are responsible for

issue of No Objection Certificate for the process of proposal for grant of mining leases in favour of K.Kumaraswamy and M.Mabusab.

5. Action should be initiated against the then Director Mines, Secretary Mines, Deputy Director of Mines, Hospet, Geologist and other officials who are responsible for recommendations of the proposals for the KSL Swamy, K.Kumaraswamy and M.Mabusab to Government of India contrary to the facts of status of lands.
6. The Forest Settlement Officer in the matter of declaring the forest land as enclosure without following the procedure under the Karnataka Forest Act, 1963 should be changed with the Deputy Commissioner, Bellary as FSO. The action should also be initiated against the Assistant Commissioner and FSO who is responsible for declaring the enclosure without verifying the fact of the status of land and claims.
7. The proposals submitted to Government of India for grant of mining lease of iron ore in Ramgad block of Sri. KSL Swamy, K.Kumaraswamy and M.Mabusab should immediately be withdrawn.
8. Further enquiry in case of replacing the original applications in all the three cases, over writing of dates in the applications and other



irregularities should be conducted with the officer of known integrity.

9. The Notification to grant mining lease in favour of Ram Rao Poal has issued after the first report of Hon'ble Lokayukta wherein it was stated that the land in question is forest land. The lease deed has been executed for operation of mining without having approval under the Forest (Conservation) Act 1980. Action should be taken against all the officials who are responsible for this act of notification and execution of mining lease.
10. The three proposals for mining leases i.e. of Sri. KSL Swamy, K.Kumaraswamy and M.Mabusab have been initiated and submitted to Government of India with recommendation to grant mining lease after the first report of the Hon'ble Lokayukta to State Government.

17) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Further, in this Chapter, wherever the names of the officers are stated and in some instances, designation of the officers are stated, it is recommended to the State Government to initiate action against such officer/officials under the Prevention of Corruption Act, 1988 or under the relevant Disciplinary Rules.

18) Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of

Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

19) The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.

20) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

**ILLEGAL MINING BY M/S. MATHA MINERALS PRIVATE  
LIMITED (MMPL), BANGALORE**

1) A mining lease to an extent of 320 Acres (129.50 Hectares) had been granted in favour of Sri B.R. Amar Singh in Kondli village, Gubbi taluk, Tumkur district for extraction of manganese, limestone, clay, iron ore and others. It is to state that Sri B.R. Amar Singh had applied for grant of mining lease on 23-06-1979 over an area of 1280 acres in various survey numbers of Kondli, Ballanakatte, Karadikal and Mudlapalya villages, Gubbi taluk, Tumkur District. The said area was advertised for re-grant of mining lease on 24.05.79 in Kannada Gazette as required under the then Rule 58 of MC Rules 1960. Previously the entire area was held and worked under ML No. 229 of Sri P.K. Sarangapani Mudaliar. Out of the 1280 acres, Sri B.R. Amar Singh had been granted 320 acres in Kondli village as per the indenture signed on 7<sup>th</sup> day of May 1985 between the lessee Sri B.R. Amar Singh, Bangalore and the then Director, Mines and Geology. The part (1) of the indenture regarding the boundary and area of lease is quite clear where in Sy. No. 9 of Mudlapalya village is not a part of this lease. The schedule in the indenture (Agreement) is described as under: **(Annexure of Chapter-20 at pages 1 to 16 of Dr. U.V. Singh's Report in this regard).**

*“On the North by S. No. 83 of Ballanakatte, & S. No. 84 of Kondli & Kardikal S.No. 5.*

*On the South by part of S no. 84 Kondli & Mudlapalya.*

*On the East by part of S.no. 5 of Kardikal*

*On the West by part of S.No. 84 Kondli.”*

With the above schedule of leased land for an extent of 320 acres it is clear that Sy. No. 9 of Mudlapalya is not a part of this

lease **(Annexure of Chapter-20 at page 17 of Dr. U.V. Singh's Report in this regard).**

2) The above said mining lease has been assigned ML No. 1975 and given effect from 07-05-1985 for 20 years. Since then Sri B.R.Amar Singh was doing mining in leased area but complaints were there against him doing manganese mining in encroached area which he went on denying.

3) Subsequently, Sri B.R. Amar Singh has filed an application dated 24-01-1995 for grant of 960 acres (384 hectares) in Sy. No. 84 of Kondli, Sy. no.5 of Kardikal and Sy. No. 9 of Mudlapalya village, Gubbi taluk. This application of Sri B.R. Amar Singh has been rejected by the Government vide its Order dated 30-01-1996.

4) Against the said Order dated 30-01-1996 Sri B.R. Amar Singh filed a Writ Petition in the Hon'ble High Court of Karnataka. The Hon'ble Court in its final order dated 17-06-1997 has quashed the order dated 30-01-1996 of the Government and directed the second respondent to dispose of the application for grant of mining lease within three months. Due to various other writ petitions and some other reasons this matter has not been finalized. In this connection para 157 to 172 of file no. CI 122 MMM 95 may be seen **(Annexure of Chapter-20 at pages 34 to 38 of Dr. U.V. Singh's Report in this regard).**

*"171) ಕಂಡಿಕೆ 165-ರಿಂದ 169 ರವರೆಗೆ ನೋಡಬಹುದು. ಈ ಮೇಲೆ ತಿಳಿಸಿರುವ ಟಿಪ್ಪಣಿಯಲ್ಲಿನ ವಿವರಣೆಗಳ ಆಧಾರದ ಮೇರೆಗೆ ಈ ಪ್ರಸ್ತಾವನೆಯನ್ನು ಒಪ್ಪಬಹುದಾಗಿದೆ. ಗಣಿ ಮತ್ತು ಭೂವಿಜ್ಞಾನ ನಿರ್ದೇಶಕರ ವರದಿಯನ್ನು ಪುಟ 60 ರಿಂದ 58ರ ವರೆಗೆ ನೋಡಲಾಗಿದೆ. ಎಂಎಂ (ಡಿ ಮತ್ತು ಆರ್) ಕಾಯ್ದೆಯನ್ವಯ*

“ಮೊದಲು ಬಂದವರಿಗೆ ಮೊದಲ ಅಧ್ಯತೆ” ಎಂಬ ತತ್ವವನ್ನು ಅನುಷ್ಠಾನ ಮಾಡುವುದು ಆಗತ್ಯ. ಈ ಕಾರಣದಿಂದ ಈ ಪ್ರಕರಣವನ್ನು ಮೊದಲು ಅರ್ಜಿಯಾಗಿ ಪರಿಗಣಿಸಬಹುದು ಹಾಗೂ ನಿರ್ದೇಶಕರು ತಮ್ಮ ದಿನಾಂಕ 18-7-2000 ರ ವರದಿಯಲ್ಲಿ ತಿಳಿಸಿರುವಂತೆ ಈಗ ಶ್ರೀ ಅಮರ್ ಸಿಂಗ್ ಕೆಲಸ ಮಾಡುತ್ತಿರುವ ಕ್ಷೇತ್ರದಲ್ಲಿ ಯಾರಿಗೂ ಗುತ್ತಿಗೆ ಕೊಟ್ಟಿಲ್ಲ. ಇವರು ಈ ಕ್ಷೇತ್ರದಲ್ಲಿ ಅನಧಿಕೃತವಾಗಿ ಕೆಲಸವನ್ನು ಮಾಡುತ್ತಿರುವುದು ನಿಜ ಹಾಗೂ ಇವರು ಹಲವಾರು ವರ್ಷಗಳಿಂದ ಈ ಕ್ಷೇತ್ರದಲ್ಲಿ ಕೆಲಸ ಮಾಡುತ್ತಿರುವ ಕಾರಣ ಈ ಕ್ಷೇತ್ರದಲ್ಲಿ ಬೇರೆ ಯಾರೂ ಅರ್ಜಿ ಹಾಕಿಲ್ಲ ಎಂಬ ನಿರ್ದೇಶಕರ ವರದಿಯ ಮೇರೆಗೆ ಮುಂದಿನ ಕ್ರಮ ತೆಗೆದುಕೊಳ್ಳಬಹುದಾಗಿದೆ.”

(ಆರ್. ಸುರೇಶ್),

ಸರ್ಕಾರದ ಕಾರ್ಯದರ್ಶಿ,

ವಾಣಿಜ್ಯ ಮತ್ತು ಕೈಗಾರಿಕೆ ಇಲಾಕೆ

172) ಕಂಡಿಕೆ 171 ರ ಪ್ರಸ್ತಾವನೆಯಂತೆ ಅನುಮೋದಿಸಲಾಗಿದೆ.”

V. Muniyappa  
Minister for Mines & Geology  
-16.10.2000”

After approval (as in para 171 of the file of Secretary, Mines) by Hon'ble Minister the State Government had modified the original sketch by adding 206 acres of Sy. no. 9 of Mudalapalya village Gomal Land without having prior approval of Central Government under MMRD Act 1957 (**Annexure of Chapter-20 at page 18 of Dr. U.V. Singh's Report in this regard**).

5) Whether it is modification of sketch by including additional area of different survey number of different village or grant of mining lease (fresh) for the said area, in both cases prior approval of Government of India is must under the MMRD Act 1957. This has not been taken in this case.

6) The modification of lease sketch extending it to an area of different survey number (Sy. No. 9) of different village is unlawful. The State Government cannot include fresh area without having approval of Government of India under Mines

and Minerals (Regulation & Development) Act 1957. Hence whatever reasons it could have been, the inclusion of Sy. No. 9 of Mudanapalya village in the modified sketch is beyond the powers of the State Government.

7) After having modified the sketch illegally the lease had been transferred on a letter no. DMG/13 TRN 2002/2298 dated 23-10-2002 of the Director, Mines, Bangalore. A Government Order No.CI: 93: MMM 2002, Bangalore dated 28-01-2003 had been issued for transfer of mining lease number 1975 held by Sri B.R. Amar Singh for manganese, manganese dioxide, dolomite, limestone, iron ore, clay and others over an area of 320 acres with the changed, modified sketch of Kondali and Mudalapalya villages of Gubbi taluk in favour of M/s. Matha Minerals Pvt Ltd (MMPL), Bangalore for the unexpired period of lease i.e. upto 06-05-2005 under Rule 37(1)(a) of MCR 1960 subject to certain conditions. **(Annexure of Chapter-20 at pages 19 to 21 of Dr. U.V. Singh's Report in this regard)**

8) Among others the condition number 4 which is reproduced as under is totally misleading;

*“(4) the total area holding of the transferee shall not exceed the limit of Ten sq. Kms. by this transfer.”*

Further, before transferring the new area to the M/s. Matha Minerals Pvt Ltd which was not the part of the mining lease area of B.R. Amar Singh, the State Government has not sought prior approval of Central Government under the MMRD. Hence for transfer of 206 acres of Government land in Sy. No. 9 is totally against the Mines and Minerals (Regulation & Development) Act 1957 and Karnataka Land Revenue (KLR) Act 1964.

9) After the issue of this Government order, a Form -O (Model form for transfer of mining lease See Rule 37 (a)) was registered in the Sub-Registrar, Gubbi. The schedule of the boundary of area (location and area of the lease) is given as under: **(Annexure of Chapter-20 at pages 22 to 28 of Dr. U.V. Singh's Report in this regard).**

*“All the tract of lands situated at Part of Sy No. 84 of Kondli village and Part of Sy. No. 9 of Mudalapalya village, Gubbi taluk, Tumkur District in the Registration District Tumkur, bearing Cadestral Survey Nos. 84 & 9 mentioned hereunder containing an area of 320 Acres or thereabout delineated on the plan hereto annexed and thereon coloured in red and bounded as follows:-*

*ON THE NORTH BY : Part of Sy.No. 84 of Kondli village, & part of Sy. No. 9 of Moodalapalya village*

*ON THE SOUTH BY : Part of Sy. No. 9 of Moodalapalya village*

*ON THE EAST BY : Part of Sy. No. 84 of Kondli Village, & Part of Sy.No. 9 of Moodalapalya village*

*AND*

*ON THE WEST BY : Part of Sy.No. 84 of Kondli Village, & Part of Sy.No. 9 of Moodalapalya village ”*

It is to state here that the Schedule of boundary of the leased area originally granted on 07.05.1985 in favour of Sri B.R. Amar Singh is substantially modified and changed if compared to the leased area of this registered transfer indenture

dated 29-01-2003. It is done by the State Government having no competence.

10) It is further stated here that as per the para 3 of the indenture made on 29<sup>th</sup> day of January 2003 for transfer of lease, the approval of the transferor and his consent and signature is must on the indenture for the transfer of lease for the following reasons:

- (i) *The transferor and the transferee declare that they have ensured that the mineral rights over the area for which the mining lease is being transferred vest in the State Government.*
- (ii) *The transferor hereby declares that he has not assigned subject, mortgaged or in any other manner transferred the mining lease now being transferred and that no other person or persons has any right, title or interest where under in the present mining lease being transferred.*
- (iii) *The transferor further declares that he has not entered into or made any agreements, contract or understanding whereby he had been or is being directly or indirectly financed to a substantial extent by or under which the transferor's operation or understandings were or are being substantially controlled by any person or body or persons other than the transferor.*

11) It is pertinent to note here that Sri B.R. Amar Singh is not a signatory to transfer indenture. In the indenture Sri B.S.Puttaraju as GPA holder had signed for Sri B.R.Amar Singh,



(in place of signature of transferor). The first para of the transfer indenture may be seen in this context which is reproduced as under:

*“ The indenture made this **Twenty ninth** day of **January** Two thousand three between **B.R.Amar Singh No. 9/1A, 9<sup>th</sup> Cross Chamrajpet Bangalore 560018** (hereinafter referred to as the “Transferor” which expression shall where the context so admits be deemed to include its successors and permitted assigns) of the first part.”*

When the facts were so clear the Sub-Registrar, Gubbi should not have allowed registering this transfer indenture without the signature of Sri B.R.Amar Singh.

12) For the Matha Minerals Pvt Ltd (MMPL) Sri B. Naveen, Director has signed as transferee. Hence having not signed by the transferor himself, the process of transfer of lease is incomplete. For the Government the then Director, Mines and Geology has signed the indenture.

13) It is to state here that the mining lease to an extent of 320 acres granted to Sri B.R. Amar Singh with a specific sketch is different than the area transferred in favour of M/s. Matha Minerals Pvt Ltd (MMPL). It is further stated that the mining lease was earlier meant for extraction of manganese as a principal mineral among others. It is noted here that after the transfer of lease, the iron ore has become the main mineral for extraction. It is further pointed out here that this has happened due to “China boom”. The demand of iron ore and its value had increased substantially.

14) On perusal of records available in the connected files it is noted that there is not much deposition of iron ore including manganese in the first original leased sketch area. The main deposition of minerals remains outside the original approved leased area. To cover up the iron ore deposited area, the sketch (boundary) of the original lease is substantially modified and changed to cover Sy.No.9 of Mudalapalya village. This should have been done with the prior approval of the Central Government.

15) The 20 years period of the lease expired on 06-05-2005. The State Government has issued notification for the first renewal of the lease by a Government order No. CI:217:MMM:2006 dated 06-10-2007 (**Annexure of Chapter-20 at page 41 of Dr. U.V. Singh's Report in this regard**) The schedule of boundaries for this renewed mining lease is described as under:

**BOUNDARIES:-**

On the North by	Part of Sy. No. 84 of Kondli Village.	On the South by	Part of Sy. No. 9 of Mudlapalya village.
On the East by	Part of Sy. No. 84 of Kondli Village and Part of Sy. No. 9 of Mudlapalya Village	On the West by	Part of Sy. No. 84 of Kondli Village and Part of Sy. No.9 of Mudlapalya Village.

16) A mining lease indenture (agreement) has been signed on 03-04-2009 between the Director, Mines and Geology Sri Shivalinga Murthy on behalf of State Government and the Managing Director Sri B.S. Arun of M/s. Matha Minerals Pvt. Ltd. (Annexure to Chapter 20 of Dr.U.V. Singh's Report at pages 42-70).

17) The Schedule of boundaries of original mining lease (ML 1975) granted in favour of B.R. Amar Singh in 1985 is quite different than the Schedule of boundaries renewed in 2007 (Notification dated 06-10-2007). There is no provision under the law to operate in the area without prior approval of GOI under MMRD 1957. Hence, there is a violation of Section 5 of the MMRD Act 1957 and other provisions of Act and Rules. The State Government is not a competent authority to change the Schedule of boundary and area and allow the mining operations in a new area which is not actually approved by GOI under the MMRD Act 1957. The mining carried out (in new area) since 2003 onwards (after the transfer) in an area which is not approved by the Government of India (Ministry of Mines) is illegal and unlawful. It is to be noted here that the extraction of iron ore from the present pit operated by M/s. Matha Minerals Pvt Ltd (MMPL) falls outside the original leased area sketch approved by the Government of India in 1985.

18) From the files of Secretary, Mines it is observed that Mrs. B.R. Vijaya Kumari bai the wife of late Sri B.R. Amar Singh has challenged the order of the State Government for transfer of mining lease to M/s. Matha Minerals Pvt Ltd (MMPL). In this regard the matter was heard in a Revision application by GOI and an order came to issue on 18-08-2008.

19) The Government of India vide its order dated 18-08-2008 in Revision Application no. 13/(6)/2007/RC-1 of Mrs. B.R. Vijayakumari Bai v/s Matha Minerals Pvt Ltd (MMPL) has issued final order in the matter. Some of the paras of the said order are relevant to state here for making the matter more clear and sound as to understand full of matter.

“16. The State Government, has produced the sketch showing the area held by Shri BR AmarSingh and the area which was transferred to the impleaded party. **This sketch clearly indicates that the mining lease area granted to Shri B.R. Amar Singh, vide ML No. 1975 dated 07.05.1985, has substantially been modified and while transferring the mining lease from Shri B.R. Amar Singh to M/s. Matha Minerals Pvt. Limited, the area of the mining lease has been completely altered and modified, without observing the provisions of Mines and Minerals (Regulation & Development) Act, 1957 and without seeking prior approval of the Central Government.** The sketch showing the mining lease area of 320 Ha held by Shri BR Amarsingh and the modified area granted to impleaded party shows that only 114 acres of area is common between erstwhile lease of BR Amarsingh and the transferred lease to the impleaded party. The Xerox copy of the sketch showing substantial modification of the mining lease area done by the respondent while transfer of the ML to the impleaded party without prior approval of the Central Government is given in the sketch next page.

21. The State Government of Karnataka has furnished the sketch of the area of the mining lease held by Shri B R AmarSingh and the area transferred to the impleaded party through the impugned order. The respondent have admitted that there was substantial modification of the area originally held by Shri B R Amar Singh and the area transferred to the impleaded party through the impugned order. It is a

*fact available on record that the respondent while substantially modifying the lease area of Shri B.R. Amar Singh and before transferring the new area to the impleaded party which was not the part of the ML area of Shri Amar Singh, the respondent has not sought prior approval of the Central Government under Section 5(1) of MMDR Act 1957 along with other provisions of the act and the rules. The role of the respondent in this case of transfer of mining lease is also not free from doubt.”*

20) On going through the files of the Secretary, Mines and Director, Mines and Geology it is noted that the lease transferred to M/s. Matha Minerals Pvt. Ltd (MMPL) by covering an excess area of 206 acres in Sy. No. 9 of Mudlapalya is illegal in eyes of Law. This area does not have approval of Government of India under Section 5 (1) of MMRD Act 1957 and other provisions of the Act and Rules. It is further stated that the case of transfer of mining lease to M/s. Matha Minerals Pvt. Ltd (MMPL) was not transparent and free from doubts.

21) As per the joint survey done by District Task Force there is an identification of more than 37.30 Acres of Gomal land encroached by way of dumping huge over burden by the lessee. This is over and above of 206 acres included in Sy.No.9 of Mudalapalya in the modified sketch wrongly.

22) There were many complaints of encroachments against Sri B.R. Amar Singh since 1990 itself. He was doing mining in the area other than granted to him. There was a penalty imposed on him in this regard at certain point of time. One of the reasons for encroachment was not having good deposition of ore in the original granted leased area. This might have happened because

of not having any prospecting mining / license before actually operating the extraction under regular lease of ore in large quantity.

23) It is to state that a resolution was passed at the Board Meeting of M/s. Matha Minerals Pvt. Ltd (MMPL) held on 19-09-2008. As per the resolution, Mr. B.S.Naveen representing Group A shareholders would continue to be the Chairman of the Board of Directors of the Company in pursuance of the clause 17 (c) of the Articles of Association of the Company. In the said resolution it was also resolved that Mr. B.S.Arun representing Group B shareholders would be nominated to be the Managing Director of the Company in pursuance of the clause 17 (d) of the Articles of Association of the Company. Pursuance to this; Form 32 had been filed in the office of Registrar of Companies of Karnataka, Bangalore by Sri B.S. Arun wherein Sri Bangalore Somanna Arun S/o Veeranna Somanna, No. 967, 2<sup>nd</sup> Main, Vijayanagar, Bangalore has been appointed as Managing Director of M/s. Matha Minerals Pvt. Ltd (MMPL) since 19-09-2008 (**Annexure of Chapter-20 at pages 30 to 33 of Dr. U.V. Singh's Report in this regard**). It is to note here that as per the transfer indenture of lease no. 1975 Sri B.S. Naveen was the Director among others since 29-01-2003. Meanwhile Sri B.S. Puttaraju, Bangalore was also a Managing Director of the Company among others as per the records. Sri B.S. Arun has taken over as Managing Director of the Company since 19-09-2008 onwards. The mining lease was active during his period till September 2009 as per the information submitted by Deputy Director, Tumkur. The last permit issued for dispatch of iron ore was for 5992 MT on 03-09-2009 for a period 25 days to transport the iron ore to Krishnapatnam port.

