

Chapter II

Exploration of minerals and granting of mining leases

State Mineral Policy for optimum utilisation of mineral wealth and sustainable development of mining sector was yet to be formulated. Mining plans were approved without duly adhering to the provisions of United Nations Framework Classification guidelines which resulted in adoption of incorrect estimated quantities and subsequently led to overestimation of mining life. Funds created specifically for exploration of minerals did not receive the designated revenue and available funds were not utilised optimally. Vital records and data on applications received for mining lease, timely disposal of applications with necessary clearances, applications pending for want of clearances, surrender or determining of leases, inoperative leases, were not maintained properly. The State Coordination cum Empowered Committee constituted to monitor and minimise delay in processing and granting of mining lease was non-functional. Action for closure of identified inoperative leases was not taken and unauthorised possession of leased land with lease holders was allowed. Leases were not renewed within the stipulated time which allowed unauthorised extraction of minerals. Some of the mining lease deeds were neither executed nor registered, thereby causing loss of revenue towards stamp duty to Exchequer. Thus, the Mines and Geology Department lacked effective system of processing, granting, renewal and monitoring of mining leases.

For conservation and development of minerals, it is necessary to carry out exploration of minerals which includes detailed investigations to collect precise information regarding any mineral available in or under any land, by the Central Government, State Government, Geological Survey of India (GSI) or any authorised agency. The GSI, Mines & Geology Department of the State, Andhra Pradesh Mineral Development Corporation and private companies are involved in the exploration activities.

As per Section 10(B)(3) of Mines and Minerals (Development and Regulation) Amendment Act 2015, in areas where the existence of mineral contents of any notified mineral is established in the manner prescribed by the Central Government, the State Government shall notify such areas for grant of mining leases for such notified mineral. Accordingly, the mining lease shall be granted by the State Government, within the parameters as may be prescribed by Central Government.

2.1 Exploration of minerals

The Minerals (Evidence and Content) Rules, 2015 prescribe various stages of exploration activities. The exploration for any mineral deposit involves four stages namely, Reconnaissance Survey (G4), Preliminary Exploration (G3), General Exploration (G2) and Detailed Exploration (G1) reflecting the degree of geological assurance.

The Mines & Geology Department had taken up major mineral exploration activities in respect of 17 blocks during the period of audit by utilising the exploration fund of

₹14.88 crore¹⁴. However, the exploration activities for minor minerals was not taken up by the Department.

Section 3.1 of National Mineral Policy¹⁵ (NMP) 2019, states that core function of State in mining would be facilitation and regulation of exploration and mining activities, making provision for development of infrastructure and tax collection. An Annual Business Plan/Road map for the development of mineral sector shall be brought out by the respective States. Mineral (Evidence and Content) Rules 2015 and State Government orders¹⁶ (April 2016) acts as guidance for the exploration activities of major and minor minerals respectively. However, both these rules direct that estimation of Reserve and Resources should be done as per United Nations Framework Classification (UNFC) guidelines¹⁷, 2009.

2.1.1 Formulation of State Mineral Policy

National Mineral Policy¹⁸ (NMP) 2019 was formulated with the objective to have a more effective, meaningful and implementable policy that brings in further transparency, better regulation and enforcement, balanced social and economic growth as well as sustainable mining practices.

The NMP spelt that regional and detailed exploration are to be carried out using state-of-the-art technologies. Extraction of mineral resources are to be taken up to meet the needs of domestic industry for the present and future. An adequate, effective legal and institutional framework promoting zero-waste mining with commitment to prevent sub-optimal and unscientific mining was to be framed. Mining shall be undertaken within the parameters of a comprehensive Sustainable Development Framework to ensure environmental, economic, and social considerations. Mine decommissioning and land reclamation are to be an integral part of mine development process and consistent approaches are to be adopted for efficient and effective mine reclamation and rehabilitation. Research and development in the mineral sector shall cover geological survey, exploration, mining, beneficiation, concentration of minerals to development of materials.

The NMP also emphasised that the core functions of State Government in mining would be facilitation and regulation of exploration, and mining activities, and to bring out an Annual Business Plan/Road map for the development of mineral sector. Grant of clearances for commencement of mining operations shall be streamlined, facilitated through an on-line public portal. Mineral bearing area/zone shall be earmarked as Mining Land in the land record by the States.

