

Lokayukta Report: Facts on the Associated Mining Company owned by Janardhana Reddy

(For more details see complete Lokayukta report at <http://ibnlive.in.com/news/read-ktaka-lokayukta-report-on-illegal-mining/171489-53.html>)

LEASE DETAILS OF THE ASSOCIATED MINING COMPANY

The Associated Mining Company (AMC) is a partnership firm – its two partners currently are Gali Janardhana Reddy, Minister of Tourism in the Karnataka Assembly and his wife G. Lakshmi Aruna.

The mining lease for iron ore (no. 2434) granted to the AMC for a period of 30 years expired in 1996. In 2003, it was renewed with retrospective effect from 2000 for a period of 10 years. It therefore expired in 2010 and has not yet been renewed.

The recommendation from the Under Secretary in the Ministry of Mines was to renew the lease from 1996 to 2006 for a period of 10 years. However, **this was overruled by the then Minister of Mines Sri. V. Muniyappa who created an approval from 2000, creating a gap of 4 years when no lease was in place.** This should then have been treated as a fresh application rather than a renewal according to the MMRD Act.

The leased area has a total iron ore reserve of 9 million MT, which would last only another 8 years at the rate of extraction currently permitted. The iron ore of the entire leased area would then be exhausted.

PRACTICES FOLLOWED DURING MINING OPERATIONS BY THE AMC

1. Payments to other mining companies in the region

In 2009, a new SBI Bank account for the AMC was opened through which there is a **total credit of Rs. 270.60 crores and debit of Rs. 269.15 crores.** Debits from these accounts go to companies in the regions like SBM Minerals, Janadevi Minerals, JJ Impex, Vijay Mining Infrastructure and many others, without any indication that they are a party/purchaser from the AMC.

For example, two demand drafts for Rs. 96 lakh and Rs. 87 lakh were paid to the Dy. Director of Mines, Hospet, for payment of royalty to issue transport permits from the mining lease of Sri B.R. Yogendranath Singh (BRY, ML. No. 2186). On receiving the payment, permit for 1,00,000 MT was issued to transport iron ore to JSW Steel. However, documents show that there was no stock of iron ore in the mine of BRY, thereby raising the following questions:

- What iron ore were the permits used to transport if the mine of BRY was empty?
- Why was the account of AMC used to issue demand drafts for BRY?

2. Collection of Forest Development Tax

In case of transport permits issued where transport is through forest land, collection of Forest Development Tax has to occur before the permit is issued. In case of the bulk permits issued to the AMC, the Deputy Conservator of Forests, Bellary has shown favour by issuing permits to the AMC on various dates for the quantity of 6,28,032 MT **without collecting Forest Development Tax (FDT) to the tune of Rs. 1.92 crores.**

3. Issue of Transport Permits after expiry of mining lease

900 export permits have been issued after the expiry of AMC's mining lease in 2010, against which 3.03 lakh MT have been transported to JSW. In particular, permit for 80,000 MT to be transported in 2 days was issued, without verification of whether the iron ore was available at the AMC mine head.

In one particular instance, a cross examination of the truck numbers show that these permits issued to AMC were used to transport iron ore from PK Halli by one MTC Logistics, indicating that the permits were issued to cover iron ore transported without permit earlier, or from sources other than the AMC.