24) The information submitted by Deputy Director, Mines and Geology, Tumkur are as under:

Official quantity of Production and dispatch of iron ore and Manganese.

ಕ್ರ. ಸಂ	ವರ್ಷ	ಕಬ್ಬಿಣದ ಅದಿರು		ಮ್ಯಾಂಗನೀಸ್ ಅದಿರು	
		ಉತ್ಪಾದನೆ ಮೆ.ಟನ್‌ಗಳಲ್ಲಿ	ರವಾನೆ ಮೆ.ಟನ್‌ಗಳಲ್ಲಿ	ಉತ್ಪಾದನೆ ಮೆ.ಟನ್‌ಗಳಲ್ಲಿ	ರವಾನೆ ಮೆ.ಟನ್‌ಗಳಲ್ಲಿ
1	2000-01				
2	2001-02				
3	2002-03			ನಿಷ್ಕ್ರಿಯ	
4	2003-04	-	-	3140	3140
5	2004-05	47500	47163	8767	8767
6	2005-06	311303	311303	561	561
7	2006-07	231169	154136	581	555
8	2007-08	199940	84685	2990	1844
9	2008-09	199400	212806	2980	855
10	2009-10	11484	11484	0	0
11	2010-11			ನಿಷ್ಕ್ರಿಯ	
	ಒಟ್ಟು	<b>1000796</b>	<b>821577</b>	<b>19019</b>	<b>15722</b>

25) The main pit of the mining lease for the extraction of iron ore as stated in table above is located in survey no. 9 of Mudlapalya village which falls outside the original lease sketch area of mining lease no. 1975 of B.R. Amar Singh. Observing the size of pit and the over burden generated during production (dumping done outside the leased area in Gomal land as encroachment) it is noticed that in excess of permissible limit iron ore had been extracted and dispatched more than what it is shown in the MDP as permitted quantity. Further, there is gap of 179219 MT between quantities produced and dispatched since 2004-05 as per the report of the Deputy Director, Mines, Tumkur. The mine was inspected by Dr. U.V.Singh on 29-05-2011 along with the Deputy Director, Mines, Tumkur, Deputy Conservator of Forests, Tumkur and their staff and it was found

that there is some left out ore available at the mining lease site. This should be subtracted from the 179219 MT of iron ore i.e. the difference of production and dispatch. The remaining is a direct case of theft and the loss should be recovered from the lessee. It further requires scientific verification by a Competent Authority for the excess production, dispatch over and above what it is reported by Deputy Director, Tumkur for taking further action to recover the loss incurred to State Government. The representation of M/s. Matha Minerals Private Limited received in this office on 20/7/2011 has also been examined.

26) With the above facts and circumstances and on perusal of records in files of the Secretary, Mines, Director, Mines and Geology following conclusions are drawn for further needful action.

- 1) The original mining lease ML No. 1975 granted in favour of Sri B.R. Amar Singh on 07-05-1985 to an extent of 320 acres in survey no. 84 of Kondli village with a boundary sketch approved by Government of India has substantially been modified and changed to including an addition area of 206 acres of survey no. 9 of Mudalaplava village. This action of State Government is illegal and without authority and in violation of Section 5 (1) of MMRD Act 1957 and other provisions of Act and Rules.
- 2) The mining of iron ore in the area of modified sketch in survey no. 9 of Mudalaplava is illegal and unlawful which has been carried out since 2003 onwards. All the production of iron ore and manganese in this area is illegal and in



violation of Section 5 of MMRD Act 1957, Karnataka Land Revenue Act 1964 and other Acts & Rules.

- 3) There is an encroachment of 37.30 acres over and above outside the modified sketch by way of dumping of huge quantity of over burden waste dumps and pits. It is an irreversible loss to the Gomal land. This way of encroaching the area has deprived the locals of grazing land and the cattle lost their grass land.
- 4) There is a violation of the Karnataka Land Revenue Act 1964 (Amendment) by way of encroaching the Government Gomal land.
- 5) In the indenture of transfer of mining lease registered in the office of Sub-registrar, Gubbi, the indenture was not signed by the transferor hence the process of transfer of mining lease is incomplete and illegal.
- 6) There are many officers involved in this unlawful act of transfer of lease to M/s. Matha Minerals Pvt. Ltd, modification of the original sketch by including an additional new area to an extent of 206 acres of survey no. 9 of the Mudalapalya village before transfer and allowed encroachment to an extent of 37.30 acres at the level of Deputy Director, Geologist and others at Tumkur shall be identified and action should be initiated against them by following due course of Law.

- 7) All the quantity of iron produced and dispatched from the survey no. 9 of Mudalapalya is illegal. Hence the market value of the iron ore so produced shall be recovered from the Managing Directors and other concerned of the M/s. Matha Minerals Pvt. Ltd with a penalty of exemplary cost of 5 times of market value. In similar cases the Central Empowered Committee constituted by Hon'ble Supreme Court of India has suggested such values with penalties to be recovered from the lessees responsible.
- 8) The modification of lease sketch before transfer of lease is illegal and without competence of the State Government under the Mines and Minerals (Regulation & Development) Act 1957.
- 9) Having multiple illegalities the lease grant shall be cancelled by following due course of Law.

27) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Further, in this Chapter, wherever the names of the officers are stated and in some instances, designation of the officers are stated, it is recommended to the State Government to initiate action against such officer/officials under the Prevention of Corruption Act, 1988 or under the relevant Disciplinary Rules.

28) Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of

Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

29) In the case of Sri V. Muniyappa, MLA and former Minister for Mines, it is open for the Government to make assessment of the loss caused due to his misconduct noted in this chapter and take appropriate action against him.

30) The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.

31) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-

(N.SANTOSH HEGDE)  
LOKAYUKTA

**ILLEGAL MINING IN TUMKUR DISTRICT**

In my first report submitted to the Government on 18/12/2008, I had given encroachment details of iron ore leases in Bellary District for needful action. In the said report, I also recommended that mines in Tumkur and Chitradurga Districts should be surveyed by the Governmental agencies. No such survey has been done in Chitradurga District. But the survey was got done in regard to 17 leases in Tumkur District and encroachments were identified by that survey in 13 leases, which are detailed in the annexed report of Dr.U.V. Singh in Table-1 of Chapter-21 of Dr. U.V. Singh's Report. From the same, it is seen that out of 17 leases surveyed, the team has found 13 leases which have encroached the Government lands, both forest and non-forest to an extent of 143.22 acres either by way of dumping or by extraction of minerals. The names of lessees who have encroached, as detailed in the said report are;

- (1) M/s. Karnataka Mining Company (ML NO.2333)
- (2) M/s. Sudarshan Singh (ML No.2579)
- (3) Smt. Kamalabai (ML NO.2187)
- (4) Smt. Kamalabai (ML NO.1442)
- (5) M/s. Upendran (ML No.1957)
- (6) M/s. Sri Hanuman Mines (ML NO.2220)
- (7) M/s. Latha Mining Company (ML No.958)
- (8) M/s. Matha Minerals Private Limited (ML No.2600)
- (9) M/s. Balaji Produce Company (ML No.2208)
- (10) M/s. Canara Minerals (ML No.2536)
- (11) M/s. Teja Works (ML NO.2353)
- (12) M/s. Tumkur Minerals (ML No.2175)
- (13) M/s. M.S.R. Gupta (ML NO.2512).

The total encroachment estimated in these mining leases, as stated above is 143.22 acres. In some of the leases, the

encroachment is serious in nature, while in other encroachments, encroached areas have been used for dumping mineral wastes, contrary to law.

2) The Hon'ble Supreme Court of India in W.P. (C) No.562/2009 had issued orders on 6/5/2011 with a direction to the committee appointed by it (CEC) to close down all those mining leases, where it has found encroachments either by way of pits, dumps, roads, etc. It is stated in the report of Dr. U.V. Singh that same yardstick is to be adopted in all the 13 leases mentioned above. The report of the Deputy Director of Mines and Geology, Tumkur says that all the 13 lessees have extracted iron ore from the encroached land, which is detailed in Annexure-2 Sketches 1 to 17 of Chapter 21 of the report of Dr. U.V. Singh referred to herein above. From the above material provided by Dr. U.V.Singh, it is seen from Table-3 that the iron ore/manganese ore measuring 12,91,12,200 MTs have been extracted during the given period and the market value of the illegally mined iron ore, so extracted should be fixed by the Government, taking the rate of that year and as directed by the Hon'ble Supreme Court, the value of the said iron ore, after fixing the relevant rate, should be recovered. In addition, recovery of penalty at the rate of 5 times of that value, as an exemplary case. It has been so done by the CEC in some of the cases. As a matter of caution, I say that the cost fixed by the Director of Mines may not be accepted, since that cost does not reflect the actual market rate.

3) In the report of Dr. U.V.Singh referred to herein above, Table-3, details the illegal extraction of iron ore from the encroached lands by different companies in Tumkur District. I have examined the same and found the following;

4) Re: M/s. Deepchand Kishanlal (M.L. No.2348): This lease was originally granted in favour of M/s. Mysore Stoneware Pipes and Potteries Limited (MSPPL) for extraction of Manganese and Kaolin in Sondenahalli and Hatyal villages of Chikkanayakana halli Taluk of Tumkur District, over an area of 640 acres for a period of 20 years, with effect from 6/7/1954 to 5/7/1994. On the consent of MSPPL, the Mining Lease had been transferred in favour of M/s. Deepchand Kishanlal by Government of Mysore vide Notification No. CI.123.MNL.57 dated 24/9/1960 for Manganese Ore. Subsequently, vide Notification No. CI.63.MNL.65 dated 20/6/1962, iron ore was permitted after getting approval of Govt. of India. This approval was given for a period co-terminus with the period of MSPPL. M.L. No. 510 came to be executed in favour of M/s. Deepchand Kishanlan (DK) on 26/6/1962 for iron ore also.

5) M/s. Deepchand Kishanlal filed Renewal application on 2/7/1973 for renewal of M.L. No. 519 for an area of 310 acres in Somanahalli, Sondenahalli and Hatyal Villages referred to herein above. The State Government rejected the renewal application vide its order dated 23/12/1974 on the ground of non-payment of royalty and dead rent. Against the said rejection order of the State Government, M/s.Deepchand Kishanlal filed Revision Petition before the Central Tribunal on 12/3/1975. The Tribunal disposed off the Revision Petition by order dated 22/8/1979 and set aside the rejection order of the State Government with a direction to grant renewal of the lease for iron ore. In compliance, the State Government issued Notification No. CI.100.MNL. 2001 dated 18/3/2002, after a gap of 22 years and much after the lease period expired (6/7/1974 to 5/7/1994). The lease was granted to an extent of 310 acres

and new M.L. No. 2348 was given to that lease. An agreement was also executed between the Lessee and the State Government on 1/4/2004 for the expired period. The Lessee filed another application for second renewal on 3/2/2001, but the lease has not yet been renewed so far.

6) As per the report of the Deputy Director of Mines and Geology, Tumkur, found at Annexure 1 to the Chapter 21 of Dr. U.V. Singh's Report at pages 1 to 18, it is seen that the said company has allowed to extract 14,51,924 MTs of iron ore by the then Deputy Directors from 2003-04 to 2007-08. There was no approval of mining lease and other required approval for extraction of iron ore. It is noted here that deemed permission in M.C. Rules does not arise here, since there was no continuity of operation of mining lease since 1974. The operation remains suspended for want of renewal between 1974 and 1994 and thereafter too. This company has extracted totally 14,51,924 MTs of Iron ore during the period from 2003-04 to 2007-08 without there being any mining lease. Thus, the State has to take action to recover the market value of iron ore from this company.

7) Similarly, illegal extractions have taken place by Mysore Stoneware Pipes and Potteries Limited, which is to the tune of 3.00 Lakhs MTs. In the course of investigation, Dr. U.V.Singh's team found certain areas measuring 3795.17 acres in 7 villages of Tumkur District were notified on 4/8/1994 under Sec. 4 of the Karnataka Forest Act, 1963 and same was published in the Gazette on 31/10/1996. The boundaries were also detailed in the said Notification indicating that for all purposes, the said areas have been declared as forest land. But, while issuing the Notification for the above 7 villages, certain errors have crept in,

which have been detailed in the report of Dr.U.V.Singh's team which should be taken note of, by the Government.

8) The Government of Karnataka, should close down all the mines involved in illegal encroachment, especially those which have been noted in the report of Dr.U.V.Singh and encroachment should be removed. Further, for the quantity of minerals already extracted from these encroached areas, the State Government should recover 5 times of the market value, as suggested by the C.E.C appointed by the Hon'ble Supreme Court.

9) In regard to M/s. Deepchand Kishanlal, apart from recovery of the loss suffered by the State Government in the manner stated above, the concerned officers like Deputy Directors of Mines and Geology, who held the office at the relevant point of time should be held responsible for the illegal acts of the company and disciplinary action should be initiated in accordance with law against them. As stated above, total quantity of 14,51,924 MTs of ore extracted by this company and dispatched which is valued at Rs.215,75,86,000/- at the rate of Rs.1,500/- per MT and the same should be recovered. As regards Mysore Stoneware Pipes and Potteries Limited, a proper assessment of extraction of ore illegally should be made and having the assessment, recovery of loss suffered by the State should be made at the rate of 5 times of the market value and the lease should be cancelled by following the due course of law, for violation of M&M (D&R) Act. The same should be done within three months from the date of receipt of this report.

10) Action should be taken against all officials involved in this act. The Forest Department should immediately take up this issue of modifications in the notification as suggested in Dr.



U.V. Singh's Report and take up all follow-up actions, without further delay. The matter should be completed within three months from the date of receipt of this Report.

11) It is observed that encroachments have been taken place by way of removal of iron ore from the mines as reported in the Chapter. The Deputy Director of Department of Mines & Geology, Tumkur, issued permits for the iron ore extraction and dispatch. The names of such Deputy Directors should be ascertained and action against such officers under the Prevention of Corruption Act, 1988 or under the relevant Disciplinary Rules should be taken.

12) Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

13) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

**M/S SOUTH WEST MINING COMPANY LIMITED**

Dr. U.V. Singh in his Report submitted to me in the above chapter, has discussed some sensitive matters in regard to certain payments made by South West Mining Company Limited to a trust of which the sons of Chief Minister are trustees and so also certain sales effected by the son and son in law of the Chief Minister, of an acre of land in the suburb of Bangalore to M/s South West Mining Company Limited which according to the report is abnormal.

2) Dr. U.V. Singh has in his report traced the possible relationship between Jindal Group of Companies with M/s South West Mining Company Limited.

3) It is found from his report that the Jindal Group has set up its first steel plant in 1982 at Vasind near Mumbai. Soon after, it acquired Piramal Steel Ltd., which operated a mini steel mill at Tarapur in Maharashtra. The Jindals, who had experience in the steel industry, renamed it as Jindal Iron and Steel Co. Ltd. (JISCO). In 1994, the Jindal Vijayanagar Steel Limited (JVSL) with its plant located at Toranagallu in the Bellary-Hospet area of Karnataka has been set up in the heart of the high-grade iron ore belt and spread over 3,700 acres of land. In 2005, JISCO and JVSL merged to form JSW Steel Ltd (JSW).

4) The Jindal Group is one of the largest Groups in the State having a steel plant at Toranagallu. The main supply of iron ore to this Steel plant is from mines in Bellary district. The JSW is also having mines managed jointly with Mysore Minerals Ltd (MML) through Vijayanagar Minerals Pvt. Ltd (VMPL). The mine is known as Timmappanagudi Iron Ore Mine (TIOM). The VMPL is a joint venture Company of JSW and MML. The iron ore is supplied through an agreement and conditions therein. There is

another Company by name M/s. South West Mining Ltd (SWML) having office at Main Road Old JVSL, Administrative Building, Vidyanagar, Toranagallu. In their letter pad the address is shown as JSW Mining Office, Near Talur Cross, P.O. Vidyanagar-583275, Toranagallu.

5) The details of export and domestic trading of iron ore by M/s. South West Mining Ltd was sought from this office letter dated 07-01-2011 and 20-01-2011. The details so required were submitted by the Company and has been analyzed. For having certain clarification the authorised signatory of the SWML was requested to be present in this office. Sri B.P. Pandey and his associates were present on 03-03-2011. The matter was discussed with respect to the records submitted by M/s. South West Mining Ltd.

6) It is to state that there is a JV (Joint venture) agreement between MML and JSWSL (the then JVSL) for sharing of produce generated out of TIOM Mines. As per the agreement the sharing of iron ore is restricted between the two (MML and JSWSL). There is no provision for selling the iron ore to third party. Contrary to agreement in the year of 2003-04, there was a sale of 85,022 MT by VIMPL to South West Mining Ltd and the same had been exported along with other iron ore. A total 3,65,594 MT have been exported during 2003-04 and 2004-05 by SWML as per the information submitted by them. The MML has not taken any action in this regard.

7) To supply iron ore to JSW Steel Ltd the company has submitted proposal for grant of iron ore mining lease in Donimali range on 18/7/2007. On the same date two more proposals for different locations by SWML and VMPL has also been submitted. The details of proposals submitted by them and

recommended by State Government in past are pending in Government of India. The details are as under: (table-1)

**Table-1**

SL No	Name of Company	Extent (Hecters)	Area
1	South West Mining Ltd., Vidyanagar, Toranagallu	184.14	Donimali Range
2	Vijayanagar Minerals Pvt Ltd	181.70	Donimali range
3	JSW Steel Ltd.	188.12	Donimali range

8) It is to state that there are three proposals of grant of mining lease in favour of JSW Steel Ltd, South West Mining Ltd (SWML) and VMPL Ltd pending since 2007, were in active consideration of the State Government for replying a query raised by Ministry of Mines, Government of India regarding whether there is any complaint case pending against the proposals (Govt. of India letter dated 26/2/2010). In another letter, the Govt. of India forwarded a copy of news paper report dated 8/3/2010, which appeared in the "Financial Express" captioned "SC Notice to Center, JSW others on Karnataka Mining Case". It appears that the Hon'ble High Court Division Bench's Order dated 5/6/2009 is under adjudication before the Hon'ble Supreme Court. The Govt. of India requested the State Government to furnish the comments in the matter, in the light of the above report. This information was called in the month of March 2010. The Government of India also wanted to know whether the proposals can be processed by the Ministry. The JSW, SWML and VMPL have submitted the letters to the Director, Mines and Secretary, Mines requesting to submit suitable clarification to Ministry of Mines, Government of India so as to process the recommendation of Government of Karnataka in their favour. The copy of the representation is submitted herein as **(Annexure to Chapter-22 of**

**Dr.U.V.Singh's Report at pages 1-14).** The details of the representations are given as under:

**Table-2**

Sl No	Name of Company	Date of representation	To	Extent Hectare
1	South West Mining Ltd	31/3/2010	Director, Mines, B'lore	184.14
2	JSW Steel Ltd	5/03/2010	Director, Mines, B'lore	188.128
3	VMPL	31/03/2010	Director, Mines, B'lore	181.70
4	JSW Steel Ltd	02/3/2010	The Secretary, C&I Dept. Govt. of Karnataka	188.128
5	South West Mining Ltd.	31/3/2010	The Secretary, C&I Dept. Govt. of Karnataka	184.14
6	JSW Steel Ltd	29/7/2010	The Secretary, (Mines) Dept. Govt. of Karnataka	

9) It is to be noted that though the above mentioned companies made their application for grant of mining lease on 18/7/2007, the same was not pursued till March-July 2010. By the said time, the Government of India had sought feed-back on certain issues and the Government of Karnataka was to reply to the same. The correspondence made between the companies mentioned herein above and the Government clearly shows that the companies concerned were keen on persuading the Government to send replies to the Government of India in their favour.

10) During the investigation, the Investigating team of the Lokayukta found certain unusual transactions. Hence, to ascertain the particulars of transactions of South West Mining

Limited, in respect of its purchase and sale, bank accounts details of SWML was requested as per letter dated 18/2/2011. The SWML has submitted the details as under:

Bank Name – State Bank of Mysore  
 Account No. – 64010486365  
 Branch – JVSL Branch, Toranagallu,  
 Dist. Bellary

11) On perusal of the said account certain abnormal transactions of money has been noticed. The details of the said transaction are given as under: (table-3). **(Annexure of Chapter-22 of Dr.U.V.Singh's Report -pages 15 -27).**

**Table-3**

Sl. No.	Post Date	Value date	Paid to	Cheque No.	Amount Rs.
1	17.03.10	17.03.10	Prerna Education Trust	433038	5,00,00,000.00
2	18.03.10	18.03.10	--do--	433037	5,00,00,000.00

12) From the tables above, it is to state that Rs.10.00 crores have been paid to “Prerana Education Trust” on 17/3/2010 and 18/3/2010. Further, it is to state here that an amount of Rs. 119124000.00 has been credited vide cheque no. 80912 dated 26-02-10 in the account no. 64010486365 of SWMC. The said amount has come from the account of M/s. JSW Steel Ltd. from the bank of Vijaya Bank, JVSL branch, Toranagallu. A letter dated 18/03/2011 of Vijaya Bank is enclosed as Annexure to chapter-22 of Dr.U.V. Singh's Report. With this trail of transaction it is clear that the amount finally came from the account of JSW Steel Ltd which is paid to the Prerna Trust. There is no trade of iron ore between the two during the period. It is further stated that the balance in the bank account no. 64010486365 of South West Mining Ltd was running under

overdraft during that period and also in other periods in the range of 3 to 5 crores. If we go by the trail of money transaction it can be construed that Rs.10.00 crores has been paid by JSW to Prerana education Trust.