Audit noticed that in line with NMP, the Government of Andhra Pradesh (GoAP) had not formulated (except sand and manufacturing sand (M-sand) policy 2016) any Mineral Policy for exploration, extraction and reclamation of mining leases for minor minerals. Further, GoAP had not brought out the Annual Business Plan/Roadmap for development of mineral

¹⁴ MERIT and NMET funds are meant for regional and detailed exploration of the minerals and assessment of mineral reserves. MERIT fund of ₹8.42 crore for 10 blocks and NMET fund of ₹6.46 crore for seven blocks

¹⁵ initially framed in 2008 and subsequently amended in 2019

¹⁶ G.O.Ms.No.56, Industries and Commerce Department (M.II), dated 30.04.2016

¹⁷ UNFC guidelines provide a three-dimensional system which provide estimation for total mineral resources and mineable reserves

¹⁸ National Mineral Policy was initially formulated in 2008

sector as envisaged in NMP. Formulation of Mineral Policy becomes even more important after declaration (in 2015) of 31 major minerals as minor minerals by GoI.

Further, Audit noticed that States like Karnataka, Madhya Pradesh and Rajasthan have already formulated (between 2008 and 2015) State specific Mineral Policy to ensure scientific, systematic and sustainable development of mineral resources in their respective States.

The Director, Mines and Geology (DMG) accepted the audit observation and replied that State Mineral Policy was not formulated.

During the Exit Conference, the Government stated (March 2024) that for major minerals auction process have been adopted and whereas for minor minerals there was no exploration activities involved as Geologist conduct field survey and furnish data related to availability of minerals in the mines. It was further stated that the State does not have Mineral Policy and is studying other States Mineral Policies as well for drawing a Policy for the State.

Absence of State Mineral Policy deprives the State from identifying and utilising mineral wealth/resources optimally in an effective manner. A mineral policy is a road map to explore, extract, and to create opportunities for mining activities and to have sustainable development of the mining sector and the State as a whole.

Recommendation 2.1: *The State Government should formulate the State Mining Policy with better regulations for achieving optimum utilisation of mineral wealth and for ensuring sustainable mining practices.*

2.1.2 Approval of mining plans with incorrect mining resources or reserves

As per UNFC guidelines, mineral resources in an area are classified as Proved, Probable¹⁹ and other possible resources. The Proved and Probable is the economically mineable part of a mineral resource termed as mineral reserve as per UNFC. Only Proved and Probable resources should be considered while approving the mining plan. The details of resources shall be prepared and submitted in Form T²⁰ which shall be scrutinised and approved by Deputy Director, Mines and Geology (DDMG). Mineral reserve estimation has to be done in accordance with UNFC guidelines.

Audit noticed that while approving mining plan for minor minerals, two DDMGs (Kurnool and Kadapa) without verifying the contents of mining plan submitted by the prospective miners had also considered other possible resources in addition to Proved and Probable in respect of seven out of 80 test-checked cases (as detailed in **Appendix I**). Considering the reserves other than proved and probable in the mining plan provides wrong estimation of the mineable quantities, annual production quantity and mining life rather than the actual. The total mineable quantity should have been shown as 86.15 lakh cum (in respect of seven

¹⁹ the minerals of grade 111 are termed as the “Proved Reserve”, which is the economic viable part of the reserve with higher mining confidence based on feasibility study. The grades 121 and 122 termed as “Probable Reserves”, which represent the economic viable part of the reserve with high and moderate levels of mineral confidence respectively based on the prefeasibility study, other Possible resources are an estimate of the amount of mineral that may be available for extraction in an area

²⁰ Form T consists of the mechanism derived by GoAP to prepare the mining plan following UNFC guidelines for estimation of reserve and resources, feasibility report along with the financial analysis as per economic viability of the deposit

cases), however, in mining plan the mineable quantity was shown as 98.37 lakh cum due to incorrect consideration of other possible resources.

Thus, DDMGs have incorrectly approved the mining plans which resulted in incorrect exhibition of mineable quantity and provided scope for excess removal of minerals.

A detailed check of two mining plans revealed lapses on the part of DDMG in approving the mining plan without verifying the quantity of minerals projected by the prospective miner.

Case Study 1

(a) One prospective miner²¹ under the jurisdiction of DDMG Kurnool recorded the total mineral reserve of the quarry as 23,530 cum²² which included the reserve of 5,761 cum other than proved and probable. As per UNFC guidelines the estimated reserve should have been taken as 16,370 cum (22,131 cum²³ - 5,761 cum) excluding other possible resources. Based on the projected annual production of 1,200 cum per year, the mining life was calculated as 18.44 years (22,131/1,200). Considering the reserve other than proved and probable, the mining life should have been 13.64 years (16,370/1200). Thus, the mining life of the quarry was escalated by 4.80 years, thereby the quarry site would be unnecessarily under the custody of miner for additional 4.80 years.

(b) The DDMG is the authority to scrutinise and verify the mining plan for minor minerals. SEIAA being the granting authority of Environmental Clearance (EC) has to verify the correctness of the information produced by the prospective miner.

A prospective miner²⁴ under the jurisdiction of DDMG, Visakhapatnam adopted incorrect reserve quantity of 8,99,031 cum instead of estimated quantity (as per form T) of 2,99,264 cum. The projected annual production was 53,825 cum per year and the mining life was estimated as 17 years (8,99,031/53,825) instead of 5.55 years (2,99,264/53,825). Thereby the mining life was inflated by 11.50 years (as detailed in *Appendix II*). Thus, DDMG, without scrutiny, approved the mining plan with inflated mineral reserve and increased mining life by 11.50 years.

The miner, while applying for EC with SEIAA, submitted the mineral reserve as 5,71,695 cum instead of 2,99,264 cum, annual production as 57,015 cum per year instead of 53,825 cum per year and mining life of 10 years instead of 5.55 years. Thus, the information submitted to SEIAA was different from the approved mining plan. SEIAA²⁵ approved EC for the figures mentioned by the miner without considering the figures mentioned in the approved mining plan.

The DDMG accepted the audit observation and replied that the subject matter would be examined.

²¹ M/s Imperial Granites Private Limited

²² Proved: 12,008 cum; Probable: 5,761 cum; Other than proved and probable: 5,761 cum excluding buffer zone quantity of 1,399 cum *i.e.*, 22,131 cum = 23,530 cum - 1,399 cum

²⁴ M/s Trendset Rocks for Road Metal & Building Stone

²⁵ the lessee should submit the application after grant of EC by SEIAA along with the copy of the Mining Plan

The above case studies show that the mining plans were approved without detailed and proper scrutiny of data/ information submitted by the prospective miners. Further, there was ineffective coordination between the Departments involved in the process for approving of mining plans and granting EC.

The Government replied (January 2024) that instructions²⁶ were issued to all DDMGs in the State to scrutinise the mining plans strictly in accordance with UNFC guidelines while approving the same.

Recommendation 2.2: *The State Government should ensure that mining plans are approved with proper evaluation by competent authority at all levels, to avoid inflated figures of mineral reserves projected by the prospective miners.*

2.1.3 Mechanism for collection remittance and utilisation of exploration funds

National Mineral Exploration Trust (NMET)²⁷ and Mineral Exploration, Research and Innovation Trust²⁸ (MERIT) are two funds created by GoI and GoAP for major and minor minerals respectively. The objective of the two funds is to carry out regional & detailed scientific mineral exploration, research & innovation activities and sustainable mining development by adoption of advanced scientific and technological practices in the mining sector.

(a) Levy, collection and remittance of royalty to MERIT fund

As per GoAP orders issued (January 2016), two *per cent* of Seigniorage Fee²⁹ (SF) shall be collected from minor mineral mining lease holders and remitted to MERIT fund to meet the expenditure for exploration activities of both major and minor minerals.

Despite request made by Audit to furnish information on Seigniorage Fee (SF) collected on minor minerals and remittance of two *per cent* of SF to MERIT Fund, DMG did not furnish the relevant records showing SF earned during audit period. However, statistical data on year-wise collection of two *per cent* of MERIT fund was provided. Due to non-production of records, Audit could not verify the correctness of SF earned on minor minerals and subsequent collection of MERIT.

In the absence of required documents and information, Audit considered the Finance Accounts of GoAP to arrive at the collection for MERIT. As per Finance Accounts, the total SF collection was ₹6,367.87 crore during the period 2017-22 and two *per cent* of SF to be collected for MERIT was ₹127.37 crore. However, as per the information furnished by the Department, only ₹82.31 crore was shown as amount credited to MERIT Fund. Thus, there was a short collection and remittance of ₹45.06 crore (₹127.37 crore - ₹82.31 crore) to MERIT Fund (as detailed in *Appendix III (A)*).

The Government replied (January 2024) that an amount of ₹40.46 crore was collected from other Departments through challans during the period 2017-18 to 2021-22. It was further stated that the levy and collection of MERIT shall take place only whenever the mineral

²⁶ office Memo. No. 19100/IAR/2023, dated 09.01.2024

²⁷ inserted (March 2015) by Ministry of Mines under MMDR Amendment Act, 2015

²⁸ Rule 5 of G.O. Ms. No. 18 Industries and Commerce Department (M.II), dated 13.01.2016

²⁹ seigniorage fee is a charge by the owner (State Government) of the mineral in consideration of exploitation of mineral resource by the lessee

quantity is removed and dispatched from the quarry. Therefore, the dead rent amount lapsed on account of non-dispatch of minerals, would not attract levy of MERIT.