13) In the subsequent months there are also abnormal payments of heavy amounts in favour of certain individuals. The details of value date, paid to, cheque number and amount is given as under: (table-4). (**Annexure of Chapter-22 of Dr.U.V. Singh's Report – pages 15-27**)

**Table-4**

Sl. No	Value date	Paid to	Cheque No.	Amount Rs.
1	14.08.10	BY Vijayandra	002419	2,50,00,000.00
2	14.08.10	BY Raghavendra	002418	5,00,00,000.00
3	16.08.10	Sohan Kumar	002420	2,50,00,000.00
4	01.09.10	R.N. Sohan Kumar	004369	1,25,00,000.00
5	01.09.10	BY Raghavendra	004367	2,50,00,000.00
6	01.09.10	Vijayendra	004368	1,25,00,000.00
7	04.09.10	R.N. Sohan Kumar	004444	1,25,00,000.00
8	04.09.10	BY Raghavendra	004442	2,50,00,000.00
9	09.09.10	Vijayendra	004443	1,25,00,000.00
		<b>Total</b>		<b>20,00,00,000/-</b>

14) On enquiry from the management of the company it was told that the amount of Rs. 20.00 crores was paid for the purchase of land at Bangalore and following details were given: (table-5).

**Table-5**

Sl. No.	Date	Paid to	Cheque No.	Amount Rs.	Remarks
1	11/8/2010	B.Y. Raghavendra	2418	50000000.00	Amount paid towards part
2	11/8/2010	R.N. Sohan Kumar	2419	25000000.00	

3	11/8/2010	Vijayendra	2422	25000000.00	payment of purchase of 1.00 acre land at Manyata Tech Park, Bangalore as per agreement dated 28/7/2010
4	25/8/2010	B.Y. Raghavendra	4367	25000000.00	
5	25/8/2010	R.N. Sohan Kumar	4369	12500000.00	
6	25/8/2010	Vijayendra	4368	12500000.00	
7	31/8/2010	B.Y. Raghavendra	4442	25000000.00	
8	31/8/2010	R.N. Sohan Kumar	4444	12500000.00	
9	31/8/2010	Vijayendra	4443	12500000.00	
		<b>Total</b>		<b>200000000</b>	

15) The South West Mining Ltd has also submitted the details of the land purchase in Bangalore i.e. agreement to sell and sale deed etc. On going through the details for agreement to sell signed between Sri Vijayendra S/o Sri B.S. Yedeurappa and Sri R.N. Sohan Kumar S/o Sri R.D Nataraj and South West Mining Ltd, Vidyanagar, Toranagallu. As per para 2 of Agreement to Sell, (**Annexure to Chapter 22 of Dr.U.V.Singh's Report, at pages 32-39** ) it has been stated that full consideration amount of a sum of Rs.100,000,000.00 (Rupees Ten Crores) has been paid to the vendors by the purchasers (in the month of July 2010). The details of the cheques etc. is kept blank in the said para 2 of Agreement to Sell. It is to be noted here that all the cheques in this regard has been paid in the month of August 2010 and validity dates fall in August and September 2010. The date of the agreement is kept blank but it is signed in July 2010. Hence there is a mismatch recorded in the agreement signed and amount actually credited in the accounts of the vendors. If consideration has been paid on the date of Agreement to Sell of Rs. 10,00,00,000.00 then the payments



made in August and September 2010 by cheques may not be towards sale consideration.

16) In the second Agreement to sell (**Annexure to Chapter 22 of Dr.U.V.Singh's Report, at pages 32-39**), between Sri B.Y. Raghavendra S/o Sri B.S. Yedeurappa and M/s South West Mining Ltd, it has been stated that Rs. 10.00 crore has been paid on the date of agreement to sell, as full consideration towards the entire sale consideration. There are no recorded details of cheques etc. in this para 2 (i) of the Agreement to Sell. In this case also there is a mismatch of recorded details for the amount credited in the account of vendor and the bank details in Agreement to Sell. In this case also if consideration of Rs. 10,00,00,000.00 has been paid on the date of Agreement of Sale, then the payments made in August and September 2010 by cheques may not be towards sale consideration.

17) It is further noted here that the e-stamp certificates are purchased from the Sandur on 28-07-2010 and on the same day (28-07-2010) the Agreement to Sell has been signed at Bangalore. It is further stated that the land value at Rachenahalli Bangalore may not be Rs. 200,000,000.00 per acre. These aspects require further investigation by a competent investigating agency.

18) It is to State here that an amount of Rs. 10,00,00,000=00 has been deposited in the account of SWML from the account of M/s. JSW Steel Ltd, SBM, JVSL Branch of cheque no. 087924 of account no. 0054017410598 on 12-08-2010. Subsequent to this an amount of Rs. 2,50,00,000=00 was paid through cheque no.002419 in favour of B Y Vijayandra and on the same day (14-08-2010) Rs. 5,00,00,000=00 by cheque no. 002418 paid in favour of BY Raghavendra. Again an amount of Rs.

2,50,00,000=00 vide cheque no. 002420 paid in favour of R N Sohan Kumar on 16-08-2010. Further an amount of Rs. 5,00,00,000 by cheque no. 066255 has again been credited in the account of South West Mining Company from the account of JSW Steel Ltd, SBM, JVSL Branch account no. 0054017410598 on 31-08-2010. Following this credit, an amount of Rs. 1,25,00,000=00 by cheque no. 004369 in favour of RN Sohan Kumar, Rs. 2,50,00,000=00 by cheque no. 004367 in favour of BY Raghavendra and Rs. 1,25,00,000=00 by cheque no. 004368 in favour of BY Vijayendra have been paid on 01-09-2010. Further an amount of Rs. 1,25,00,000=00 has been paid vide cheque no. 004444 in favour of RN Sohan Kumar and an amount of Rs. 2,50,00,000=00 vide cheque no. 004442 in favour of BY Raghavendra on 04-09-2010. Again an amount of Rs. 1,25,00,000=00 has been paid vide cheque no. 004443 in favour of BY Vijayendra on 09-09-2010. The rest of the amount has been paid by overdraft from the account of South West Mining Limited.

19) It is relevant to state here that large amount has been credited to the account of SWML through RTGS from Karnataka Bank Limited from the account of Jindal Praxair Oxygen Company Limited on 30/6/2010. Subsequent to this an amount of Rs.13,00,00,000=00 has been paid in the account no. 0054017410598 (State Bank of Mysore) of JSW Steel Private Limited on 02-07-2010. Later on an amount of Rs.10,00,00,000.00 from the account of JSW Steel Ltd has been credited in the account of South West Mining Company on 12/8/2010. It is further stated that from 2/7/2010 to 12/8/2010 there is no heavy credit and debit made between JSW Steel Ltd and South West Mining Company. Hence this

amount in circuitous route has come from M/s. Jindal Parayiar Oxygen Company Ltd.

20) With the above it is inferred that amount which is credited from the account of South West Mining Company to Prerana Education Trust and to vendors Sri. BY Vijayandra, BY Raghavendra and R.N. Sohan Kumar actually has come from the account of JSW Steels Ltd. The payment of such huge amounts creates strong suspicion as to whether such payment is made for getting favour i.e. for submitting a favourable reply to Central Government by the State Government for processing the proposals to grant of iron ore mining leases in favour of JSW, SWML and VMPL. Such possibility cannot be ruled out.

21) From the above facts, it is noticed that M/s South West Mining Company Limited was financially not sound. It had made certain applications for grant of lease simultaneously with Jindal Iron and Steel Company Limited (JISCO) and Jindal Vijayanagar Steel Limited (JVSL) for the grant of certain lands for the purpose of mining of iron ore. These proposals/applications are pending with the Government of India. It also requires to be noted that the matter was pending at the stage of replying to quarries raised by the Ministry of Mines, Government of India. There were certain Writ Petitions and Special Leave Petitions pending against the above proposals in the months of March 2010 and July 2010. Simultaneously, Government of India also wanted to know whether the proposals can be processed by the Ministry. The JSW, SWML and VMPL have submitted the letters to the Director, Mines and Geology and Secretary, Mines requesting to submit suitable clarification to the Ministry of Mines, Government of India so as to process the recommendation of Government of Karnataka in their favour.

The copy of the representation is submitted in the report of Dr. U.V. Singh as Annexure to that chapter.

22) From the above facts, it is seen, the source of donation given by SWML to Prerana Trust has come from J.S.W in circuitous manner, which has then donated the said money of Rs.10.00 crores on 17/18.3.2010. It raises a question, why J.S.W had to transfer money to SWML to give donation to the Trust, when it could have directly given it to the Trust, when in reality, SWML was not in a financial condition to make such huge donation. From the nature of transaction, it looks that it is the JWSL which is making the donation through SWML. The circumstances and the manner in which the donation has been made gives rise to the suspicion that this money is not a donation, as it is understood in the common parlance, but money paid for some other consideration. Similarly, the sale of one acre of land by sons and son in law of the Chief Minister in Rachenahalli village to SWML is shrouded with suspicion.

23) In the documents of agreement to sell, it is stated that the entire consideration amount was received on the date the said agreement was signed. But from the records, it is seen that cheques amounting to Rs.20.00 crores were received on different dates, after the date of agreement to sell. The consideration amount paid for purchase of this land again has particularly come from Jindal Praxair Oxygen Company Limited, which transferred this amount to Jindal Steels, which in turn has transferred the money to M/s. SWML, which again in turn paid the same as consideration amount to Chief Minister's sons and son-in-laws. This type of convoluted transfer, coupled with the contradictions in the agreement of sale and the actual date of payment of consideration, certainly creates a genuine doubt.

24) I have obtained the Notification showing the guidance value of the price of lands in Rachenahalli village. The same indicates that in this village for industrially converted land, the price is Rs.1.24 Crores per acre. The land sold by the family members of the Chief Minister is Industrially converted land. Therefore, taking the highest price shown in the guidance value and compared with the amount received by the family members of the Chief Minister, for one acre in Rachenahalli village, I find it extremely difficult to believe that this huge amount would not have been paid by a company for purchase of one acre of land, where the prevailing price is only 1.24 crores, as sale consideration, that too when the company does not have its own financial capacity to purchase this land. No prudent business person would pay such a huge amount for purchase of one acre of land, unless there was other collateral consideration.

25) I have already noticed that on or about that time of both purchase of the land and donation, three applications were pending before the Government of Karnataka and suitable reply favouring the companies concerned would have been of great advantage to these companies. Therefore, I am of the opinion that these are sham transactions and the donation and the excess payment made to the family members of the Chief Minister, is to get a favourable reply from the State Government to the Central Government. In this background, receipt of money either as donation or as sale consideration amounts to receiving illegal gratification to show an official favour, which is an offence under the Prevention of Corruption Act, 1988. Therefore, I consider it necessary to recommend to the Competent Authority to take appropriate steps to initiate criminal proceedings against the Chief Minister and such other persons who are involved in the said transaction.

26) With this conclusion, since the report under the Karnataka Lokayukta Act to take action has to be made to Competent Authority, who is His Excellency, the Governor of Karnataka, under Sec. 2(4) of the Karnataka Lokayukta Act, 1984 in the case of the Chief Minister, I will have to send a copy of this Report to His Excellency the Governor of Karnataka. This procedure was followed by me, when in an almost similar situation in regard to a former Chief Minister of Karnataka in the year 2008, while submitting a report to the Government, a separate Report was sent to the then His Excellency the Governor of Karnataka. The same procedure is followed and while the main report is presented to the Government of Karnataka, a copy of this Report will be sent to His Excellency the Governor of Karnataka for taking appropriate action, as recommended above.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

**ILLEGAL SUPPLY OF EXCESS IRON ORE BY WAY OF  
OVERLOADING TO J.S.W. STEELS PRIVATE LTD**

The Jindal Group has set up its first Steel Plant in 1982 at Vasind near Mumbai. Soon after, it acquired Piramal Steels Limited, which operated a mini steel mill at Tarapur in Maharashtra. The Jindal, who had experience in the Steel Industry renamed it as Jindal Iron and Steel Company Limited (JISCO). In the year 1994, Jindal Vijayanagar Steel Limited (JVSL) with its plant located at Toranagallu in Bellary Hospet area of Karnataka, has been set up in the heart of the high grade iron ore belt spreading over 3,700 acres of land. In 2005, the JISCO and JVSL merged to form J.S.W. Limited. The J.S.W. Steel offers and the entire gamut of steel products, at its plant at Toranagallu in Karnataka, as also in some other places in Maharashtra and Tamilnadu. Dr. U.V.Singh's report shows that the website view of this company has made the projection by 2020, the company seems to aimed to produce 34 million tons of steel annually with Greenfield integrated steel plants coming up in West Bengal and Jharkhand.

2) The Director and Chief Executive Officer of the J.S.W. Limited has written a letter to the Chief Secretary to Government of Karnataka on 12/4/2011 stating their requirement for steel plants in Karnataka, Maharashtra and Tamilnadu would be about 27.15 million ton (C' ore, fine) this according to Dr.U.V Singh's report is on the higher side. The production of the steel and the corresponding iron ore utilization for the years of 2006-07 to 2010-11 as provided by the company in its reply to the office of the Lokayukta is about 9.6MTs for the year 2009-10. Of course the projected requirement is for production of steel and iron ore utilization of J.S.W. Steels. At the request made by Dr. U.V. Singh's team, on behalf of the

Lokayukta, the J.S.W. Toranagallu has furnished its receipt of iron ore from April 2009 to July 2010. The information submitted by it have been verified from the employee of the company and conclusions recorded is found at Table-2 of **Chapter 23** of the report of Dr. U.V.Singh. According to Dr. U.V. Singh Report Table-2 shows that the J.S.W. received 1,35,79,148 MTs of iron ore at its factory from 60 vendors and out of which, some of them are lessees and others were traders. The truck wise details for these suppliers have been analysed and it is found that some of the suppliers are supplying iron ore in excess to the permissible quantity i.e., more than 16 MT per lorry load. Dr.U.V. Singh also indicates that from the material that is available before the team, it could be inferred that in addition to transporting the iron ore without permits and use of single trip sheet for multiple trips to transport the iron to JSW Steels Ltd.

3) As per the information provided by J.S.W steels to Dr. U.V. Singh's team, it is noted that 60 companies/Lessees/ Traders are supplying the iron ore to the J.S.W. Steels via road and rail. Truck wise data for the month of April 2009 to July 2010 has been perused and by tallying the quantity that was received by the company it was concluded that large quantity of iron ore is being supplied in excess as over load to the permissible limit. Thus, as per Dr. U.V. Singh's report, 46 suppliers have been named as suppliers who have supplied the ore over and above as over load, for which the State has not got the value of the mineral.

4) According to the calculation made by Dr.U.V. Singh's team, if the total quantity of iron ore is calculated by taking 16 MT per lorry, the iron ore transported through trucks to JSW by



various lessees/traders should have been 65,33,872, but in reality from the records it was found that the J.S.W. during the same period received 78,26,276 MTs, thereby it has received **12,97,707 MTs** in excess, which was the quantity of which the State did not get not only the royalty, but also it has suffered loss for which huge amount of market value. The particulars of such illegal materials which are detailed company wise in the report of Dr. U.V. Singh is considered by me herein.

5) Even by excluding the multiple use of some permits which is a common thing in iron ore transportation and ignoring the cases of small quantity of over loading, the finding of Dr. U.V. Singh's committee is that during the relevant period, at least **12,97,707 MTs** of Iron ore was supplied in excess to J.S.W. Limited, which it calculated at the rate of Rs.2,500/- per MT, which was the prevailing market rate at that point of time. The loss suffered by the State comes to Rs.324,42,72,500/- (Rupees Three Hundred Twenty Four crores forty two Lakhs Seventy Two Thousand Five Hundred only). After perusing the report and the materials relied upon by Dr.U.V Singh's committee and accepted by me the State Govt. should take immediate steps to recover this amount of Rs.324,42,72,500/- for supply of excess illegal iron ore from the suppliers and J.S.W Steels Ltd., and also take suitable action against the transporters for having over loaded and for having transported the stolen materials belonging to the State. In my considered opinion minerals being the property of the state, if removed illegally and transported, the transporter becomes the abettor to the crime of theft.

6) Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

7) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

**ILLEGALITIES IN MINING LEASE NO. 2186 OF  
SRI B.R. YOGENDRANATH SINGH**

One Sri B.R. Yogendranath Singh was granted a Mining Lease to an extent of 32 Acres (13 Hectares) in Survey No. 225 of Kakubalu Village in Hospet Taluk in Government land. The lease was granted on 28/12/1967 for a period of 20 years for extraction of iron ore. The area granted is a well-grown forest and comes under the definition of forest as per the decision of the Hon'ble Supreme Court in Writ Petition No. 202/1995 dated 12/12/1996, now what is famously known as Godaverman Thirumalpad case. The lease was for a period of 20 years, which got over on 27/12/1987. The first renewal was made on 7/11/1994 for 10 years with retrospective effect from 27/12/1987, which came to an end on 26/12/1997. The lessee filed second renewal application seeking 20 years time as per the letter of Director of Mines and Geology dated 2/8/2010. There was no action for renewal, but the Lessee continued to operate even after the expiry of the 1<sup>st</sup> renewal. On the direction of the Additional Director (Mines) by his letter dated 24/02/1998 allowed the lessee to do mining, purportedly under Rule 24(a)(6) of the M.C. Rules. It is surprising to note that for nearly 13 years, under the said Rule the lessee was allowed to mine, without renewal of lease and the officials concerned did not take any action. I had mentioned in my first report to the Government that such cases should be dealt immediately under the provisions of Law. But as stated above, no action has been taken in this regard.

2) During the period 2006 to 2011, the lessee purportedly dispatched 15,04,324 MTs of iron ore, the particulars of which can be seen at page 2 of Chapter 24 of Dr. U.V.Singh's Report,

held an on-field enquiry at my request and visited this mine 4 times in the last 3 years for inspection purpose. The Hon'ble Supreme Court appointed Central Empowered Committee (CEC for short), Director of Mines and Geology in Karnataka and other officers of the Department of Mines are all of the opinion that this mine has never been operated to that extent of its capacity of extraction and dispatch as shown herein above. On the spot enquiry showed, there is no sign of working for extraction of such a large quantity at the leased area, the condition of road leading to the mines indicates that heavy trucks carrying load have not left with any sign of high traffic movement. Chapter-24 of Dr. U.V. Singh's Report points out that on record the lessee always keep a quantity of 25 to 30 thousand MTs of stock and the same stock was shown again and again to the authorities to obtain stock certificate time and again. It is certain that permits issued for dispatch of iron ore for this mine is misused for transportation of other iron ore from other unknown source with active connivance of the officials and with political influence. The stock certificates issued by the Engineers for the relevant period, which is seen in page 3 of Chapter-24 at Table -2, indicate that between 19<sup>th</sup> January 2010 and 21<sup>st</sup> July 2010, the officials concerned have certified the stock of iron ore fines and iron ore lumps, which is not correct, as per the Report of Dr. U.V. Singh. Table -3 of Chapter 24 of Dr.U.V. Singh's Report shows huge sums of money running into crores of rupees have been paid as royalty on behalf of the company for purportedly legally mined ores from this lease. But on verification of the accounts from which this amount is paid, clearly indicates that it is not from the account of Sri B.R.Yogendranath Singh, lessee of this mine. These amounts paid as royalty by way of demand drafts are drawn from various Banks and accounts of various other persons/firms/companies which are unconnected to Sri

B.R. Yogendranath Singh lease. The permits issued for transportation of the said quantity of minerals, when examined showed there are two or more mineral dispatch permits (MDPs), are issued on the same day for the same destination. The reason is obvious that this is being done to facilitate the more persons/firms to use the permit to lift the illegal iron ore from different unknown sources. It is also observed that permits destined to deliver at Belikeri port had not actually been delivered at port or these permits have been issued to cover up the iron ore already delivered at Belikeri by some other vendor or some other person. This has happened after the raid conducted by the Lokayukta police at Belekeri port and seized the records. Such type of activities were planned to cover up the illegal transport of already reached iron ores at Belekeri and exported. These permits are also used for transportation of non-sourced iron ore by collecting the “risk amount” by Sri K.Mahesh and Sri K.V. Nagaraj as reported in other Chapters of this Report. It is stated that the royalty paid was to cover up the illegal activities and even the amount paid is in pittance, if compared to the export value of iron ore as also the domestic value. It is necessary that the State should take note of the entries made by the State Bank of Mysore, shown at table 6 of the Chapter-24 of Dr. U.V. Singh’s Report, to find out the quantity of non-realisation of money due to the State and thus, enquiry should be done without loss of time, less the documents should be lost.