However, Government did not furnish supporting documents for SF collected through challans. Further, the reply of the Government does not quantify the amount of dead rent which lapsed on account of non-dispatch of the mineral.

(b) Collection of royalty from Andhra Pradesh Mineral Development Corporation

As per Para 5(iii) and 6 of GoAP orders issued (January 2016), Andhra Pradesh Mineral Development Corporation (APMDC) shall deposit (from 2016 onwards) 10 *per cent*³⁰ of its sales turnover to MERIT fund in addition to two *per cent* on Seigniorage Fee (SF).

Scrutiny of records of DMG revealed that 10 *per cent* sales turnover from APMDC was not received towards MERIT since 2016. DMG requested (September 2019) APMDC for payment of contribution towards MERIT. In reply, APMDC requested (November 2019) the Secretary (Mines) to exempt from payment, as APMDC was contributing two *per cent* of SF and its financial position was very precarious.

However, no decision had been taken by the Government on the request of APMDC till March 2022. The inaction of the Government resulted in non-collection of MERIT fund amounting to ₹476.55 crore (10 *per cent* of sales turnover of ₹4,765.47 crore) during 2016-22 as detailed in *Appendix III (B)*.

The Government accepted the audit observation and replied (January 2024) that the matter is being pursued with APMDC for payment of 10 *per cent* of the sales turnover

Thus, overall ₹521.61³¹ crore was pending to be credited to MERIT Fund.

(c) Utilisation of MERIT fund

The Mines & Geology Department has a dedicated exploration wing known as MERIT wing responsible for overseeing exploration activities. GoI provides 50 *per cent* of the cost of exploration towards major minerals and balance cost is borne by GoAP out of MERIT fund in addition to minor mineral exploration.

Audit noticed that no expenditure was incurred towards exploration activities for minor minerals during the period 2017-22 out of MERIT fund, despite the Department having a dedicated exploration wing. Out of the total receipts of ₹82.31 crore in MERIT fund, ₹8.43 crore was spent on exploration activities for major minerals and ₹2.56 crore towards administrative expenses during 2017-22 with balance funds of ₹73.91 crore (inclusive of opening balance of ₹2.59 crore) lying in MERIT Fund (as detailed in *Appendix IV*).

During the Exit Conference, the Government stated (March 2024) that exploration activities are being carried out for major minerals, mainly on manganese. For minor minerals, it was replied that no exploration activities are being taken up and Government is disseminating other States Policy on exploration of minor minerals.

Thus, the Department did not focus on utilisation of revenue realised towards exploration activity of minor minerals and a very meagre amount was spent on exploration of major minerals. Further, due to non-receipt of SF amount of ₹521.61 crore, mineral exploration

³⁰ para 5(iii) and 6 of G.O.Ms.No.18, Industries and Commerce Department (M.II), dated 13.01.2016

³¹ ₹476.55 crore + ₹45.06 crore

activities could not be taken up to that extent. The objective of establishing MERIT had not been fulfilled.

Recommendation 2.3: *An effective mechanism needs to be evolved for proper levy, collection, remittance of two per cent of seigniorage fee to designated fund of MERIT and to optimise the utilisation of funds for exploration of minerals.*

2.2 Granting of mining leases

The mining lease is granted (Rule 10(1) to (3)) by GoAP for both major and minor minerals. For major minerals, the granting of mining leases is done through auction process since 2015. In case of minor minerals, the granting of lease was done based on the application received till March 2022 *i.e.*, prior to introduction of Andhra Pradesh Minor Mineral Auction (APMMA) Rules, 2022. The process for granting mining leases is as detailed below.

Sl. No.	Type of Mineral	Procedure to be followed for mining leases
1.	Major minerals	<p>The State Government issues a Letter of Intent (LoI)³² for mining lease to the preferred bidder after complying with various terms and conditions mentioned in the Notice Inviting Tenders issued by DMG.</p> <p>Lessee shall obtain approval of mining plan from IBM and Environmental Clearances (EC) from MoEF&CC / SEIAA / DEIAA and CFE (Consent For Establishment) from APPCB.</p> <p>The ADMG shall execute lease deed after approval of mining lease by State Government.</p>
2.	Minor minerals (Prior to introduction of APMMA Rules, 2022)	<p>On receipt of a valid application for grant of lease, ADMG shall send a copy of the plan along with details of the area applied for, to the Tahsildar concerned for issue of No Objection Certificate (NOC).</p> <p>The Tahsildar concerned shall send report to ADMG within a period of 20 days from the date of receipt. If no report is received from the Tahsildar within the time limit, the matter shall be referred to the Joint Collector, who in turn shall provide NOC for the area within next 10 days.</p> <p>The ADMG shall submit report along with recommendations of the Tahsildar to DMG/DDMG concerned within 15 days from the date of receipt of report from the Tahsildar.</p> <p>The DMG/DDMG shall either issue LoI or make recommendations to Government depending upon the delegation of powers within the period of 30 days.</p> <p>Consequent to the introduction of APMMA Rules 2022, all the previous applications for grant of quarry leases in government lands where LoI was not issued would become ineligible and the granting of the minor mineral mining lease would be through Auction.</p>

³² letter issued by the Department to the applicant as acceptance of Mineral Concession Application, for granting of the mining lease, subject to submission of documents and fulfillment of conditions mentioned therein

On receipt of LoI, the applicant has to approach respective Departments and submit the approved statutory documents³³ within the prescribed time frame³⁴. The Mining Plan and ECs are to be obtained from concerned authorities (as detailed in *Appendix V*).

Consequent to the submission of the statutory documents within the specified time frame, the grant order is issued by the Government/ Department. The lease comes into force from the date of the execution of lease deed.

2.2.1 Lack of data and absence of effective mechanism for granting of leases

As per GoAP orders issued (November 2017) on expeditious disposal of Mineral Concession Applications (MCAs), ADMG is responsible for getting required clearances, execution of lease deeds and collection of statutory levies for minor minerals on receipt of grant orders from lease granting authority. The DDMG is responsible for issue of LoIs for minor minerals, except 31 minor minerals in addition to Marble and Granite and approval of mining plans on receipt of applications from ADMG. The DMG is responsible for issue of LoIs for 31 minor minerals in addition to Marble and Granite on receipt of applications from ADMG with instructions to submit statutory documents and issue of grant order for lease.

(a) Effectiveness in maintenance of data on approval and grant of lease

To ascertain the effectiveness for systems/ process in place from the receipt of applications to granting of leases, the required data was called from the respective sampled offices for the period 2017-22. However, the test-checked offices (except for DDMG, Kadapa and Vijayawada) did not have complete information on receipt of application to granting of leases (as detailed in *Appendix VI (A)*).

Audit noticed the following lapses:

(i) Letter of Intent (LoI) to the lessees should be issued within 75 days³⁵ from the date of receipt of Mineral Concession Applications (MCAs).

During 2017-22, in four³⁶ out of eight ADMGs, 976 MCAs were pending for want of No Objection Certificate (NOC) from the Revenue Department. Further, ADMGs did not forward 372 MCAs to obtain LoI from lease granting authorities (DDMGs/DMG) despite receipt of NOC. The respective ADMGs did not take any action/ did not pursue for disposal of pending MCAs with respective authorities. Due to inaction of ADMGs, MCAs were pending for a period ranging between one to 10 years (as detailed in *Appendix VI (B)*). Out of total 1,348 MCAs (976 + 372), 294 MCAs were pending for more than five years. However, the Department did not furnish reasons for delay in processing of MCAs and also did not record any reasons in the concerned MCA files.

(ii) As per GoAP orders issued (November 2017) on expeditious disposal of MCAs, DDMGs shall inspect the ADMG offices quarterly to ensure that the directions of the Government for timely disposal of applications, are compiled with and the proposals are processed in accordance with the rules and regulations. The pendency in disposal of MCAs

³³ mining plan prepared by a Recognised Qualified Person, Environmental Clearance issued by SEIAA and Consent For Establishment issued by APPCB

³⁴ within one year for proposed lease area upto 25.00 Hectares and within two years for proposed lease area above 25.00 Hectares or within such other period not exceeding one year as may be allowed by DMG

³⁵ 20 days (Tahsildar) + 10 days (Joint Collector) + 15 days (ADMG) + 30 days (DMG/DDMG)

³⁶ Banaganaplle, Kadapa, Kurnool and Yerraguntla

at ADMG level shows that DDMGs are not effectively inspecting the offices of ADMGs in their jurisdiction to ascertain the status of pending MCAs and reasons for delay in disposal of MCAs.

(iii) The ADMGs were monitoring MCAs through excel data which lacked information regarding date of forwarding of MCA for NOC to Revenue Department and to DDMGs/DMG for granting approval for lease. In the absence of complete information, delay at various stages³⁷ could not be established and verified.