3) It is also to be noted that Sri B.R.Yogendranath Singh has given this lease on “Raising Contract” to M/s. VSL Enterprises (V.S. Lad and sons), having its registered office at House of Lad, Hospet Road, Sandur of which Smt. Aarti A Lad is the proprietress. One of the conditions of Raising Contract was that

the said contractor had to produce 24000 MTs of ore per year. This lease, which is given on "Raising Contract" is being operated by all means by the said company. During the year 2009-10, the royalty paid is paid by various other firms/persons. It may be either with the consent of the raising contract (VSLMC) or by some extraneous political pressures brought on the lessee. These acts of the Lessee, as well as the Raising Contractor are in violation of Rule 37 (1)(a) and (b), 46 and 48 of M.C. Rules. The Department of Mines and Geology were fully aware of the raising contract and royalty payment by other persons unconnected with mining in this lease. But no action has been initiated. Rather they have connived in the illegal mining activities.

4) On 28/4/2010, the Lokayukta police had searched and seized the records of Mining Lease No. 2186 at Leased area. The said records are perused. The Photostat copies of the said registers seized are enclosed in Annexure to Chapter 24 of Dr.U.V.Singh's Report at pages 91-531. On perusal of the records it is found that the mine is being operated with the help of labours and the production per year is very low. As per the data compiled for transportation of lumps from the mine it comes out to 21703.58 MTs from 1/4/2009 to 31/3/2010, which were transported in 1200 trips only. The other documents clearly indicate that only minimum mining activities has taken place in this mining. Copy of such seized records were of the year 2008-09 and 2009-10, which are enclosed to the Annexure of Chapter 24 of Dr.U.V. Singh's Report at pages 91 to 531.

5) The Director of Mines and Geology had also inspected this lease on 20/5/2011 and has prepared a detailed report in this matter. Copy of the report is enclosed to the Annexure to Chapter 24 of Dr.U.V. Singh's Report at pages 1 to 3. The quantity of ore lying at mine as stated by the Director is towards higher side. Actually it has been got measured from the Deputy Director of Mines and Geology, Hospet and found that approximately 28,000 MTs is available on 25/6/2011.

6) It is stated that there are no benches made while production of the iron ore. It is being done manually by breaking the stones. On going through the seized records, it is found that there are petty contractors by name Sri Kumarappa, Sri Krishna Nayak, Sri Tara Nayak, Mrs. Sharadamma working under contract with the VSL Mining Company Private Limited for breaking and loading of the limps, etc. On seeing all these factors, it can easily be concluded that there were low level of mining activities had taken place. There is no sign of heavy deployment of machineries, etc. The condition of the road speaks about the number of few vehicles used for transportation of ore from mine head. Very light traffic had been operated on the road.

7) The stock certificates given by Sri Basavaraj and Sri Prakash B.L as shown in Table 2 of Chapter 24 of Dr.U.V.Singh's Report is highly exaggerated and seems to be false. In fact there is no production in the mine. The lessee has deliberately kept 25 to 30 thousand MTs of ore, so that the same can be shown over and over again when they have take transport permit and pay royalty. There had never been a stock of this quantity as shown in table 2 herein. The stock certificates are given to facilitate to issue permits (MDPs) for

transportation of iron ore from unknown sources. This mine has been running on proxy basis. The permits are issued by paying the royalty by various persons which is far below the actual value of iron ore (for export and domestic consumption).

8) The details of stock certificates given by Sri Basavaraj, Asst Engineer and Sri Prakash B.L., Superintending Engineer are enclosed to the Chapter-24 of Dr.U.V.Singh's Report at pages 7 to 21. The stock certificates are perused and it is noted that all the stock certificates are directly placed before the Deputy Director of Mines and Geology. There is no entry in the inward register. There is no measurement recorded of heaps, stocks, etc. It is further noted that the stock certificates given on various dates i.e. 19/1/2010, 6/4/2009, 11/3/2010, 22/3/2010, 29/3/2010 has been signed by the authorized signatory of lease on one day i.e., on 28/4/2010 much after the stock certificates were issued. The details of stock certificates are given in the Table -2 of Chapter-24 of Dr. U.V. Singh's Report.

9) Against the MDPs issued for the quantity of iron ore fines and iron ore lumps, the royalty paid by various persons who are not the owners, as given in Table 8 of Chapter-24 of Dr.U.V.Singh's report, for the year of 2009-10 and 2010-11. It is seen that the demand drafts are taken at various banks by different persons, which is in violation of Rule 37 & 46 of M.C. Rules. The name of the banks from where the demand drafts are taken are shown in table 7 of Chapter 24 of Dr.U.V. Singh's Report.

10) The details of the demand drafts submitted by the lessee to the Deputy Director, Hospet has been further verified with respect to, who had paid/purchased the demand drafts from the



concerned banks. The details are given at Table 8 in Chapter 24 of Dr.U.V. Singh's Report. As per the information received from the various Banks, shown at Table-8, indicates the persons and firms are as follows:-

- i) Sri Manoj Kumar Jain, Resident of Hospet,
- ii) Sri Abdul Zaid, resident of Hospet
- iii) Sri Abdul Aleem, resident of Hospet
- iv) Sri Abdul Nayeem, resident of Hospet,
- v) Sri Ravi Kumar, resident of Hospet,
- vi) Sri Mahesha and Sadashiva, Resident of Hospet,
- vii) Sri K.V. Nagaraja, Resident of Hospet,
- viii) M.s. Vyshnavianand, resident of Hospet,
- ix) Sri K.V. Nagaraja, Mrs.K.N. Nandini, Mrs. K.G.Padmini Resident of Hospet,
- x) Sri K.V. Nagaraja, and Sri K.V.Govindaraja, resident of Hospet.
- xi) Sri Anil Lad, resident of Sandur,
- xii) Sri Manjunatha Swamy, Resident of Kudligi,
- xiii) Sri K.Krishna Naik, Resident of Kudligi,
- xiv) Sri M. Mallikarjuna, resident of Kudligi,
- xv) Sri L.R. Chaudary, C/o. M/s. Associated Mining Company, Bellary
- xvi) M/s.Swastik Steel Hospet Private Limited

The above are the unconnected persons/firms/companies who have purchased the demand drafts and submitted to the office of the Deputy Director of Mines and Geology, Hospet, in favour of issue of MDP for different quantities to various destinations purportedly from M.L. No.2186. It is noted here that the persons who have paid the demand drafts are involved in illegal mining in the Bellary and other adjoining districts. This matter is dealt in other chapters of this report. The details of other demand drafts are not available presently and they should be obtained at the time of contemplated action.

11) Sl. No.18, 19, 20 of Table 8 of Chapter 24 of Dr.U.V. Singh's Report shows the payment of royalty by M/s. Associated Mining Company and Swastik Steels who are not the Lessees. Table 9 shows the permits issued for the year 2010-11 allegedly to transport ore from M.L. No.2186. The permits shown in this table indicates that the same could have been used for transport of iron ore from LMC and its surrounded areas, since there is no iron ore available in the mine and at the same time the ore was received at JSW during the period supplied by AMC. It requires further investigation.

12) In the facts and circumstances, Dr.U.V. Singh has drawn the following conclusions;

- (1) The Mining Lease No.2186 of B.R. Yogendra-nath Singh at Kakabalu Village is being operated since 1998 (more than 13 years) on Rule 24(a) (6) of M.C. Rules. This is utter misuse of the said Rule.
- (2) The lease is given on raising contract to M/s. VSL Enterprises (Proprietress Mrs. Aarti A. Lad) in violation of Rule 37, 46 and 48 of M.C. rules. Appropriate action for cancellation of lease should be taken.
- (3) The leased area is a deemed forest as per the definition of forest given by the Hon'ble Supreme Court in its order dated 12/12/1996 in W.P. No.202/1995.
- (4) The mining is running with very low activities. It is being operated manually. There are no

benches and deep pits. The condition of the road indicates that the road is not used for heavy traffic. There were no movements of large number of trucks on the road. The lease is operated on proxy. The MDPs are misused for transportation of illegal iron ore from unknown source.

(5) The Assistant Engineer, Sri Basavaraj and Senior Engineer Sri Prakash B.L. office of the Deputy Director of Mines and Geology, Hospet, have issued false stock certificates for large quantity of iron ore to facilitate to issue MDP to various persons (as a party) for illegal transport of iron ore from different unknown source (proxy permits). The action should be taken against both the engineers, the then Deputy Director, Mines and Geology, Hospet Sri S.P. Raju and all the officials who have processed the files for their connivance with the lessee and others. There could have been an extraneous political pressure also.

(6) The Deputy Director, Mines & Geology, Hospet has issued many bulk permits on the same day for the same destination to facilitate to use these permits for transportation of iron ore from the unknown sources at a time. Action should be initiated against him and also all those persons who had used the proxy permits for transportation of illegal iron ore.

(7) The royalty has been paid by various persons in the name of lessee. This is done with connivance among the lessee, the vendor/ persons/ firms and the officials of Deputy Director Mines Department and Deputy Director himself. The names figured in table 8 were also engaged in illegal mining activities in this District and neighboring districts. It is to state here that these persons/firms had hatched a conspiracy to transport illegal iron ore from various unknown sources by using these permits. They have well planned networking with the active connivance of the officials of Mines and other departments. Action should be initiated against all of them (as per table 8) for hatching conspiracy to illegal mining.

(8) Some MDP are also issued to cover up the illegal transportation already done earlier to Belekeri, Krishnapatnam, Karwar ports etc. It is to state here that the Lokayukta police had searched and seized records and computers at Belekeri port on 20-02-2010 which was followed by seizure of iron ore by the Forest Department for a quantity of 500000 MT and above. In the seized iron ore at Belekeri and Karwar there was material (directly or indirectly) of almost all the persons as stated in table-8. To cover up the illegal iron ore already transported and exported from Belekeri port by these peoples, this plan had been executed by paying a very negligible amount as royalty and tried to convert illegal iron ore to

legal at Belekeri port and other places. All such quantity of ore should be treated as illegal and forfeited to Government with exemplary penalty.

(9) It is further observed that the iron ore (small quantity) produced in real terms at lease area have not been transported through permits by the raising contractor or lessee. All such transportation of lumps, red oxide, fines etc. had been done without permits and the cost should be recovered with an exemplary penalty from the lessee or raising contractor. Further, the illegal mining in the year of 2006-07, 2007-08 and 2008-09 should be further investigated in the manner as explained for the year 2009-10.

(10) The records created (audit records etc) by the Deputy Director, Mines, Hospet as if the iron ore is being produced and transported from the lease should be considered as false and should not be taken into account since 2005-06 onwards. All the iron ore shown as produced; dispatched etc should be modified based on the seized records from the mine and as per facts stated above.

(11) In the year of 2010-11 certain MDPs were issued to supply the iron ore to JSW Steels by Laxmi Aruna Minerals, Swastik Steels (Hospet) Pvt Ltd and others allegedly from this mine. Since, no iron is transported from this mine proper action should be initiated against them. All the supplied iron ore in this manner to JSW steel should be recovery of the market cost with

exemplary penalty of 5 times from the suppliers.  
Other contemplated action should also be taken.

(12) It is stated here that the then Director, Mines was fully aware above this issue but no action has been initiated by him against the officials who were involved in submitting false certificate, use of proxy permits for illegal iron ore transportation by certain persons and also against the lessee who was involved in such illegal activities since 2005-06. Action should be initiated against the then Director, Mines for failure to protect the natural resources and allow the mining to run on proxy.

(13) With the above various illegalities committed by the lessee it is a fit case to cancel the lease.

13) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Further, in this Chapter, wherever the names of the officers are stated and in some instances, designation of the officers are stated, it is recommended to the State Government to initiate action against such officer/officials under the Prevention of Corruption Act, 1988 or under the relevant Disciplinary Rules.

14) Action should also be taken against Mrs. Aarti A. Lad, M/s. Laxmi Aruna Minerals and all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of loss to the State Government and penal actions should also be resorted to, wherever necessary.

15) The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.

16) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

**ILLEGAL EXPORT BY NATIONAL AGRICULTURAL  
COOPERATIVE MARKETING FEDERATION OF INDIA LTD**

National Agricultural Cooperative Marketing Federation of India Ltd (NAFED), Head office, New Delhi, Branch office 8, Cunningham Road, Bangalore-560052 is a Co-operative Society governed by the provisions of the Multi-state Co-operative Society Act 2002. An Enquiry Report in the affairs of financial irregularities of the Society has been submitted by Dr. Justice R.R. Misra (Retd.) member and Dr. V.K. Agarwal, Member in November 2008 to the Joint Secretary and Central Registrar of Cooperative Societies, Ministry of Agriculture, Government of India. A copy of this report has been obtained from the Committee.

2) Chapter 4 of the said enquiry report pertaining to Disha Impex, Bangalore reveals certain financial irregularities pertaining to iron ore export in the year 2004-05 and 2005-06. The enquiry report refers certain letters indicating purchase of various quantities of iron ore by M/s. Disha Impex Pvt. Ltd from other vendors like M/s. SMIORE, M/s. Cityline, M/s. Shanthi Minerals, M/s Mysore Minerals Ltd etc.

3) In this regard the NAFED was requested to submit the details of export of iron ore vis-a-vis the source of procurement etc. In response the NAFED has submitted the details of exports and also the source of procurement of iron ore. Together they have stated that NAFED is a nodal agency for procurement of oilseeds, pulses, cotton and others and also engaged in export of onion. They further submit that during the year 2004-05 and 2005-06 NAFED took export of iron ore on Public Private Partnership with the following three parties from Karnataka. But two of the parties are based at Delhi and Mumbai



1. M/s. Disha Impex Pvt. Ltd, New Delhi
2. M/s. Hemani Transport & Trading Corporation, Bangalore
3. M/s. Swarup Group of Industries, Mumbai.

4) It is further submitted by them that in accordance with the terms of MOU signed between NAFED and the three parties, the said parties were to procure the stock and effect export in NAFEDs name. They submit that M/s. Swarup Group of Industries have not submitted the purchase bills etc.

5) The details of export of iron ore as submitted by NAFED is enclosed here in for ready reference. **(Annexure to Chapter-25 at pages 1-5 of Dr. U.V.Singh's Report)**. As per this statement the NAFED has exported 318120.165 MT of iron ore to China in 2004-05 and 2005-06. The NAFED has submitted details of procurement for a quantity of 202485.595 MT. Hence difference of 115634.57 MT is unaccounted as per their own statements.

6) As per the MOU signed between NAFED and Disha Impex on 10-03-2004 the Disha Impex is supposed to procure 85000 MT of iron ore fines and 65000 MT of iron ore mud. Some stock was already with them. Hence a total of 150000 MT. The details from Mysore Minerals Ltd (MML) has been obtained in this regard and in response vide their letter dated 23-12.2010 they have provided information from supply of iron ore product to M/s. Disha Impex Pvt. Ltd, New Delhi for the year of 2004-05 and 2005-06. As per their statement 3271.71 MT has been supplied by the MML to Disha Impex. But as per the statement of the NAFED, the Disha Impex has supplied 150665 MT of iron ore for export to them. Since there is no supply from MML to Disha Impex the source of procurement by Disha Impex is quite dubious. There is no match of procurement from MML as per

the agreement entered between NAFED and Disha Impex. The question arises from where NAFED has purchased the iron ore in violation of Agreement.

7) It is to state further that this office has requested Disha Impex vide letter dated 21-10-2010, 07-12-2010 and 16-12-2010 to submit the details of purchases of iron ore etc. In their reply vide letter dated 23-10-2010 they have stated that Disha Impex has not purchased any iron ore nor it has exported. They have helped NAFED in procuring and finding buyers. But this is not true as per Agreement between NAFED and Disha Impex Pvt. Ltd. Disha Impex Pvt. Ltd., did not receive the last letter dated 05-02-2011 and the same has returned back. Since there are various anomalies in the records it is a fit case for further investigation. Disha Impex Pvt. Ltd., has not paid any VAT in Karnataka as per the information submitted by the Commercial Taxes Department. There are no details from Swarup Groups of Industries.

8) The vendors from whom the NAFED has claimed to purchase the iron ore for export are

1. Aditya Minerals, Hospet
2. Shanthi Minerals, Hospet
3. Bellary Minerals, Bellary
4. Prasiddhi Minerals, Hospet
5. Rawmet Commodities Pvt. Ltd, Calcutta
6. Y. L Sable, Hospet
7. Sri Srinivas Minerals Trading company, Hospet
8. Mincore Resources Pvt. Ltd
9. Others (lessees)

9) It is to state that all above 8 companies/firms are not the lessees and there is no source of procurement of iron ore

known. There is no information about the issue of permits in favour of them as a party by Mines and Geology Department and Forest Department. The MML has submitted certain details of supply of 48750 MT of iron ore mud to Shanthi Minerals. It is not known whether the same iron ore mud is supplied further to the NAFED or iron ore is supplied in the name of mud from MML. All the trade transactions and transport of iron ore to various ports is dubious and require further investigation.

10) With the above facts and circumstances the following conclusions are drawn by Dr. U.V.Singh.

- (1) The NAFED a Government of India undertaking Cooperative Society has entered into agreements with Disha Impex Pvt. Ltd, Hemani Transport & Trading Corporation and Swarup Group of Industries on Public Private Partnership as per their claim to export iron ore in the year of 2004-05 and 2005-06. But procurement of iron ore as shown is contrary to the Agreement signed.
- (2) As per their statement they have exported 318120.165 MT of iron ore in the year of 2004-05 and 2005-06. They have submitted the statement for 202485.595 MT leaving a gap of 115634.57 MT claimed to be supplied by Swarup Group of Industries, Mumbai. But no details of the group, is forth coming.
- (3) Most of the vendors are not lessees (do not have leases in their names) hence the original source

of procurement of iron ore exported by the NAFED is not known.

- (4) As per the agreement between Disha Impex and NAFED the iron ore has not been procured from MML. Hence there is breach of contract and also source of procurement not known. This requires further investigation, by the appropriate authorities.
- (5) There were financial irregularities as pointed out by the enquiry committee. Hence in this matter too all transactions of iron ore trade is under the cloud of doubts.
- (6) Hence it is recommended to have a further investigation into the matter for illegalities and irregularities in source of procurement and export of iron ore by NAFED.

11) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities.

12) Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

13) The State Government may request the Competent Authority in Govt. of India to take action against NAFED under the relevant Law for export of illegal iron ore.

14) The State Government should also take up further investigation for the supply of dumps by Mysore Minerals Limited to Disha Impex and others.

15) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-

(N.SANTOSH HEGDE)  
LOKAYUKTA

**PKS (SATYA GRANITES) STOCK YARD**

One Sri P.K.Pounraj has applied for registration under Karnataka Value Added Tax Act, 2003 for his firm M/S Sathya Granites, it is shown his business place as Satya Granites, P.K.P. Plot, Kumaraswamy, Temple Street, Nandihalli Cross is a proprietary concern. It is seen that this concern has got two operating stockyards in Sy.No.231 of 18-Hullikunte Village and another one at Sy. No.188 of the same village. Both are being run illegally according to the report of Dr. U.V.Singh. But, no action is taken by the concerned officers. According to the report, an illegal stock of 1,96,088.8 MT was available on the day of quantification in January 2011. It is also reported that this firm was allowing stocking of iron ore to other companies and firms in his stockyards illegally.

2) Dr. U.V.Singh relied upon the letter written to the Deputy Director, Department of Mines, Hospet, wherein the firm has admitted that as on 23/02/2009 it has a stock of 438221 MT of iron ore. It is also mentioned in the report that the firm is involved in purchasing of waste dump of iron ore fines from MML as a proxy. For e.g. it is pointed out certain payment made by Sathya Granites for sale value of waste dump purchased by M/s Bava Mines and Minerals, Mangalore.

3) In the report it is also stated that the Firm was transporting iron ore illegally to Belekeri Port. In the above background I recommend the stock i.e. lying in M/s Satya Granite at 74-Hulihalli Village be confiscated in favour of State Government. Further, various land encroached by the Firm in Sy.No.236 of Hulihalli village should be repossessed by taking action under Section 64 (a) of Karnataka Forest Act. It is stated that there is a case filed before the JMFC Sandur against this

firm for illegal removal of certain quantity of Iron ore. That case should be properly conducted. In regard to illegally transported iron ore to Belekeri Port, the cost equivalent to export value during that time should be recovered with exemplary penalty.

4) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities.

5) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-

(N.SANTOSH HEGDE)  
LOKAYUKTA

## MISUSE OF HOLOGRAMS

1) The issue of illegal mining in the State and consequential transportation of the same became uncontrollable, after 'China Boom'. There were innumerable cases of misuse of bulk permits and trip sheets issued by the Mines Department. To come out of this problem, it was stated it would be worthwhile to make use of Holograms on the trip sheets to differentiate between the fake and genuine permits. In that process in the year 2007-08, the Department of Mines and Geology started using the holograms with a unique identity and number on every trip sheet for every mineral in the State.

2) The Director of Mines and Geology, centralized this system to issue the holograms from his office and in this process, based on the requirements, the Deputy Directors/Senior Geologists from the Districts placed their demand of holograms before the Director, Mines and Geology and he in turn based on availability the holograms issued the same after having the signature of the receiving official. A stock issuing register is maintained in the concerned section in the office of the Director of Mines and Geology.