(iv) The DDMG Kurnool did not provide any information. In DDMG Kadapa (370 MCAs) and Vijayawada (107 MCAs), out of 477 MCAs received from ADMGs, lease was granted only in respect of 112 leases and other MCAs were pending for want of EC, approval of mining plan by granting authorities, *etc.* In DDMG Visakhapatnam, out of 101 MCAs issued with LoI, lease was granted for only 37 MCAs and status of other MCAs was not available with DDMG (as detailed in *Appendix VI (C)*).

(v) The DMG maintained only the individual files of MCAs received for approval. However, DMG did not have the consolidated data/information on number of MCAs received (from ADMG/DDMG), LoIs issued, approval of mining plans, submission of documents such as EC, pollution clearance certificates, *etc.*, and whether the MCAs were processed within the stipulated timeframe or not.

The Government accepted (January 2024) the audit observation and statements of instruction were issued to process the application in time. Government replied that due to lack of sufficient manpower, the statistical information was not readily available at the time of Audit. However, instructions were issued to the staff in DMG office to maintain the information up to date and produce at the time of Audit.

Thus, it is evident that there was lack of coordination between various levels of approvals and the system of granting of lease was non-transparent. Lack of data on status of MCAs at DMG level, deprives the Department in analysing the problems in early clearance of MCAs for grant of lease. This also indicates an ineffective system of data management and control over it.

(b) Non-functioning of State Coordination cum Empowered Committee

Government of Andhra Pradesh constituted (December 2009) State Coordination cum Empowered Committee (SCEC) under the chairmanship of the Chief Secretary to Government along with Principal Secretaries of concerned Departments³⁸ as member of the committee. The objectives of the SCEC were:

- Coordinate with Revenue Department for managing the land for purposes of concession.
- Ensure clearances/ NOCs/ approvals from Forest, Environment and other Departments in a streamlined way.
- Monitor process of approval of concessions and compliance with concession conditions.

³⁷ receipt of application, pending for NOC, forwarding to granting authority, granting of lease, execution of lease deeds, *etc.*

³⁸ Forest, Revenue, Information Technology and Communication, Industries and Commerce

- Ensure building up of a computerised data base, effectively integrated with other State level databases.

Audit noticed that despite the constitution of SCEC, no meetings were conducted during the period of audit.

The DMG replied that SCEC meetings were not conducted as there was no need for the Committee with the introduction of auction system from March 2022 for minor minerals.

The reply is not acceptable, as SCEC is responsible for monitoring and coordination between various Departments for quick and transparent approval of mining leases. The ineffective functioning of SCEC is one of the reasons for the delay in processing of MCAs and granting of leases.

It is evident from above that despite having a clear roadmap, well established systems and availability of inter-departmental committee, Mines & Geology Department could not ensure speedy and effective clearance of MCAs and granting of leases, thereby impacting mineral exploration and utilisation of mineral resources. One case has been highlighted as a case study below:

Case Study 2

In ADMG Kadapa, an applicant³⁹ applied (December 2014) for grant of quarry lease for removal of colour granite in an extent of 4.615 Hectare. The ADMG recommended (May 2015) for grant of lease to DMG. The DMG issued LoI (May 2015) with a condition to submit statutory documents. Accordingly, the applicant submitted (January 2016) approved mining plan, Consent For Establishment (CFE), Consent For Operation (CFO) and EC. The DMG granted (April 2016) lease for colour granite to the lessee and lease deed was executed (June 2016). Permits were issued for removal of colour granite.

Audit noticed that though LoI and the mining plan issued by DMG was for quarry of colour granite mineral, CFE, EC and CFO obtained from APPCB and SEIAA was for black granite mineral. Thus, DMG without verifying the contents of the application, approved the lease which resulted in mismatch in the mineral to be quarried.

Further, there was rate variation in seigniorage fee between colour and black granite based on their quality and types. The seigniorage fee of Black Granite varies between ₹3,000 to ₹2,350 per cum when compared to colour granite between ₹2,350 to ₹2,000 per cum of similar quality.

The ADMG Kadapa attributed (December 2022) the same to typographical mistake. DMG replied that the environmental authorities would be requested to issue rectified EC, CFE and CFO.

From the records made available, Audit could not ascertain whether the mineral being extracted is colour or black granite to assess the revenue loss to the Exchequer.

It is evident from the above that mining leases were granted by the concerned approving agencies without verifying MCAs in detail, which may lead to loss of revenue to the Exchequer.

³⁹ M/s CTP Granite & Exports

During Exit Conference, the Government stated (March 2024) that earlier there was a committee, however, after introduction of auction process this committee has become obsolete. However, this aspect would be looked into.

Recommendation 2.4: The State Coordination cum Empowered Committee may be made functional to monitor and coordinate between various Departments for timely processing of mineral concession applications to avoid delay in granting of lease.

2.3 Existence of inoperative leases

As per Rule 20 of Mineral (Other than Atomic and Hydrocarbon Energy Minerals) Concession Rules (MCR) 2016 and Rule 17 of Andhra Pradesh Minor Mineral Concession (APMMC) Rules 1966, mining operations should not be discontinued continuously for more than specific time period⁴⁰. The ADMG shall inspect the lease premises and send the proposal to lease granting authority⁴¹ for lapsing of a mining lease. The lease granting authority should act on the lapsed mining proposal received and record through an order issued by the State Government or Department and shall also communicate to the lessee.

The lessee may apply to the Government or Department, explaining the reasons for non-lapsing of lease at least three months (major minerals) or thirty days (for minor minerals) before the expiry of such period. Provided where the lessee has failed to make the application within the time stipulated above, the lease shall lapse on expiry of the period of two years or six months. The role of all the offices in determination and surrender of mining leases is as below:

Name of the Office	Major Mineral	Minor Mineral
ADMG	Initiate and forward the proposals to DMG after inspection and survey. Ensure whether the lessee has cleared all the dues payable to the Government under the lease upto the date of application.	
DDMG	No role of DDMG	Issue orders for minerals other than Marble, Granite and 31 minerals.
DMG	Forwards the proposals along with recommendations to the Government for orders.	Issue orders for Marble, Granite and 31 minerals.

2.3.1 Lack of consistency in data related to inoperative leases

To ascertain the effectiveness of systems/ process in place for the cancellation, lapsing of the mining leases, the required data for the period 2017-18 to 2021-22 was verified (*refer to Table 3.2*). The number of non-working leases as of December 2021 was 268 for major minerals and 2,805 for minor minerals, however, the same was reduced to 42 and 1,495 by the end of September 2022 respectively. The reasons for sudden decrease in number of leases on two different dates was not on record. Further, the action taken on lapsed leases either to renew or terminate duly collecting the revenue in arrears, if any, was not on record.

⁴⁰ discontinued for a continuous period of two years (in case of major minerals leases, 31 notified minor minerals, granite and marble) or six months (other minor mineral respectively)

⁴¹ Government in case of major minerals, DMG in case of 31 listed minor minerals along with granite and marble, DDMG in case of other minor minerals

Further, most of the ADMGs (five⁴² out of eight sampled ADMGs) either did not maintain any information or provided nil information in this regard. Hence, the correctness of the data on lapsed mining leases could not be verified.

During the Exit Conference, the Government stated (March 2024) that difference in figure may be due to Court cases or lease may not be feasible for mining. However, Government have been conducting special drive regarding inoperative leases and a monthly review meeting is being conducted in respect of inoperative lease. The leases which are not working for longer period are being issued notices to go for auction process.

However, the details of special drives conducted or minutes of the monthly review meeting conducted in respect of inoperative leases were not furnished to audit to verify the reasons for abrupt decrease in number of leases. The absence of data at various levels indicates an ineffective system of data management and control over it.

2.3.2 Ineffective system of processing of termination of inoperative leases

The ADMG, Yerraguntla had forwarded (between August to December 2020) proposal for termination/ lapsing of three minor mineral mining leases to DMG as the leases were inoperative. Five ADMGs⁴³ have forwarded (during 2012 to 2021) the proposals for termination/ lapsing of 50 major mineral mining leases to DMG as the leases were inoperative.

Audit noticed that no action has been initiated by DMG on the proposals to lapse inoperative leases submitted by ADMGs (as detailed in *Appendix VII*). Some of the major mineral mining leases were inoperative since 2004. Further, DMG did not have the consolidated data on lapsing/ termination of lease proposals received from ADMGs or the proposals sent to the Government recommending for lapsing of inoperative leases.

The Government accepted (January 2024) the audit observation and stated that the delay was caused due to non-initiation of action against non-working leases, due to lack of procedure and also due to lock down in COVID-19 pandemic.

This shows an ineffective system of coordination between different authorities, monitoring and processing of termination of inoperative leases which resulted in keeping the leases idle without operation. Had timely decision been taken for termination of inoperative leases, the leased areas could have been brought to auction system (after introduction of new Auction Rules, 2022 in respect of minor minerals) in respect of both major and minor minerals for augmenting the revenue.