3) Once the holograms are issued to them, it is taken to the respective offices. The Deputy Directors are supposed to enter them in the stock register. From there it should be issued to the respective case worker who finally issues to the indenters, Lessee/stockyard owner, after obtaining approval from the Deputy Director. In this process, there are stages where the numbers of holograms are recorded in different registers.

4) The Deputy Director of Mines and Geology, Hospet had written a letter dated 23<sup>rd</sup> June 2010 to the Director of Mines



and Geology stating about more than 14,000 holograms have not been received in his office at various times. He submitted the details in this regard with the numbers (Annexure of Chapter 27 at Pages 1 to 3 of Dr. U.V.Singh's Report). On perusal of the letter it is found that the information submitted by the Deputy Director, is misleading and wrong. For example, at Sl. No.10, the information provided by him is factually incorrect. Likewise at Sl. No.22, it is stated that 2500 holograms are not received is also incorrect. The fact is that these holograms of the said numbers have been issued to Sri D.Sukhdev Singh Stockyard on 3/6/2010. Further, 2500 holograms at Sl. No.23, of the letter dated 23/6/2010 of the Deputy Director has been recorded as not received. By seeing the entry on the date 8/6/2010 Sl. Nos. 2, 3, 4 and 5 of the issuing register of the office of the Deputy Director, Hospet, there are corrections made by overwriting to facilitate the numbers from 2032501 to 2035000 as not received. In fact, on seeing carefully, the said numbers are getting accommodated within the non-corrected numbers. At this place, mischief with the numbers has been done to accommodate the "non-received" holograms. The corrected number holograms are shown to have been issued in favour of V.S. Lad and then through overwriting it has been changed as non-issued (Annexure of Chapter 27 at Pages 5 & 6 of Dr. U.V.Singh's Report).

5) During the course of investigation, Dr. U.V. Singh's team found that the Deputy Director of Mines and Geology, Hospet, had written a letter dated 21/6/2010 to the Director of Mines and Geology stating that he has received holograms from Sl. Nos. 1775001 to 2250000 totaling 470000 holograms. On verifying the stock register of the Director of Mines and Geology, Bangalore for issuing holograms, it is found that the holograms

from Sl. Nos.1762501 to 1800000 totaling 37,500 has been issued. This has been received and signed by Sri M.S. Manjunath, Superintendent of the office of the Deputy Director of Mines and Geology, Hospet as told by Sri Manjunath on 28/6/2011. Hence, there is missing of 12500 holograms from Sl. Nos. 1762501 to 1775001. These 12500 holograms have not been shown as issued from the office of the Deputy Director of Mines and Geology, Hospet. Hence, in total, 15,700 holograms have been misused. Further, the Deputy Director of Mines and Geology wrote another letter dated 12/1/2011 submitting the details of holograms (Annexure of Chapter 27 at Pages 7 to 17 of Dr. U.V.Singh's Report).

6) Further, from the letters of the Deputy Director of Mines and Geology Hospet addressed to the Director of Mines and Geology, Bangalore, it is seen that he has taken different stand altogether in all the three letters without referring to his earlier letters to cover up the mischief which had taken place in his office with his full knowledge. It cannot happen without the connivance and without ulterior motive. It is pertinent to state that during this period, the investigation into the matter of theft of seized iron ore at Belekeri port was going on. Also the investigation from this office regarding forged and fake trip sheets seized from Belekeri port was getting highlighted in print media. There is every possibility that these holograms might have been used for creating records connected to the transport of iron ore from Bellary District to Belekeri port.

7) Therefore, there has been theft/misuse of 15700 holograms from the office of the Deputy Director of Mines and Geology, Hospet. By use of these holograms, there could have been transportation of 31,40,000 MTs of iron ore (at the rate of

20 MTs per lorry load) of a cost of ₹62,80,00,000/-, which is the loss caused to the State. It is recommended that both criminal and departmental action in this regard should be taken against all the concerned case workers of the office of the Deputy Director of Mines and Geology, Hospet and also against the then Deputy Director of Mines and Geology, Hospet.

8) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Further, in this Chapter, wherever the names of the officers are stated and in some instances, designation of the officers are stated, it is recommended to the State Government to initiate action against such officer/officials under the Prevention of Corruption Act, 1988 or under the relevant Disciplinary Rules.

9) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-

(N.SANTOSH HEGDE)  
LOKAYUKTA

## **COLLAPSE OF ADMINISTRATIVE AND GOVERNANCE SYSTEM**

There are about 132 Mining leases granted in Bellary district. Out of these mining leases, 99 are in Forest areas and 33 are in Government land (non forest) including Patta lands. There are also large track of Agriculture land having deposition of float iron ore up to a depth of 5 to 10 mtrs. The float ore is also available in the Government Revenue land, Forest land and Patta lands.

2. As per Dr. U.V. Singh's report, there are defunct non renewed leases too in the district. These defunct leases are also the source of illegal ore extraction. Over and above large quantity of iron ores have being extracted illegally from the regular leased areas adopting various modes i.e. by shifting boundary of leases, encroaching in the adjoining Forest and Government land and excess removal from the leased areas. (i.e. in excess of the permitted quantity extracted on nonpayment of royalty). Besides, there were dumps existing near the check dams and other places. There also exist old dumps originated due to mining in the past in Government land and forest lands. Stocks all along the roads in private fields and in Government land are another area for the major sources of illegalities. These places are the target for illegal extraction and unlawful transport of iron ore.

3) Dr. U.V. Singh's report states that he has gone through the records and feedback from the public, NGO's and officials and has noted that from 2003 onwards the float ore mining was started in the patta lands. In this act one of the modes was to "lease" a piece of land or land in entire survey number by the farmer (owners) to a trader, who in turn will do the mining

illegally by engaging heavy machinery, manual labour and then sell it to the middle man or to sponge iron ore industries/steel industries and also for export. It is to be noted here that even if floated ore or other deposits or ore are found in patta lands, the mineral being a major mineral and the same belongs to the Government, the export and sale can only be done under the provisions of M&M (R&D) Act. In Hospet-Sandur-Bellary (BHS) sector, there are unaccounted mushrooming of registered and unregistered iron ore traders. Since last 2 to 3 years, it is observed that due to a big margin of profit in this illegal trade a mafia type of operation have started with **the full connivance and support of Politicians, Officials of the Department of Police, RTO, Mines, Forest, Revenue, Commercial Taxes, KSPCB, Labour, Weight and Measurement department and others.**

4) Due to heavy extraction from the patta land the ore in such areas exhausted fast and by 2005-06 it became scare. The operations then switched over to Revenue Government Land. This process went up to 2007 to 2008. The ore became depleted in these lands too. Then the operation started in Forest land mainly during 2009-10, 2011. Now, the ore is getting depleted in forest areas also. This has resulted in lifting of all accessible dumps and other seized materials. Further there is excess removal from the leased areas by adopting various mode of operation. It has gone to a large extent as could be seen from the seized documents. In the process large amount of bribes were being paid to officials of all cadres at district level. The details are found in Table-1of Chapter-28 of Dr. U.V. Singh's report in this regard.

5) The income tax department had conducted raids in the year of 2010 at various premises of iron ore traders, related

companies, individuals, and others. The office of the Lokayukta has approached to the Income Tax Department, Government of India, Bangalore to exchange the information, documents, electronic devices seized by them during the various raids conducted in 2010. After discussion and correspondence a pen drive was provided to this office containing the contents of materials seized from the premises of Sri Karapudi Mahesh (K. Mahesh). Printouts of the said pen drive were taken and examined. On perusal of records it is found that it has hundreds of pages available in the pen drive. These pages along with others have also been cross checked and verified from the printouts available with the Income Tax Department and found to be tallied. It is in the above said background, the report of Dr. U.V. Singh report on payment of bribe by Karapudi Mahesh and his associates to the Government officials is considered and found that the entire administration, especially in the District of Bellary has failed and the officials have failed to discharge their official duty with sincerity and loyalty to the Government.

6) The material provided in the report of Dr. U.V. Singh shows that the information provided by the Director of Income Tax (Investigation), Bangalore in the form of soft copy (Pen drive) has named 'Karapudi Mahesh' vide his letter no. DIT(Inv.)/BNG/138/2010-11/64 dated 21-02-2011. On examination of all the records, a list has been prepared by Dr. U.V.Singh's team, consolidating the amount paid at various dates to officials of various departments in the form of bribe for getting undue favour. As per this analysis, it is seen that a total amount of **Rs.2,46,62,377/-** has been paid as bribe (which has been shown as department expenses) to 617 officials of various rank and cadres of all connected departments. It is further stated that this bribing has spread in the Districts of Bellary,

Chitradurga, Tumkur, Bangalore, Kolar, Davanagere, Haveri, Koppal, Gadag, Raichur, Gulbarga, Bijapur, Bagalkot, Belgaum, Dharwad, North Canara and districts all along the roads from Bellary to Krishnapatnam. The favour extended against the bribe paid are for non checking of overload, trip sheets, way permits, allowing to lift the waste dumps from all type of lands, allowing to extract floating ores from patta lands, Government Revenue land, Forest land, additional excess removal of ore from regular leases, (more than permitted quantity without creating any record) allowing transportation without payment of royalty, Forest development tax, non adhering to other norms under the Mines and Minerals (Regulation & Development) Act, other Acts and Rules. Table-1 of Chapter-28 prepared by Dr. U.V. Singh's team shows that high level officers are paid huge amount of money, even lower level officers are regularly paid money, depending upon their contribution in helping the illegal mining activities.

7) The report of Dr. U.V. Singh further shows that the records were seized from the premises of Associated Mining Company, Bellary which is inventorised as A/AMC/3 page 15 email from [ssb\\_bellary@yahoo.co.in](mailto:ssb_bellary@yahoo.co.in) to [kmp.vishwa@yahoo.com](mailto:kmp.vishwa@yahoo.com), which reveals certain information regarding payment of bribe by M/s. Associated Mining Company has been included in Table 1 of Chapter-28. The mode of payment of bribe has been mentioned in form of names of officials, designations or in code. Dr.U.V.Singh in his report states that the information provided in Table-1 in Chapter-29 of Dr. U.V. Singh's Report is not complete and is restricted to a limited period. The records for the bribes paid before and after the period mentioned is not available. Similarly, the bribes paid by the other group of

companies, traders and lessees are also not available. But certainly, the payments from those persons cannot be ruled out.

8) Dr. U.V. Singh's report shows how the racket of extracting, transporting of illegal iron ore without permits or forged permits from various places of BHS region and other districts by certain groups of people has been evolved. This system is called "Risk Amount" (Protection Money). The report of Dr. U.V. Singh has described the Risk Amount as follows:-

***"Transportation of iron ore on "Risk": (Protection)***

*This is a unique illegal method of transportation adopted in BHS region wherein the transportation of "zero material" (illegally mined iron ore) has been guaranteed to reach safely to the destination. Some traders/companies /middlemen have taken this "job" of transportation of "zero material" to various destination by charging "commission" for rendering services taking "risk". In this phenomenon, the guarantor or "risker" takes the guarantee for safe delivery of the iron ore without any valid transit permits or with permits which he managed to obtain from some source or by using fake permits; everything is being done taking risk. Hence the term "transportation on risk" and the person who takes guarantee "the risker" is being frequently used in the sphere of illegal mining in BHS region. While transporting this illegal material if the vehicle with ore is caught on the way by any of the competent authority, the "guarantor" takes the responsibility to get it released by adopting legal or illegal means and also bear expenses incurred in this process. The*



*world 'zero material', 'risk' and 'risker' are frequently used code words in the BHS region. It has been reliably learnt that such persons are having political as well as official nexus. The concerned department's officials are having full knowledge about this practice."*

9) When I submitted my first report, even though such system was in existence in a small way, enough documentary evidence was not available. Hence, it has not been commented in that report. It is only during continuation of the investigation at this stage and while preparing this report, attempts were made to find out more about this system. In this connection a search and seizure was also carried out at Belekeri port on 20/2/2010. This search and seizure was a turning point in this investigation, which has led to another huge racket. Various records connected to smuggling of illegal iron ore, transport of iron ore using forged permits of Andhra Pradesh for loading materials at Hospet, Sandur, Gadag, Bagalkot, Chitradurga and other places were discovered. The Xerox copies of some forged permits are enclosed separately in the chapter on illegal exports of iron ore in this report. On analyzing these records it is found that large quantity of stolen iron ore was being transported without valid permits and connected records etc required under M&M (R&D) and Rules, Karnataka Forest Act and Rules and other connected Acts & Rules applicable. Subsequent to this seizure, the Income Tax department, Bangalore had also made searches and seized documents, electronic data, computers etc from the premises of iron ore related traders, lessees and others. The information with the Income tax department is shared on exchange basis. In this connection electronic records seized from the premises of Karapudi Mahesh (K. Mahesh) has been

obtained from the Income Tax department. The electronic data provided by Income Tax department were perused and analyzed. The trails of various Bank Accounts of many traders and lessees etc were verified. The records pertaining to collection of Risk Amount by Sri Karapudi Mahesh and Sri Govind (Govindanna) and their associates have been compiled together with respect to the persons who have paid the “risk amount”. It is commonly known as “risk” or “zero material”. Zero material means transportation of the iron ore without transit permits of Mines and Forest departments and illegally extracted iron ore. The amount paid for this type of transportation is shown in Table-2 of Chapter-28 of Dr. U.V. Singh’s report on this matter.

10) This table shows the amount received by K.Mahesh and Associates. The total amount paid as per this list comes to ₹40,92,88,860.00. In the above trial, there are 382 traders/ firms/ companies/others engaged in illegal trade of iron ore transport and sale, illegal exports. According to Dr. U.V. Singh, this list is also not complete. It also notes that some of the names in the table of risk amount are of partners in some registered firms or companies. One of such name is Sri Mahendra Jain, who is a partner in M/s. Continent Impex Pvt. Ltd, Bangalore. There may be many such companies involved in illegal trade of iron ore. As stated above, of ₹40,92,88,860/- in the period of Six months (November 2009 to April 2010) have been collected by Sri Karapudi Mahesh and his Associates.

11) It is seen from the report of Dr. U.V. Singh that the “risk amount” of ₹75 to ₹200/- per MT is paid by the iron ore traders to Sri K. Mahesh and his group based on the risk involved i.e. distance of destination, vigilance, checking, (period when some

checking is going on) State, check posts and many others factors likewise.

12) Dr. Singh's report on iron ore trade by Sri K.Mahesh and his associates throughout the state by various illegal activities in mining trade, in table (3) of Chapter-28 found in the said report, indicates involvement of traders in this illegal act. In most of the cases no permits are issued in their favour. If at all there are some permits issued, it is for very less quantity and the same permits were reused repeatedly. There were 93 persons/ firms/ companies/others who were engaged through Sri Karapudi Mahesh and his associates during the period. They have had a trade of about Rs. 62,92,36,810/- in a period of 6 months (November 2009 to April 2010). These are indicative figures and the list is not exhaustive. The names figured in the table-3 are very common in illegal iron ore trade. They are also figuring in the table of "Risk payment". In this regard verification by having cross examination of MDP issued by the Mines department has been done by the investigating team and found that there were no permits issued in most of cases in their favour. (They are not lessees either). Hence the trade of iron ore made by them is illegal and unlawful. The particulars of this type of people involved in this trade are given in Table 3 of Chapter - 28 found in the report of Dr. U.V. Singh.

13) The search and seizure made by the Police wing of the Lokayukta at Belekeri port reveals that forged and fake permits purportedly issued by the Mines and Geology department of Andhra Pradesh were used for illegal transport of theft iron ore from Hospet, Sandur Bellary and other taluks. Use of such permits was the main reasons for illegal iron ore transport in the BHS region and also from the surrounding districts. The

Table-4 of Chapter-28 of the report of Dr. U.V. Singh is a supportive indication of unholy nexus of fake and forged permits obtained and used for illegal transport of iron ore mainly illegally extracted from the various places like forest land, Revenue land and also from regular leases i.e., excess quantity than permitted in Karnataka. As per the said Table-4 of Chapter-28, Rs. 1,11,13,394/- have been paid for procuring such permits. A person by name Sri Sajjan of Hospet was used as agent for this purpose. The other persons involved are Yeriswamy, Mahesh, Ramu, Waheed and others. The forged and fake permits used for transport of iron ore to Belekeri and Karwar port by various agencies and persons are separately dealt in this report. The forged permits were used for transporting iron ore to various destinations like Belekeri, Karwar, Goa, Krishnapatnam, Chennai, Mangalore and steel units inside and outside the State.

14) Dr. U.V. Singh specially noted in his report that there was a well established forest check post at interstate border near Bellary (Hagari check post). This check post was withdrawn by the then Deputy Conservator of Forests, Sri S.Muthaiya in 2008.(whose name figures very prominently in many of the illegal activities). From the records seized from Belekeri port, large numbers of forged permits were found purportedly issued from Andhra Pradesh. With this act of withdrawal of established check post, it is quite clear that Andhra Pradesh origin Xerox copy of bulk permits and forged trip sheets were in use at a large extent to illegal transport of iron ore from the illegal stockyards, permitted stockyards, Forest and Revenue areas and also from regular leases. Stern action should be initiated against Sri S.Muthaiya, the then Deputy Conservator of Forests,

for this act which had caused hundreds of Crores of rupees loss to State.

15) One of the main reasons for explosive illegal iron ore mining during 2009-2010 was posting of favored officials at strategic posts of Police, Mines, Forest, Revenue and other departments. Because of this, a fearless atmosphere prevailed in the Bellary district. Law of the land was seemed to have been suspended and oral whip was used to keep silent. Consequently administration has allowed to loot the natural resources, in this case the iron ore, which continued without any opposition. Huge bribes were paid. Mafia type operations were the routine practices of the day.

16) It is to be noted that during late 2009, State Government tried to post some upright and officers with known integrity in Revenue, Forest and other departments. Unfortunately, for reasons known to the Government, they were transferred in a fortnight and the same old officers were reposted. This act of withdrawal has further fuelled the corruption to raise its head and it has become a monster, uncontrolled as reflected in the seized documents. It is for the Government to explain as to why this transfer and retransfers has taken place.

17) On careful examination of the electronic records by the investigating team of Dr. U.V. Singh, it is observed that a well equipped intelligence networking was deployed by the "Bosses" involved in illegal operations where their people were placed at strategic places all along the major routes to Krishnapatnam, Belekeri, Karwar and others ports. The trusted personnel's were deployed/posted with motorbikes, mobile phones and money. Rooms were taken on rent on routes to stay and watch. A parallel administration was in position and operation. Regular

payments were made to such deployed personnel's as seen in the seized records. The Government machinery/ administration was totally paralyzed.

18) The Hon'ble Member of Legislative Council Sri K.P. Kondaiah has given a representation vide his letter dated 10/3/2011 to the undersigned enclosing a statement of Hon'ble Chief Minister given in the Legislative Session of July 2010. Sri K.P. Kondaiah has said that the unregistered dealers/ registered dealers who are in business of iron ore trade are having serious impact on the State exchequer and environment. He requested to take action against those who are responsible in this act of illegal mining. He has also submitted the answer to five questions supposed to be made as statement on the floor of the House by the Hon'ble Chief Minister, Karnataka. In one of the reply, the Hon'ble Chief Minister has said that some politicians, bureaucrats of forest and police departments are involved in this illegal business and Government is losing heavy revenue. The Hon'ble Chief Minister has said that about 3.04 crores metric ton of iron ore had been exported illegally without permits from the State. But no tangible action was taken to prevent the admitted illegality by the State Government.

19) It is to be stated here that the statement made by the Hon'ble Chief Minister in the House is highly relevant when compared with facts as revealed from the seized documents of Income Tax Department. The statement given by the Hon'ble Chief Minister in July 2010 is getting reflected in the records. The huge bribes had been paid to officials for illegal transport of stolen iron ore from the districts of Bellary, Chitradurga, Tumkur, Gadag and Bagalkot. The iron ore was smuggled with full support of the Government machinery from Patta land,

Revenue Land, Forest land and regular leases and also from the seized iron ore dumps by the Mines, Revenue and Forest Departments. This statement of the Chief Minister shows that the Government was in the know of about all the illegal activities and the huge loss that has been suffered by the State. Had there been action on my first report on illegal mining this could not have happened. It could have been kept under control and a large quantity of iron ore which was exported illegally from the State and also domestic consumption which is the property of State could have been saved for future generation. Dr. U.V. Singh has enclosed a copy of the representation dated 10-03-2011 of Sri K.P. Kondaiah, MLC along with his report.

20) On 20/2/2010, as stated above, a search and seizure was conducted by the Lokayukta Police at Belekeri wherein documents, computer (CPU) and other records were seized from the premises of Adani Enterprises and Sri Mallikarjun Shipping Pvt Ltd (SMSPL). A table given below of Sri Mallikarjun Shipping Private Limited, indicates the companies and persons involved in export, the supplier of iron ore to these companies and the stacks at Belekeri port. From the Table (5) of Chapter-28 of Dr. U.V.Singh's Report, shows that many of the suppliers at Belekeri port are also in the list of payment made for Risk i.e. the transport of illegal extracted mineral without paying proper royalties/ taxes and extracted illegally from the non leased areas as well. It is stated that the list of Belekeri and the list of Karapudi Mahesh are not covering their entire illegal transactions which is an indication that a large quantity of iron ore has been smuggled either by using forged/fake permits or without permits.

**Iron ore details with name of supplier companies name and Stacks at Belekeri Port (SMSPL Premises)**

<b>Comp Name</b>	<b>Sup Name</b>	<b>Stack</b>
Krishna fin	ragu supu	nagedra test
ILC	ILC BHAVANHALLI	ILC CORE (LG)
ILC	ILC SVK	ILC CORE (HG)
DLC	DLC SVK	DLC (HG)
DLC	DLC JSP	DLC (LG)
ILC	ILC BHAVANHALLI	ILC CORE (HG)
DLC	D L C MAHALAXMI	DLC (LG)
DLC	SVK DANAPUR	DLC (HG)
DLC	DLC HNF	DLC (HG)
ILC	ILC NAGAPPA	ILC CORE (HG)
DLC	JUNJUNBAIL DLC	DLC (HG)
SESA GOA	SESA GOA	SEAS GOA
DLC	DLC VYASNKERI	DLC (HG)
DLC	D L C [PRINTEX]	D L C [HG]
VSL	V S L [STACK 2 ]	STACK 2
DLC	S V K [JAISINGPUR] LG	D L C [J S P] LG
DLC	D L C MAHALAXMI	DLC [HG]
DLC	DLC DAKSHA	D L C DAKSHA
ILC	ILC BEVINAHALLI	ILC FINES
D B	D B	DB
SSTA	SSTA [JAYALAKSHMI]	SSTA
DLC	BHEEMASAMUDRA (OLC	DLC { 2 }
DLC	DLC [M R K]	DLC (LG)
SSTA	SSTA	SSTA
MALLIKARJUN	SMSK	S M S P L
DLC	JAISINGPUR (DAKSHA)	DLC
MALLIKARJUN	GREEN LOGESTIC	S M S P L
DLC	MAHALAXMI B 3	D L C
DLC	DLC NAGAPPA	D L C [ H G ]
ILC	ILC NAGAPPA FINES	ILC FINES [LG]
ARSHAD EXPORT	ARSHAD [SKMPL]	ARSHAD EXPORT
DLC	SKMPL B 3	D L C
ILC	I L C ( T.M )	ILC CORE (HG)
MALLIKARJUN	R N MINES	S M S P L
ILC	S V K FINES	I L C [L G]
DLC	JUNJUNBAIL (S 3 A)	DLC (STACK 3 A )



DLC	MAHALAXMI 2	DLC (LG)
DLC	DLC SVK	D L C ( S 3 A)
DLC	JUNJUNBAIL (S3 A)	DLC (HG)
ARSHAD EXPORT	ARSHAD S B M	ARSHAD CORE
SUNRISE	SUNRISE S V K	SUNRISE
CHANDUR	CHANDUR	CHANDUR
MALLIKARJUN	SMSPL [JUNJUNBAIL]	S M S P L
DLC	JUNJUNBAIL (S3 A)	D L C ( S 3 A)
DLC	JUNJUNBAIL (S 3)	STACK 3
DLC	RMTC B 3	D L C
DLC	DLC (G.G MINES)	DLC (G.G MINES)
DLC	JOHN MINES (DLC)	DLC ( S 2 A )
DLC	DLC HNF	DLC
DLC	HULIYAR DLC	DLC
ILC	ILC JSP	ILC FINES
VSL	VSL	VSL
HARSHAD EXPORT	HARSHAD	HARSHAD
DLC	JUNJUNBAIL (S 2)	DLC (S 2) HG
TWENTY FIRST CENTURY	TWENTY FIST CENTURY 2	STACK [ 2 ]
VSL	VSL	STACK [2]
DLC	O L C [D L C]	D L C [HG]
TWENTY FIRST CENTURY	HANUMAN MINES	TWENTY FIRST CENTURY
TWENTY FIRST CENTURY	HANUMAN MINES	STACK [ 2 ]
DLC	MAHALAXMI 2	DLC [2 ]]
ILC	ILC BHAVANHALLI	I L C [L G]
MALLIKARJUN	EAGAL	S M S P L [EAGAL]
MALLIKARJUN	S M S P L [BALEGULI]	S M S P L [KALAGATGI]
DLC	DLC (S 2 A)	DLC ( S 2 A )
DLC	DLC (S 2 A)	D L C ( S 3 A)
MALLIKARJUN	S M S P L [BALEGULI]	S M S P L [BALAJI]
DLC	DLC HNF	D L C ( S 3 A)
ILC	ILC BHAVANHALLI	ILC FINES
DLC	AURO MINES	D L C
DLC	DLC MAHALAXMI	DLC NAGAPPA [ H G ]
ARSHAD EXPORT	ARSHAD GOSHAL (LG)	ARSHAD (LG)
TWENTY FIRST CENTURY	JAIN TRANSPORT	STACK 3

ILC	ILC P K HALLI FINES	P K HALLI FINES
MALLIKARJUN	EAGAL C	S M S P L [EAGAL]
ILC	ILC [ SMM ]	ILC [ H G ]
ILC	ILC NAGAPPA [ H T ]	ILC CORE (HG)
SSTA	SSTA [AFRA]	SSTA
P J S OVERSEAS LTD	KARTIK LOGESTIC	FALCON IMPEX
LALMAHAL LTD	KT 54/ESK	LALMAHAL
DLC	SVK (JAISINGPUR) HG	DLC( A3) HG
P J S OVERSEAS LTD	SANDEEP ENTERPRIRES	FALCON IMPEX
ILC	I L C , S M M CORE	I L C CORE [HG]
LALMAHAL LTD	SHRI SHAYAIRAM ASSOCIATS (S S A)	LALMAHAL
P J S OVERSEAS LTD	BHARAT TRADING CO	FALCON IMPEX
DLC	D L C MAHALAXMI A1	D L C A1
ILC	ILC BEVINAHALLI	I L C [L G]
SBL	SBL	SBL
BALAJI	BALAJI BALEGULI	SMSPL
ARSHAD EXPORT	SKMPL ( CORE )	ARSHAD (LG)
SBL	SSTA (REDDY)	V S L [2]
ILC	ILC [ SMM ]	I L C [L G]
VSL	V S L [2]	V S L
DLC	DLC CIPL (VD HALLI)	DLC B1
ARSHAD EXPORT	ARSHAD [SKMPL]	ARSHAD (LG)
ILC	ILC (PK HALLI)	ILC CORE (HG)
ILC	ILC BHAVANHALLI	ILC CORE{LG}
DLC	DLC THIRUMAL	THIRUMAL
ILC	ILC {H T}CORE	ILC CORE{LG}
VSL	VSL (STACK 3)	VSL (STACK 3)
D B	DB HOSPET	DB
VSL	VSL	V S L
TWENTY FIRST CENTURY	TWENTY FIRST CENTURY	TWENTY FIRST CENTURY
SHREE BHAIRAVA	BHAIRAVA	JAGRUTHI
ILC	ILC Y MINARALS	ILC FINES
VSL	SBL LOGISTICS	VSL STACK 3
DLC	BHEEMASAMUDRA (OLC	D L C

MALLIKARJUN	S M S K [L G]	S M S P L
DLC	HARE KRISHNA B 1	D L C
SSTA	BHYRAVA (J L)	SSTA
TWENTY FIRST CENTURY	BHOOMIKA ENT	STACK 4
ILC	ILC NAGAPPA [ H T ]	I L C [L G]
ILC	SWASTIK	ILC FINES
VSL	VSL	VSL (STACK 3)
DLC	D L C [PRINTEX]	D L C
DLC	D L C MAHALAXMI	D L C [HG]
DLC	S V K [JAISINGPUR] LG	D L C
MALLIKARJUN	EAGAL	S M S P L
SSTA	SSTA (REDDY)	SSTA
SSTA	SSTA NADEEM	SSTA
DLC	HULIYAR	S M S P L [DLC]
ILC	GREEN TEX (I L C)	ILC FINES
ARSHAD EXPORT	ARSHAD [SKMPL]	ARSHAD CORE
DLC	OLC [CHITRADURGA]	DLC { 2 }
ILC	ILC NAGAPPA FINES	I L C [L G]
MALLIKARJUN	N G	SMSPL LG
VSL	V S L [STACK 2 ]	STACK [2]
ARSHAD EXPORT	ARSHAD NEB	ARSHAD NEB
ASHAPURA	ASHAPURA	ASHAPURA [HG]
ARSHAD EXPORT	SVK (JSP) LG	ARSHAD (LG)
P J S OVERSEAS LTD	ANAGA ENTERPRICES	FALCON IMPEX
P J S OVERSEAS LTD	PRADEEP TRADERS	FALCON IMPEX
LALMAHAL LTD	SHRI HARA MINES	LALMAHAL
TWENTY FIRST CENTURY	TWENTY FIRST CENTURY...	BALAJI
P J S OVERSEAS LTD	GAJANAN LOGISTICS	FALCON IMPEX
TWENTY FIRST CENTURY	BHIMA MINES TWENTY FIST	STACK 3
ILC	ILC BHAVANHALLI	I L C CORE [HG]
ILC	I L C SMM ( 1 )	ILC [ H G ]
LALMAHAL LTD	C I P L	LALMAHAL
SSTA	S S T A (G G MINES)	SSTA
MALLIKARJUN	S L V M	S M S P L
DLC	S V K JAISINGPUR (A7) HG	D L C (A7) HG
G. E. M L A B	G. E. M L A B	G. E. M L A B

P J S OVERSEAS LTD	SREE MINERALS	FALCON IMPEX
LALMAHAL LTD	MAHALAXMI ENTERPRISES	LALMAHAL
MALLIKARJUN	MAHALAXMI	S M S P L
LALMAHAL LTD	SRIKANT ASSOCIATES	LALMAHAL
PJS OVERSEAS LTD	ADITYA LOGISTICS	FALCON IMPEX

21) From the seized records it is found that many accounts were being operated by Sri K. Mahesh and his associates. Some of the accounts details have been collected from the respective banks and the transactions were cross verified with the seized documents. On verification it is found that the cheque numbers and amount details in both records are matching (the record seized by IT and the accounts obtained from the bank). The matching of such bank transactions further confirm the legitimacy of the seized records that they are true, genuine and should be taken on record for this investigation and any investigation. Table – 6 of Chapter 28 of Dr. U.V. Singh report contains the details of Bank Accounts of Sri Karapudi Mahesh and his Group Associates.

22) There is another method by which the State finance or States Revenue collection has circumvented. On perusal of seized records of Income Tax Department, it is found that several entries of payment of penalties against the illegal transport of theft iron ore (in Karnataka, Andhra Pradesh and others) have been recorded during the period on various dates. The payment of penalty is a proof of illegal transportation and theft of iron ore. It also proves that concerned people are taking the responsibility for transportation illegal iron ore by collecting “risk amount” by Sri K Mahesh and his associates. With the records and field observations it is found for the last 5 months, that the risk amount had been collected at the rate of Rs. 75 to

Rs. 200 per MT based on the risk involved, distance, State and the relationship with the party. In the five months period Rs. 40,92,88,860/- of risk amount was collected and by dividing this amount to an average of Rs.125 per MT it comes out 3274310.88 MT illegally transported in this period.

23) After the search and seizure of the records of Belekeri by the Lokayukta police on 20/2/2010, the Secretary to Government, Mines & Geology Department and the Director of Mines and Geology were called personally by the undersigned and they were told about the illegal transportation of iron ore, mode of transportation, loss to the State exchequer etc. After this, Mines department had seized about 99 trucks which were used for transporting iron ore without permit or forged permits purportedly issued from Andhra Pradesh. In reality minerals were loaded from Karnataka (Hospet, Sandur etc.) at various illegal and permitted stockyards or leases or others.

24) The original records pertaining to compound of offence case of theft of iron ore for 99 trucks were called for investigation from the Deputy Director, Karwar. There was not a single theft case has been registered under Section 379 of IPC for such a large quantity of stolen iron ore being transported for the purpose of export by Deputy Director mines. It was not a normal theft case but a well planned conspiracy to export the irreversible natural resource i.e. iron ore. A file of the office of Deputy Director, Mines, Karwar has been examined. It is observed from the file that this act of offence has been compounded by putting a meager amount of penalty and much less amount than the cost of the ore (IOC, IOF) (Rs. 690 per MT). It is noted here that the iron ore smuggled was for the purpose

of export. The export value was about US \$ 120 to 140 per MT during that period. This comes out to Rs. 5050/- per MT or more. Due to this act of compounding, there is a huge loss to the State Government and encouragement for theft. Further there was no investigation done to find out the source as from where this iron ore is being smuggled, who are persons behind it and responsible. No criminal case was booked either. In fact the compounding of this offence case has further aggravated the looting of ore.

25) It is further observed that as per the noting made by Deputy Director, Mines, Karwar; out of 99 trucks sized 17 trucks were belonging to Sri Manjunateshwara Minerals, 35 trucks were belonging to Tirumala Minerals & Logistics, 36 trucks were belonging to Eshwara Logistics and 10 trucks were belonging to Safia Minerals. This note also shows compounding fees for all their trucks have been paid by Sri P. Nagaraj of Hospet. Amount so collected is Rs. 21,68,095/- on 6/3/2010 as could be seen in table 7 of Dr. U.V. Singh's report. Sri P. Nagaraj is an associate of Sri K. Mahesh as revealed from the records. It is pertinent to note here that this amount of Rs.21,68,095/- figures in the record of Karapudi Mahesh as a penalty for 53 vehicles (*Karwar 53 vehicle penalty [Nagaraj swamy] table 7*). This proves the legitimacy of the seized records. It is also seen here that an amount of Rs. 2,00,000/- was paid as bribe to the then Deputy Director, Karwar and Rs.2,500/- to his office staff. (*Karwar DMG Rs. 200000 on 10.03.10, Karwar DMG office Rs, 2500 on 10.03.10 table 1*). The entries in this regard are very clear from the seized records. The payment for the rest of the vehicles is not clear as to who has paid the compounding fees.

26) It is seen from the above that the case of 99 trucks have been dealt arbitrarily in a nontransparent and capricious manner. Had this case been taken seriously, the illegal transport would have been stopped from March 2010 onwards at least. All who are connected in this matter in Government of such illegal transport are keeping closed their eyes either deliberately or forcibly. It is seen from the file of the Deputy Director of Mines & Geology, Karwar that even there is no proper address of the persons who have paid the money for compounding the case. There is no record to show the offence case was booked under 397 IPC or under the M&M (R&D) Act and M.C Rules. The compounding orders were issued individually but amount was received from one person by name P. Nagaraj. It is also not known against whom the offence cases were booked. A fearless atmosphere had been created and the laws and regulations were pushed to corner. The information received subsequently to this office confirms that there was continuous flow of theft iron ore to Belekeri and Karwar ports even after convening a meeting of the officers of the level of Secretary and Director. No Government machinery was working during that period. It is learnt that there were instructions from top not to interfere in this illegal transport.

27) Table 7 & 8 of Dr. U.V.Singh's report is part of document seized, by the Income Tax Department. The genuineness of this document was verified with the accounts obtained from Axis Bank, Bellary. The account number 2669 and Cheque numbers issued out of this account were verified and found that this account is operated in the name of M/s. Sri Bhakta Markandeshwara Minerals (SBMM), Door No. 93, 3<sup>rd</sup> Cross, Weavers Co-op Colony, Hospet, Karnataka, 583201. The financial transactions through the cheque numbers stated

herein have been cross verified with this account and it is found that most of the cheque numbers and corresponding amount are matching. The copy of the said bank account no. 909020039582669 of SBMM. From the above it is clear that proxy accounts were opened to transfer illegally earned money to “G.J.Reddy Sir.”

28) Table-9 in Dr. U.V. Singh’s report refers to Bank transactions pertain to Account No. 909020039582669 of Axis Bank, Bellary of SBMM. Table 10 pertains to Bank transactions at Account No. 267010200016667 of Sri Lakshmi Venkateshwara Minerals, Hospet in Axis bank, Bellary. The entries of Statement of Account No: 267010200016667 of Axis Bank, Bellary of Sri Lakshmi Venkateshwara Minerals (SLVM), and table (8) have also been verified and found matching. The contents of the table 8 also indicates payments for dumps, rate (Rs100/ton) Chitradurga etc. This shows widespread net of illegal mining activities.

29) On verification of the entries in table (8) with respect to account no. 909020039582669 of Axis Bank, Bellary of SBMM, the cheque number and respective amounts is found matching. Hence there is no doubt whatsoever that the information in the table (8) is genuine one and can be taken as evidence for any proceedings. Taking the table (8) into consideration, the amount drawn as cash from both the accounts (2669 of SBMM and 16667 of SLVM) reaches to “Sri G.J. Reddy Sir.” As stated in Table-8 of Chapter-28 the risk amount is withdrawn through self cheque and paid finally. This matter requires further investigation in depth by the competent authorities.



30) It is also mentioned that Sri K. Mahesh and his Associates were managing various plots (stockyards), machinery and others. Many persons were kept to manage such activities. A list of such persons along with their place etc. are given in Table-11 of Chapter-28 of the report of Dr. U.V. Singh. The engagement of such large persons itself indicates the quantum of illegal mining activities in the field of iron trade.

31) The movement of vehicles loaded with iron ore from one place to other within the State were used without having any permits. The iron ore material moved in this manner were largely illegal. To substantiate this logic table 12 of Dr.U.V. Singh's report indicates movement of vehicles from one plot to other or source of iron ore to midway destination. The said table also indicates that source of iron ore to its destination with quantity and amount charged per metric ton. It is mentioned that the illegalities during the period of 2009-10 and 2010-11 were at its highest.

32) The seized records of Income Tax Department titled as A/MKV/5 Bellary 25/10/2010 have been examined by Dr. U.V. Singh. There are records of payments made by the Madhukumar Varma (MKV) to various persons and other expenses. It is mentioned that Sri Madhukumar Varma aged 24 years is a Managing Partner in the firm M/s. Madhushree Enterprises. This firm is involved in many illegal mining activities in the State. The reference being made here is necessary to find out the networking exist and the persons involved the illegal mining activities directly or indirectly. Table 13 of Dr. U.V. Singh's report shows the payment made by Madhukar Verma (MKV).

33) Further, during the examination of records, certain information are observed regarding payment of “Hawala charges”. Though the amount is not very high but it indicates that route of flow of money from outside to the Country. During analysis of the under-invoicing it is found that money received against the export is being parked outside the country. Getting this money through hawala is a common practice in the country. The information in hand may be the part of it. A further investigation in this regard by a Competent Agency is required. Table 14 of Dr.U.V. Singh’s report shows the Hawala money transactions.

34) The role of district administration and the regulatory authorities is extremely vital in ensuring that the mining activities are conducted in accordance with the rules and regulations. The level and spread of illicit mining activities as detailed in this report does point to failure of these agencies in their executing duties. It is noted that the administrative machinery in the districts was rendered ineffective by posting pliant officials across departments. In fact a few officials have actively colluded in facilitating an enabling environment for illicit activities. Nevertheless, it is also observed that whenever the administration has been strict in enforcing rules and regulations, as evidenced in Oct 2009 when the District level officials in Bellary were replaced for a fortnight the activities related to illicit iron ore were brought under control in that period.

35) To give one example, when Sri Bishwajit Mishra, Deputy Conservator of Forests, who is presently working with Dr. U.V.

Singh's team in the Lokayukta enquiry, was posted in Bellary as Deputy Conservator of Forests in 2008. He brought a remarkable change by effectively controlling the illegal activities in the forest land. He was also successful in booking forest offence cases against the mining lessees, who had encroached in forest land. He actively cooperated with Dr. U.V. Singh and his team who were conducting joint survey, in GIS and satellite imagery map. He brought about various process changes in order to streamline the various way-permits, thus bringing in transparency and better compliance of Rules and Regulations. He also initiated strict actions against those who were involved in illicit extraction and transportation of iron ore in violation of Forest Act and Rules. Thus he brought discipline and motives, resulting in effective control of illicit mining. However, the said officer was transferred after a short period of 6 months. Interestingly, he was posted back to the same post in Bellary in October 2009. This was the time when mass transfer of officials were made from and to Bellary. This was a short-lived transfer. Even then, during the period of two weeks, this officer was instrumental in significantly controlling the illicit mining activities. The officer is successful in recovering ₹20.00 crores, which was due as Forest Development Tax from the Mining Companies in a short period of 10 days. In spite of the same, he was re-transferred out of Bellary. His case clearly shows that efficient, diligent, honest officer can bring about a clean administration, which is sadly lacking in Bellary.

36) While discussing the collapse of administration, I will have to refer to one another main reasons for failure of administration in Bellary. In my opinion, it is mainly because of the fact that a Minister in the Cabinet who is involved in mining has been made the Minister incharge of the Bellary District, who

has manipulated his power as Minister incharge of the District to his advantage and has indulged in illegal mining, through companies and firms of which he was Director/partner and his supporters by misusing the administration. Further, this Minister when took over as Incharge Minister of Bellary District, the entire administration system of mining has drastically changed. In other words, the system and officials were used by the Minister to the personal advantage of himself and his family. He has used the officials for the other mining companies to share their produce on the promise of providing the other mining companies/firms with all necessary permits and assuring them a free and uninterrupted transportation of their material to the destination of their choice. The system has come to be known as "Zero Risk System". There are instances when those companies or miners who did not agree to cooperate and accede to the demand of the minister or his followers, such companies/firms were refused transport permits, thus making the transportation of their produce impossible. The Minister has also used his muscle power and has organized trespassing into the mines owned by individuals/companies and compelled such companies to execute agreements on the basis of raising contract, which itself was held by me in my first report as a system unknown Law. No officer would dare to question his acts. Per contra, they supported his acts either for consideration or out of fear.

37) Very sadly, the Government at Bangalore, though knew about all these irregularities, did not take any action to stop these irregularities, may be on the ground that this Minister and his followers are originally responsible for supporting and appointing the Chief Minister. The Chief Minister has reportedly stated once that there are irregularities happening in Bellary.

But he is unable to stop it. The officials who were to work in Bellary and surrounding area were handpicked by this Minister, whether belonging to his portfolio or not they were posted in Bellary. At one stage, when the Minister and Chief Minister felt apart all the officials were transferred from Bellary. But the clout of this Minister was such that within a couple of days of the transfer, officers were reposted to their original places in Bellary.

38) When I submitted my first Mining Report, I hoped that illegal mining would be reduced in the Districts of Bellary, Chitradurga and Tumkur. But I am sorry to note that, the same has been increased very much after my first report, mainly because of the failure of the Government to implement that report. After this Minister took over as Minister Incharge of the District, the Bellary District came to be referred to as "Republic of Bellary".

39) At this stage, I would like to recall an incidence, which took place on 12/9/2009, which is referred to in another chapter of this Report. I will make a brief reference to the facts of that case. When Dr. U.V. Singh, on a reliable report that there was some illegal iron ore mining was taking place in Bellary District and found that information to be true, he went to the spot, where he was confronted by certain people by saying that the mining is being done by a person connected to Sri Somashekara Reddy, Member of Legislative Assembly, and brother of the Minister incharge of the District. Dr. U.V. Singh was made to talk with Mr. Somashekara Reddy on cell phone. When Mr. Somashekara Reddy asked him a pointed question, whether he has taken permission of the Minister incharge of

Bellary to enter Bellary, Dr. U.V. Singh replied that as a citizen of India, he does not require anybody's permission to visit Bellary. Later on, Dr. U.V. Singh, overheard the people who had approached him talking about filing of a SC/ST Atrocity case against him. These facts have been reported to me by Dr. U.V. Singh's letter, which is reproduced in another chapter of this report. The facts narrated herein above clearly shows that the administration in Bellary has totally collapsed. Sadly, the person in the helm of affairs of administration in Karnataka reportedly pleaded helpless.

40) Considering the vital role of administration at district, taluk and below to control illegal mining, it is recommended that officials must be carefully chosen for posting in mining districts.

41) With the above facts and circumstances the following conclusions are drawn for needful action.

(1) On perusal of documents provided by Income Tax Department it is an eye opener as regard large scale corruption prevailing in the Government administration. The corruption prevailed in all the Departments connected directly to even remotely to mining.

(2) The information is available only of a group of persons involved in illegal mining activities. It cannot be ruled out similar such corrupt practices by others in various capacities.

(3) The information from the seized records, it is found that Sri Karapudi Mahesh and his associates were fully involved in illegal mining in Bellary District and also

others districts of iron ore belt. To carry out such illegal mining activities huge amount of money has been paid as bribe to Government Officials and other connected persons.

- (4) The bribe money was paid to the official of Districts of Bellary, Chitradurga, Tumkur, Bangalore, Kolar, Davanagere, Haveri, Koppal, Gadag, Raichur, Gulbarga, Bijapur, Bagalkot, Belgaum, Dharwad, North Canara and districts all along the roads from Bellary to Krishnapatnam to get undue favour.
- (5) An approximate amount of Rs. 24662377.00 has been paid to 617 officials and others. The list of officials (names and designations) and others is provided in table (1). Since the money is accepted as bribe for showing undue favour (Public servant taking gratification other than legal remuneration in respect of an official act) action should be initiated under Prevention of Corruption Act 1988 against all those officials whose names and designations are figured in the Table-1 of Chapter-28 of Dr. U.V.Singh's Report. Further the amount received by them should be recovered and forfeited to State Government after following due process of Law.
- (6) Action should also be initiated against Sri K. Mahesh and his associates who have paid money to the officials and others for carrying out illegal mining activities.
- (7) An approximate amount of Rs. 40,92,88,860.00 has been received by Sri K. Mahesh and his associates as "risk amount". The risk amount as explained in the text

has been paid by 382 persons/ firms/ companies/ others table (2). The risk amount is paid for transportation of illegal iron ore to various places hence the entire amount is paid for illegal activities and should be recovered from him after following due process of Law. The amount should be forfeited to State Government. Other contemplated action against Sri K. Mahesh and his associates and also those who have paid the risk amount should be initiated.

- (8) An approximate amount of Rs. 629236810.00 for illegal iron ore trading have been paid to Sri K. Mahesh and associates which might have reached to certain powerful politicians in the district. This trading amount should be recovered by following the provisions of Law. (table-3).
- (9) An amount of Rs. 1,11,13,394.00 had been paid to obtain fake permits from Andhra Pradesh and permits of other leases from the officials of Mines and Forest in the district and outside the district. In this regard Sri Sajjan, Wahid, Mahesh, Yariswamy and others have acted as agents to obtain such permits (Table-4 of Chapter-28). A further investigation is required in this matter.
- (10) An amount of Rs.4,79,03,917.00 has been paid to “Sri. G.J.Reddy Sir” as Bellary risk amount (Table-8 of Chapter-28). Of course this is not a final figure. It is noted that the amount has been paid through the bank accounts of Axis bank, Bellary A/c nos. 2669 and 16667. These accounts pertain to Sree Bhakta Markandeshwara Minerals (SBMM) and Sri Lakshmi



Venkateshwara Minerals respectively. The rest of the money has been paid through cash. The amount so paid as been routed through circuitous routes. Since the amount is paid for having given protection for illegal mining activities. It should be recovered by the following the provisions of Law and forfeited to State Government. Contemplated action should also be initiated against “Sri G.J. Reddy Sir” under the various provisions of Law.

- (11) There were many firms/ companies/ individuals who were transporting the illegal iron ore to Belekeri Port as listed in Table-5 of Chapter-28. It is cross-verified and found that they were involved in paying the risk amount to Sri K. Mahesh and his associates. Some of their names are also figured in the table of trading amount. Action should be initiated against them.
- (12) From the seized records many accounts details were found. These accounts were verified with the concerned banks and Income Tax Department. There are about 60 bank accounts connected with the iron ore trading operated by Sri K. Mahesh and his associates. On verification of the transactions in these accounts it is noted that there is close linkages between the illegal mining and transactions. Most of these accounts are opened in the 2008-09 and also 2009-10. The movement of money was varying during 2009-10 when the illegal mining activities were at peak. Further investigation is required in this matter.
- (13) From the seized records it is noted that there were hundreds of peoples were engaged by Sri K. Mahesh

and his associates. The names are given table (11). This list is not exhaustive. There may be many more names. These names would be helpful in further investigation.

(14) It is observed from the records that there was heavy movement of vehicles from one plot to other and leases to plots without having any permit. The list of such movement is given in table (12) and Annexures 1a, 1b, 1c and 1d of Chapter-28. This indicates the quantum of illegalities and un-control movements. Since heavy bribes were paid to all concerned there was hardly any check on the movement of vehicle which was carrying illegal iron ore. Further investigation in this part may reveal the facts.

(15) The seized record of Income Tax Department pertaining to Sri Madhukumar Varma (MKV) indicates payments made to various persons for various purposes. Since a partnership firm M/s Madhushree Enterprises is managed by him involved in illegal mining in Bellary district a further investigation is required in this matter.

(16) It is observed from the seized records that hawala money is paid. Though the quantum of money is quite less, but it indicates the prevailing of hawala transactions in illegal mining. This requires further investigation.

42) The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Further, in this Chapter, wherever the names of the officers are stated and in

some instances, designation of the officers are stated, it is recommended to the State Government to initiate action against such officer/officials under the Prevention of Corruption Act, 1988 or under the relevant Disciplinary Rules.

43) Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

44) The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

**MISCELLANEOUS**

Chapter-29 of Dr. U.V. Singh's Report refers to export of Waste Dump from Mysore Minerals Limited, Misuse of permits in the name of Transportation of Waste Dumps, Irregularities in fixing the boundary of the Leases and Mining Lease of Sri Kanaiahlah Dhuderia. All these headings are separately dealt as stated below.

**A. EXPORT OF WASTE DUMP FROM MYSORE MINERALS LTD**

M/s. Mysore Minerals Limited (MML) is a Government of Karnataka undertaking. It has many object to exploit the available mineral resources in various region of this State. For this purpose, it is engaged in exploration, exploitation and marketing of various minerals in the State of Karnataka. At present, MML has 40 Mining Leases covering an area of 5377.83 hectares and 38 quarry leases, covering an area of 294.30 acres for the purpose of mining various minerals and granite, etc.

1) Dr. U.V. Singh, in his report at Table-1 of Chapter 29 has pointed out that during the year 2008-09 to 2009-10, it has produced 33,46,522.3 MTs and sold equal amount of iron ore. MML is having 4 iron ore mines in Bellary District. Out of the them, one in Thimmappanagudi is being operated as joint venture with JSW. The Joint venture is named as Vijayanagar Minerals Private Limited. All the mines running under contracts are given to various private companies. The MML started selling waste dumps from the mines. The maximum waste dumps has been sold between 2003 to 2011. The MML has submitted list of firms/companies/individuals to which waste dumps was sold as on 31/7/2006. As per the list there are about 90 companies/ firms/individuals to whom the waste dump is sold. The particulars of those companies and the quantity sold are

shown in table-2 of Dr. U.V.Singh's report, according to which totally 3334035.18 MTs of waste dump has been sold by the company till the year 2006.

2) The report of Dr. U.V. Singh also shows that the MML has sold approximately 28,48,220 MTs of iron ore as waste dump between 1/8/2005 and 31/1/2011. Out of this, 9,52,802 MTs was sold for export and remaining 18,95,418 MTs used for domestic consumption. Most of the waste dumps exported was directly sent to the ports and in some cases through stockyards.

3) During the course of investigation, Dr. U.V. Singh has noticed that out of 90 purchasers, only 13 purchasers were actually trading of waste dump and the rest of the purchasers were either dummy or the purchase was done on proxy. The particulars of various such purchasers are shown in the report of Dr. U.V. Singh. Dr. U.V. Singh also notes in his report that, the General Manager (Production), Iron ore Sector, Sandur of MML has given the above particulars. Dr.U.V. Singh notes that 50,000 MTs of Waste dump was sold to M/s. Bava Mines and Minerals, Mangalore as per Sale deed award No.826 dated 19/8/2008 for ₹3,05,00,000/-. The money was paid through DDs by M/s. Sathya Granites. Part of the waste dump quantity was lifted and for the lift out dumps, money was paid to M/s. Sathya Granites. Dr. U.V. Singh also notes that there are plenty of cases of this kind and such proxy purchasers were going with the full knowledge of the concerned officers in MML.

4) Dr. U.V. Singh also has stated that many cases of undue favours of the allotment of waste dump to certain persons have come to light and that the price fixed for such sale was also as low as ₹25/- per MT. He also notes that in many

cases dumps sold had been 53.02 to 55.95 Fe content and in his opinion the same cannot be classified as waste dumps. It is stated that large quantity of waste dump are not lifted by the purchasers, but transit permits were issued to the whole quantity and transit permits which were not used for lifting sold dumps, were not surrendered back to the Department. This waste dumps were sold to other traders to use these permits to transport the illegal iron ore from different sources. It is also seen in some cases, offences were booked, but they were all compounded for meager penalty. Dr. U.V.Singh has secured the list of unused trip sheets for quantity of 2.10 Lakhs MTs from the above said General Manager. But there is no records to show what happened to those quantity of iron ore. (waste dumps).

5) There are also instances of money being refunded when the buyers did not lift the waste dump. But what happened to the quantity of non-transported dump is also not known. No inventory has been made of such waste dump. The presence of unused trip sheets raised various questions of misuse of these trip sheets. Table 3 of Dr.U.V. Singh's report gives particulars of iron ore allotted, transported and balance quantity and balance amount, as per HO issued to DO's, which comes to ₹ 10,69,58,042 MTs.

6) From the above material, it is clear that the officials of MML have knowingly committed irregularities and illegalities. Therefore, necessary action should be initiated against the officers, who should be identified and dealt in accordance with law after conducting proper investigation.

## **B. MISUSE OF PERMITS IN THE NAME OF TRANSPORTATION OF WASTE DUMPS**

(1) The Report of Dr. U.V. Singh's Team in respect of Misuse of permits in the name of Transportation of Waste Dumps states the Iron ore extraction from a mine generates substantial quantity of waste material. This waste material comprises low grade iron ore of low Fe content and is not found suitable for direct use in large steel plants or in exports. This waste material is dumped at designated spots within the lease area called waste dump waste sites.

(2) The waste material is used for reclamation of mined areas. It is also supplied to sponge iron units or to authorised beneficiation plants where the Fe content of the ore is enhanced through a cleaning process or to pelletisation plants where the waste material is converted into pellets for use in sponge iron factories.

(3) It is further stated in the Report that the transportation of waste dump material requires permits as is the case in iron ore. It is learnt that accounting of waste dumps generated for each lease area is not done properly. The quantity of waste dump generated must have a correlation with the quantity of iron ore extracted from a mine. It is found that there are many wrong practices in the disposal of waste dumps.

(4) The investigation team also found that many dubious individuals buy waste material through their open auctions and use the permits obtained against waste dumps for transporting illicitly mined high grade ore. Moreover, there

have been instances where permits have been used for transporting waste dumps to ports for export directly. This is an unusual phenomenon and required further investigation.

(5) Table -1 of Dr. U.V. Singh's Report under the above heading shows the quantity of waste dump material (MT) for which permits were issued in favour of MML for transportation of waste dumps to ports for exports and domestic destinations. The Investigating team while examining the permits issued by Deputy Director, Mines, Hospet and others found that permits were issued to transport waste dumps directly to ports. It is noted that waste dump cannot be exported. In such circumstances either the permits issued for waste dump is used for transportation of iron ore from the same mine or from the unknown source. In both the cases there is misuse of permits. Table 2 of Dr. U.V. Singh's Report shows the permits issued for Waste Dumps for Ports during the years 2006-07 to 2010. Action should be taken against all the Lessees and Vendors by recovering the market value during the time with exemplary penalty and penal actions.

### **C. IRREGULARITIES IN FIXING THE BOUNDARY OF THE LEASES**

(1) In his Report in regard to irregularities in fixing the Boundary of the Leases, Dr. Singh reported that during the joint Survey conducted in the year 2007-08 and the Survey that is being done by the Central Empowerment Committee in Bellary District, pursuant to the directions of the Hon'ble Supreme Court of India, it is noted that there are high irregularities in demarcation of leased boundaries at



ground. One such serious case observed pertains to Sri H.G. Ranganagowda, M.L. No.2549. In the said demarcation, the lease boundary has been shifted Southward direction to cover better deposition. The demarcation has been done by Sri T Darappa Naik, Second Division Surveyor of the office of the Deputy Conservator of Forests, Bellary. There are many more cases of this kind. Hence it is opined that the Principal Chief Conservator of Forests should be requested to identify all other such cases to take action against him. He also notes that the Engineer cum Surveyor Sri Basavaraj of the office of the Deputy Director of Mines and Geology, Hospet is also responsible for doing wrong survey and demarcation for the large number of mining leases. Hence, it is recommended disciplinary action should be taken against him also.

(2) The recommendations made by Dr. U.V. Singh is accepted and I recommend that Disciplinary action against Sri T. Darappa Naik, Second Division Surveyor of the office of the Deputy Director of Mines and Geology, Bellary and Sri Basavaraj, Engineer-cum-Surveyor, office of the Deputy Director of Mines and Geology, Hospet be taken. Further, it is recommended that the Department of Forest to identify all the other illegalities in fixing the boundary of leases and appropriate action be taken.

#### **D. MINING LEASE NO. 2563 OF SRI KANHAIYALAL DUDHERIA**

(1) In the Mining Lease No. 1672 granted to Sri Kanhaiyalal Dudheria, Dr. U.V. Singh Reports that during his investigation it is noticed that the lessee had proposed to grant mining lease to an extent of 56 Acres. The note sheets

of the file of the office of Director, Mines and Geology, Bangalore indicates that there is a change in the extent from 56 Acres to 76 Acres. This change has happened during the processing of file either with the connivance or oversight in the office of the Director, Mines and Geology and Secretary, Mines. When and where exactly the change did take place from 56 Acres to 76 Acres can only be found out through an enquiry. Dr.U.V. Singh, pleaded his inability to complete the enquiry due to time constraint

Therefore, Dr. U.V. Singh recommended a thorough enquiry in the matter to be taken up by the Government.

The above recommendations made by Dr.U.V. Singh and team is accepted and recommended for implementation by the Government and other Competent Authorities. Further, in this Chapter, wherever the names of the officers are stated and in some instances, designation of the officers are stated, it is recommended to the State Government to initiate action against such officer/officials under the Prevention of Corruption Act, 1988 or under the relevant Disciplinary Rules.

Action should also be taken against all those who are involved in the illegal mining under the relevant provisions of Law, with recovery of losses to the State Government and penal actions should also be resorted to, wherever necessary.

The suggestions and recommendations made by Dr.U.V.Singh and team should be implemented to check further illegalities and irregularities in illegal export.

The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or

proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-

(N.SANTOSH HEGDE)  
LOKAYUKTA

**INFORMATION & COMMUNICATION TECHNOLOGY (ICT)  
BASED SOLUTION FOR ISSUING & TRACKING OF PERMITS  
FROM SOURCE TO DESTINATION  
AND OTHER SUGGESTIONS**

Having personally experienced, one of the major causes of illegal transportation and noticing the weakness of the current system of granting transport permits, Dr. U.V. Singh's team has recommended the following measures to be taken. I accept and in turn recommend to the Government to consider the feasibility of recommendations, in view of the huge loss that is caused to the State.

**1) Regarding issue of permits:**

(1) The bulk permits are issued in the Deputy Director of Mines and Geology's office and trip sheets are given in bulk to the lessee for issuance at his end. As there is no infrastructure at these offices, the permits and the trip sheets are many a time printed in the market which is major source of manipulation, forgery and misuse. This should be stopped immediately. Each trip sheet permits a uniform weight of 16 MT to be carried in each truck load, however in reality the trucks carry iron ore much beyond this 16 MT permitted as per the trip sheet. Thus there is no link between the weights shown in the trip sheet. It is learnt that new trip sheets are issued for actual weight subject to the restrictions under the Motor Vehicles Act.

(2) The permit database of Director of Mines and Geology through which the bulk permits are issued is not shared with other mining related departments like forest, customs, railways, etc. The said database does not talk to the databases of other departments which are involved in exports of iron ore like customs. Departments like Forests do not have

electronic systems and the forest transit (Form 27) permits are issued manually, which are misused.

(3) Use of forged/Fake permits: Being paper documents, the permits can be forged easily, hundreds of such cases were found during this investigation. There is no mechanism to independently verify permits produced at inspection points from the central database of permits. This has resulted in ineffective checking system and major corrupt practices.

**2) Monitoring of the transportation of iron ore enroute:**

(1) The present system of monitoring the transportation relies largely on the check posts, which are manned by personnel of Forests, Mines and Geology, Transport, Revenue and Police, etc.

(2) The Check posts in the present form are not effective because of the following reasons:

(i) Highly inadequate unskilled staff varying from 3 – 4 personnel per check post. The manpower of traders are employed unofficially at check posts. Touts are placed to collect the money. Kallahalli bypass check post was one such example.

(ii) Since the number of iron ore laden trucks passing through the check posts is very high, any manual checking process would lead to immense logistic problems of traffic jamming, space for storing the illicit material seized, space for parking the seized trucks, etc.

- (iii) The check posts do not have facilities like weigh bridges, automated process using IT infrastructure etc to check the cases of overloading in case of any suspicion.
- (iv) The follow up process in the event of detection of illicit transportation is very cumbersome and weak.
- (v) There is a total lack of staff at supervisory level.
- (vi) Posting of officials at check posts is a very prized one. There is competition and sometimes postings are directly by passing the regular transfer process.

### 3) **Monitoring the stockyard operations:**

The stockyards are the major source of illegal mining activities. Monitoring of stockyards suffers from the following drawbacks.

(1) There is no system in place to map the material in the stockyard to the sourced lease and others. Because of this, there is ample scope for illicit material being stocked. There is no system to prevent and check sharing of one stockyard by multiple traders. Stockyards at P.K.Halli, Sathya Granites and others are some examples in this regard.

(2) There are a number of stockyards that are geographically distributed, hence implementing monitoring mechanisms in the present system is a challenge. The formulation of Rules framed now, to allow stockyards in the

name of “benefication” would be a major blow to check irregularities in future.

(3) No tracking and regulation of trade in iron ore among traders operating in between the source (i.e. Lessee and the end users (e.g., Exporters/ Steel Plants, etc). Trade in iron ore among intermediate traders generally happens at the stockyards. As the stockyards are not under a strict supervision, the traders and their trading activities are not being monitored effectively.

**4) Verification regarding the genuineness of the material at the sink points i.e., ports, railway sidings, steel plants, etc.**

(1) Presently, there is no system in place at any of the sink points i.e., at ports, railway sidings, Steel Plants, etc where a process of verification regarding the legitimacy of the iron ore received is carried out. Mining laws are also silent in this regard. Under rule 162 of the Karnataka Forests Act, 1969, there is a provision with regard to Transport of Forest produce by sea or rail. The Rule is reproduced below:-

*“162. Transport of forest produce by sea or rail – No forest produce shall be book for transport by rail or sea unless the same is covered by valid pass or way permit. The booking authority shall affix its seal and note the number and date of the railway receipt or shipping bill, as the case may be, on the pass or way permit and cancel it. The booking authority shall also note the number and date of way permit in the railway receipt or shipping bill, as the case may be, and shall report to the nearest police or forest*

*authorities about forest produce not covered by a valid pass or way – permit and brought for booking.”*

(2) It is to be noted that iron ore extracted from leases in forest area are forest produce as per Sec. 2 of the Karnataka Forest Act, 1963. Though Rule 162 provides checking of legitimacy of iron ore by railway port and custom authorities, it is not being implemented.

(3) In the light of the above, there is ample scope for the miscreants to illicitly mine, transport and export the iron ore as has happened.

(4) After understanding the present processes involved in the export of iron ore, the roles of various departments, it is observed that the regulations including issue of permits, etc and monitoring of the material transported from source (i.e. mine head) to sink (i.e. ports) cannot be effective through manual systems. Therefore, keeping in view the magnitude of the scale of operations involved in iron ore exports, the present system has to be replaced by an Information Communication and Technology (ICT) based system.

**5) Objectives of the proposed system:**

(1) To ensure effective tracking of each iron ore consignment from source i.e., lease/stockyard to destination which can either be ports, stockyards or domestic consumers like steel and sponge iron plants, etc.

(2) To monitor delivery of each consignment of iron ore at the destination through a mechanism of acknowledgement through electronic handshake between source and destination.



(3) To prevent overloading of vehicles by streamlining process of issue of permits and trip sheets and ensuring that trip sheets reflect the actual quantity transported through the vehicle.

(4) To prevent use of forged/fake permits by migrating from paper based permits to secure database based permit system which is totally transparent and available in public domain. Placing the permits in public domain would ensure that the permit issuing process is fair and transparent.

(5) To ensure that the end user is aware of the source of iron ore and genuineness of the permits by creation of a central database that is updated in real time, is online and available to other controlling departments like Forest, Customs, Police, Revenue, Ports, etc and other domestic users.

(6) To track sale or purchase transactions in iron ore, starting from the source to the destination. This would help in bringing about transparency in trade carried out by various traders/ middlemen with regard to iron ore.

(7) To reduce dependence on day to day manual monitoring and implement an integrated system that shall centrally monitor the day to day round the clock movements and shall be scalable to cater to large scale operations.

#### 6) **I.T. Based “To be” Process**

The I.T based “To be” process is outlined herewith for future implementation. This would help in mapping each consignment from lease to final user through various traders

using a unique I.D generated at the time of weighing at the pit head.

A. Lease:

(a) A lessee desirous of transporting iron ore to a destination, in the name of a party, shall raise an electronic request to the concerned Deputy Director of Mines and Geology Department. The lessee shall update the sale particulars in the system viz., quantity, grade, name of buyer (the party), TIN number of the buyer, sale invoice copy, etc. The buyer shall acknowledge the same.

(b) The processing of the application shall be strictly on the basis of First in First out (FIFO).

(c) On receipt of the application, the Deputy Director of Mines and Geology shall acknowledge the receipt and assign the application to the concerned geologist for field inspection. There shall be designated geologist for each mine. Duplication shall be completely avoided.

(d) The geologist shall conduct a field inspection and submit his report electronically with full details of stacks.

(e) On receipt of the report of the geologist and subject to the fulfillment of legal compliances and payment of royalty, etc., the Deputy Director of Mines and Geology shall generate a digitally signed Mineral Dispatch Permit (MDP) or Bulk permit document in an electronic form. MDPs are issued for a fixed quantity for a particular party and destination. The quantity mentioned in the MDP has to be transported within prescribed

time from the date of the MDP. The MDP shall also mention mode of transport and designation wise permitted trip time. This would be utilized to set the cutoff date for issue of trip sheets.

(f) Information of issued permits shall be available to all the mining related departments/ offices from the central data base.

(g) Each of the concerned department shall have a login in the central database through which they would be able to view the MDPs and generate reports. For example, DCF, Bellary would be able to view all the MDPs issued by the Deputy Director of Mines and Geology and after due verification shall be able to generate Office Memorandum for issue of transit permits against the MDP, as a digitally signed electronic document, from the central server after checking and following procedures. Cumbersome processes should be simplified, if needed, through amendments in the existing Rules.

(h) Each of the lessees shall install a weigh bridge at the mine exit point. The weigh bridge shall be integrated with the central application and have real time connectivity to the central server. Each vehicle existing in a mine with a load of iron ore shall be weighed at the weigh bridge at exit point and the weight of the load shall be recorded in the central server and adjusted against the MDPs quantity. There shall be no scope of by passing this process by the vehicle.

(i) At the time of weighing, the vehicle particulars like vehicle registration number, transporter's name, etc shall be captured into the system. The weight of material, date and time of weighing shall be automatically captured.

(j) A trip sheet with a unique ID number shall be generated for each vehicle for destinations fed in the central database. In case the Lease area is located within a Forest, the Forest Transit permit shall be generated along with Trip sheet. The generated Forest Transit Permit shall be available to the Forest Department from the central database for cross check and verification. The Forest Way Permits shall also be available to the Deputy Director of Mines and Geology from the Central Server. The lessee shall take a print out of the trip sheet, which would be carried by the vehicle. The system would ensure that no trip sheet is issued for materials in excess of the MDP quantity.

(k) The Unique I.D number generated at the time of printing of permit shall be used to track the movement of the iron ore load being carried in the vehicle.

#### B. Stock Yard.

(a) Stockyards shall be equipped with weigh bridges at entry and exit points. The weigh bridges shall be integrated and networked with central application and database as in the case of leases.

(b) Details of a truck entering a stockyard shall be electronically marked in the online database and the trip sheet against the truck shall be electronically cancelled. This practice would provide a real time assessment of quantity permitted for transport from a lease to a stock yard, the quantity actually supplied to the stockyard, the quantity in transit and the quantity yet to be transported. It would also be possible to have an online real time stock position report in the stockyard.

(c) Transport of ore from the stockyard to other destinations shall be carried out by following a process similar to the one followed at Leases except that stock with source shall be made known at the time of issue of MDP.

However, as far as possible, stockyards shall be avoided.

C. Check post:

(a) Integrated Check post shall be established at strategic locations to track the movement of the iron ore vehicles. The check posts shall be networked with the central database. This would help in easy verification of permits/trip sheets with the online database.

(b) Regulatory authorities shall also be able to verify the genuineness of the permits/trip sheets by querying the central database through mobile devices/phones, etc.

(c) The integrated check post shall be equipped with weigh bridges for intensive verification of selected vehicles in order to ensure loaded quantity is in accordance with the quantity mentioned in trip sheets and others.

(d) Checking of the permits at check posts could be automated by equipping trucks with RFID devices or using video cameras for capturing vehicle registration numbers and use the inputs from these devices to query the central database in real time. With these query inputs the entire permits details along with source information shall be available to the concerned.

D. Trading of Iron ore among intermediate traders.

(a) Intermediate Traders shall register in the centralized system just as other stakeholders like lessees, stockyard owners and Domestic Users. Any sale or purchase between two entities (which may be a lessee/stockyard owner/trader/exporter/domestic consumer shall be captured in the system. The seller of the material shall post the particulars of buyer, material quantity, date of sale transaction, sale invoice copy and other source of material (Permit/Trip sheet numbers through which the material has come in the possession of the seller in the system. The buyer shall acknowledge the transaction particulars posted by the seller. This system would capture each sale transaction of iron ore and should be linked to the server of commercial tax department for checking for VAT evasion, etc.

(b) At the time of application for issue of MDP from stockyard to party, the stockyard owner shall submit the particulars of owner of the material at the time of receipt of the material at the stockyard and the particulars of the party on whose name the material has to be transported.

(c) As the material might have changed many hands while still being in the stockyard, each change of hand would be updated in the system to obtain a full chain of transactions, right from the owner, at the time of material receipt in the stockyard, to the party in whose name the material would be ultimately transported. This would ensure the original source of the material is known in each step of trade and transit.

(d) Any sale transaction between a buyer and seller of iron ore shall mention the permit/trip sheet numbers against which the transaction has taking place.

E. Destinations:-

(1) Port: Online access to the database of permits issued to different parties with port as destination shall be available to the port authority and Customs Department. The port shall have a mechanism to electronically cancel the permit/trip sheets at the time of physical entry of the iron ore in the port. This would ensure no illicit material is received at the port and exported out of the country. This would also ensure proper accounting of the material at the port and help determine the actual source of each export shipment.

(2) Customs : An exporter shall provide permit/trip sheet details at the time of preparation of shipping bill to the custom authority. The custom authority shall log into the centre database and after verification, “mark” the permit/trip sheets against which the shipping bill is prepared and record shipping bill numbers against the permit/trip sheet numbers. This would ensure no further shipping bills are prepared against those permit/trip sheets.

(3) Transport through Goods train: In case of transportation of iron ore through a goods train during a part of the journey, the permit/trip sheets shall mention the final destination along with the railway siding. E.g. For transport of iron ore to Chennai through rail, the permit shall mention the destination as XXX railway siding to Chennai. However, the permitted time for transporting material from the source (Lease/ stockyard) to the railway siding shall be mentioned separately in the permits/trip sheets. Upon receipt of the material at the

railway siding, the railway authority shall acknowledge receipt by marking the permit/trip sheets in the central database. Similarly, at the time of release of material at the terminating station of goods train, the railway authority shall again mark the permits/trip sheets. This would help to account the material in the railway siding in real time.

The material would be received at the port from the terminating station of goods train through the trucks. On receipt of the same the port authorities shall mark the quantity received against the permits/trip sheets quantity in the name of the party. The Railways should maintain the inventory of iron ore at any point of time.

#### F. Other Domestic Consumers

(1) All domestic consumers or iron ore shall register in the system. At the time of receipt of material in the premises, they shall mark the permit/trip sheets in the central database. This would help in proper accounting of the material used by the domestic consumers and prevent misuse of permits.

(2) It is anticipated that this system would help curb illegalities in transport of illicit iron ore to a large extent by providing an effective monitoring mechanism. The system would have to be periodically audited and certified by third parties to help ensure it meets stated objectives.

#### OTHER SUGGESTIONS

An effective control and regulation over mining activities can be enabled through use of Information and Communication Technology (IC&T) tools. This has been discussed in earlier in this chapter.



As part of this enquiry and during visits to the field, discussions were held with officials of various departments. Some other important issues that emerged out of these discussions and which require policy, legal and administrative changes are discussed below:

#### 1. **Legal Provisions**

The current provisions of Karnataka Forest Act do not have enough deterrence to dissuade miscreants from committing offences with regard to illicit extraction and transportation of iron ore from forest areas. Since most of the areas rich in iron ore, including the iron ore leases, fall in forest area, following amendments are suggested in the Karnataka Forest Act, 1963:

(1) Offences related to illicit extraction, transportation of iron ore from forest areas are treated as non-cognizable and bailable offences under Karnataka Forest Act, 1963. It is suggested that these offences are brought under the cognizable and non-bailable category.

(2) The offence of encroachments in forest area for the purpose of mining is suggested to be made a cognizable and non bailable category.

(3) Section 71 (A) of Karnataka Forest Act 1963 provides for confiscation of tools, vehicles etc, used for committing certain category of forest offences. It is suggested that this section is amended to include provision for confiscation of vehicles, tools etc used in the offence of illicit extraction and transportation of minerals from forest areas.

(4) In cases of serious offences committed by the lessees of iron ore leases in forest land, action should be taken under Section 82 of Karnataka Forest Act for forfeiture of the lease as a rule than exception, in order to ensure strict control over illicit activities in the leased area.

## 2. Regulation of Stockyards

Stockyards are storage depots of iron ore. Iron ore extracted from the mine is stocked at these storage points before its transport to steel plants, sponge iron plants or ports. These stockyards are generally operated by the lease owners. However many stockyards are owned and operated by middlemen / traders of iron ore who are neither lessees, exporters or own steel/sponge iron plants. The stockyards owned by iron ore traders receive their material from many mines and no system exists to differentiate material from one mine to the other. Due to the bulk nature of the material it is also difficult to differentiate material procured legally and material procured illicitly. Hence in the absence of regulatory controls, stockyards have become hub of illicit materials.

In view of the above, following are some of suggestions which would help in better regulations of the stock yards:

(1) Establishment of Stockyards should be permitted for lessees only. Rule 4 of Prevention of Karnataka (Illegal Mining Transportation and Storage of Minerals) Rules, 2011 should be modified accordingly.

(2) Stockyards for lessees, to be used for storage or carrying beneficiation, should be as far as possible confined to within the lease boundary as envisaged in the approved mining plans. It is only in exceptional circumstances, establishment of stockyards may be permitted outside the leased area at a location which is very close the lease area.

3. Suggestions with regard to issue of Mineral Dispatch Permits (MDP)

Following modifications are suggested regarding issue of Mineral Dispatch Permits (MDP) in order to control of misuse of permits:

(1) Permits should be issued for the stockyards of the lessees and end consumers premises only and not for intermediate destinations.

(2) Permits should not be issued from one leased area to other leased area.

(3) Permits should not be reissued with change in destination and/or party and/or vehicle. Rather fresh permits should be issued in case a change in destination, party etc. is requested.

4. Surface Mining/Digging for iron ore

The practice of surface mining/digging for iron ore extraction should be banned. Breaking of surface and mining of ore through the method of surface mining/digging should be made a non-cognizable offence.

5. Landscape approach in allotment of Mining Leases in Forest Blocks

Allotment of mining leases in a forest block should be on a landscape approach with a master plan for the entire landscape. The block should be divided into grids with Go and No-Go areas. The no go areas are to be free from any mining activity and treated as the nuclei of conservation strategy.

I agree with the conclusions arrived at and recommend to the Government the recommendations made herein above, shall be complied with.

The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

### **GRANT OF MINING LEASES UNDER MMRD ACT**

(1) The State of Karnataka is gifted by nature to have good natural resources to support the existing life system. Minerals are the non-renewable natural resource. After extraction and consumption the minerals are finally lost. Iron ore is one of the mineral available in Karnataka in two forms i.e. Magnetite and Hematite. These two minerals are distinctly located in the State. Over exploitation of iron ore would result in irreversible damages, which will have adverse impact on the development and human life as a whole.

(2) Domestic consumption of iron ore for the last four years is almost constant. It comes out approximately 22 Million Tons to 25 Million Tons including consumption by the neighbouring States. In addition, there is large scale illegal trading of Iron ore.

(3) Since 2002 onwards due to “China boom” there is a tremendous pressure on the grant of mining leases in the State particularly for iron ore. There is also political compulsion to grant the mining leases. During the investigation, it is noted that there are several allegations of various kinds made while granting the leases. Such allegation appears frequently in the electronic media, as well as, in print media. With the above background, the following information is provided.

(4) During the last seven years several mining leases were granted/ renewed. The details are as under:

Sl. No.	Period	No. of Mining leases granted /recommended
1	Jan 2001 to Aug 2004	15
2	28-05-2004 to 04-02-2006	42

3	02-02-2006 to 09-10-2007	44
4	09-10-2007 to 28-05-2008	22
5	June 2008 to till date	21 + 40
	Total	134

The above said figures are provided by the Department of Mines, Bangalore. The list is enclosed for ready reference at Annexure-1 to the Chapter-31 of Dr. U.V. Singh's Report.

(5) It is to state that the grant of mining leases in the State are on higher side and the tolerance capacity of the area is already overstepped. Hence there should be complete moratorium on grant or to renew the mining leases of iron ore.

I suggest that, in view of the fact that Report of Dr. U.V. Singh in the above subject of grant of mining lease under MM RD Act shows uncontrolled exploitation of iron ore would have a far reaching consequences on natural resources of the State, the concerned Governments should take note of all these and take suitable action to have a sustainable policy, at the earliest.

The above recommendations are made under Sec. 12(3) of the Karnataka Lokayukta Act, 1984. The action taken or proposed to be taken on these recommendations be intimated to this authority, as required under Sec. 12(4) of the Karnataka Lokayukta Act, 1984.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA

**SECURITY FOR THE OFFICERS WHO HAVE WORKED IN  
THE LOKAYUKTA TEAM WHILE PREPARING THIS REPORT**

In preparing this report maximum efforts were put by Dr. U.V.Singh, IFS, Chief Conservator of Forests, Lake Development Authority, Bangalore as the Leader of the investigating team he is assisted by:

- (1) Sri. Bishwajit Mishra, IFS, Deputy Conservator of Forests, Bannerghatta National Park, Bangalore
- (2) Sri Vipin Singh, IFS, Deputy Conservator of Forests and Project Director, Karnataka State Wide Area Network (KSWAB), E-Governance, DPAR, Bangalore
- (3) Sri K. Udaykumar, Deputy Conservator of Forests, Lake Development Authority, Bangalore and
- (4) Sri Takhat Singh Ranawat, IFS, ACF and Officer on Special Duty, Karwar.

I Place on record my deep appreciation for the work done by the above mentioned team of Dr. U.V.Singh in gathering and preparing material for completing this report. This job was done by them meticulously and fearlessly. Because of their hard work put in even beyond the official time, I am able to finalise this report but for this cooperation it would not have been possible. They have visited many mining sites where illegal minings were going on, to the annoyance of the owners of such mines and have made many enemies of the process. They have also visited various ports both on East and West side in India to get information about illegal stocking exporting of Iron ore was going on. They have also obtained the particulars of quantity of iron ore illegally extracted, transported and exported, they have gathered the particulars of such exporters. Their services are invaluable in preparing this report and their investigation has led to the discovery of a new system in mining called "Zero risk transportation".

During the course of their investigation, these officers have downloaded from the computers of various people who were indulging in illegal activities and from the entries made

therein these officers were able to identify and name various persons including government persons who are involved in illegal mining activities. By this process they have retrieved sufficient documentary evidence as to where exactly the money has transferred. They have also collated information given by Income Tax Department, Banks etc., and have collated the same with the information already collected by them. Thus they are succeeded in identifying in the persons who are beneficiaries of the illegal mining.

In the above process they have identified very many officers including their own superior officers, Police officers, officers of Mines Department, Transport Department, powerful politicians and powerful people in the mining business. Hence it is my boundant duty to bring it to the notice of the government that there is every likelihood of these people trying to harm these officers, both physically and professionally.

This fear of mine is not unfounded. Dr. U.V.Singh who heads the team of these officers was a victim of physically attack once before while discharging his official duties. His conversation with an MLA from Bellary, which is a part of this report in different chapter, gives a sufficient room to apprehend that he is likely to be physically harmed as well as professionally. In this background, I request the government to make a proper assessment of the threat security to these officers and provide sufficient security and I also request the Government to bear in mind in view of the facts mentioned herein above, these officers are likely to be victimised professionally. Hence this report.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA



**ACKNOWLEDGEMENT**

In this report, myself and my team have tried to look into irregularities, illegalities and problems in mining activities with specific reference to the Transportation and exportation of illegal mineral and consequential loss caused to the State Exchequer. In this effort of ours, in my opinion, we have succeeded substantially in identifying the illegalities and irregularities, as also, persons responsible for the same. The effort has been as a team and all members of the team have worked with dedication and devotion. There were moments when we got a failure, but in the end, I think we have overcome that. I am grateful to Sri K.R. Chamayya, Retired Secretary, Law Department, Government of Karnataka, who was my principal advisor. The Registrar of this Institution Sri Moosa Kunhi Nayar Moole has contributed much in this endeavour of ours, without compromising with his other duties. Tremendous work put both in the field and office by Dr. U.V.Singh, IFS, Chief Conservator of Forests; Sri Bishwajit Mishra, IFS, Deputy Conservator of Forests; Sri Vipin Singh, IFS, Deputy Conservator of Forests; Sri Uday Kumar, Deputy Conservator of Forests and Sri Takhat Singh Ranawat, IFS, ACF & Officer on Special Duty, Karwar, without whose hard work this Report would not have seen the light of the day. To all these persons, I am deeply indebted. I also place my appreciation of work of Smt. Jayashree, Gazetted Assistant; Smt. V. Latha, Senior Judgment Writer; Smt. K. Chandrakala, Senior Judgment Writer; Sri K.Krishnan, Senior Judgment Writer and Smt. M.Vasanthakumari, Judgment Writer, without whose help this report could not have been

completed. They all have worked overtime, without any extra remuneration. Further for all those people, whose names are not here, who have helped me in preparation of this Report, I am indebted.

Sd/-  
(N.SANTOSH HEGDE)  
LOKAYUKTA