2.4 Renewal of leases

The renewal process for major and minor minerals leases shall be in accordance with Minerals (other than Atomic and Hydrocarbon Energy Minerals) Concession Rules (MCR) 1960 & 2016 and Andhra Pradesh Minor Mineral Concession (APMMC) Rules, 1966 & 2022 as shown in *Chart 2.1*.

⁴² Anakapalli, Kadapa, Kurnool, Vijayawada and Visakhapatnam

⁴³ Anakapalli, Banganapalle, Kadapa, Kurnool and Yerraguntla

Chart 2.1: Showing the procedure for renewal of major/minor mineral mining leases

RENEWAL PROCESS	
MAJOR	MINOR
Application shall be made to the State Government at least prior to 12 months before the expiry of the lease (MCR 1960).	The application for renewal should be made to DMG at least 12 months prior to expiry of lease for Marble, Granite and 31 minor minerals. In respect of remaining minor minerals to DDMG at least 90 days prior to expiry of lease for renewal.
If the renewal application is not disposed by the State Government, the period of the lease shall be deemed extended by further period till order is passed (MCR 1960).	If the renewal application is not disposed by DDMG /DMG, the period of the lease shall be deemed extended by further period till order is passed (APMMC Rules).
The clause of renewal of the leases was omitted from the Act after the amendment to the Act in 2016 (MCR 2016).	The provisions of the renewal are still in force after the introduction of Andhra Pradesh Minor Mineral Auction Rules 2022.
The leases have to go through auction after expiry of the lease period (MMDR Amendment Act 2015).	

2.4.1 Lack of data and absence of effective mechanism for processing the renewal applications

(a) As per APMMC Rules, 1966, the renewal application received from the lessee prior to 12 months of the expiry of lease should be disposed of before expiry of the lease period. The DMG shall grant renewal for a period not exceeding 20 years subject to adherence to and non-violation of rules during the period of occupation by the lessee.

To ascertain the effectiveness of systems/ process in place for disposal of renewal application (in case of minor minerals), the required data⁴⁴ was called for in respective selected ADMGs/DDMGs and DMG for the period 2017-22.

Audit noticed that only ADMG Yerraguntla had maintained complete information on renewal of leases and other⁴⁵ ADMGs did not maintain the data. The ADMG Vijayawada maintained partial data on renewal of leases. In Yerraguntla, only four out of 44 applications received were granted renewal, 19 were rejected and 21 were still pending for approval. In Vijayawada, only 10 out of 46 applications were granted renewal. Similarly, in DDMGs, 31 out of 135 applications were granted renewal with 47 applications pending for approval (as detailed in *Appendix VIII*). The reasons for pendency and delay in approval of renewal were not on record.

The DMG did not maintain information about the status of renewal of applications for the entire State, instead at the instance of audit, the DMG requested the unit offices to furnish the required information.

In the absence of data availability, effectiveness of the system in place regarding processing of renewal of applications could not be ascertained. Audit could not quantify the number of

⁴⁴ number of applications received, renewal granted, application rejected and application pending

⁴⁵ Anakapalli, Banaganapalle, Kadapa, Kurnool, Nandigama and Visakhapatnam

leases rejected, and quantity of minerals extracted till rejection as the lease is deemed to be continued till final decision is made on the renewal application.

(b) The Rules related to the disposal of the renewal application contradict their own provisions as the renewal applications are to be disposed of by the Department before the expiry of lease period and there is also a provision that the leases shall be deemed to be continued till disposal of the application. The rules and regulations framed should bring better control in functioning of a system.

However, from the above it is seen that the rule of deemed continuation till disposal, is promoting inefficiencies in renewal of applications, allowing the Department to delay the disposal of renewal of applications and authorising the extraction of minerals which otherwise were ineligible for extraction as the same was rejected on a later date as discussed in case study No. 4 under **paragraph No.3.1.4(a)**.

During Exit Conference, the Government stated (March 2024) that after introduction of auction policy (March 2022) all the leases would be treated as deemed renewal. Subsequently, if the lessee goes for renewal, then the lessee has to pay 10 times of dead rent and only on payment of dead rent, the renewal of lease would be allowed.

2.4.2 Continuation of ineligible major mineral mining leases

For major mineral mining leases, GoI amended (Amendment Act, 2015) the Mines and Minerals (Development and Regulation), Act 1957 in January 2015. As per section 8(A), all mining leases shall be granted for a period of 50 years on and from the date of commencement of the Amended Act 2015. All mining leases granted before the commencement of Amendment Act, 2015 shall be deemed to have been granted for a period of 50 years. On the expiry of the lease period, the lease shall be put up for auction as per the procedure specified in this Act.

Further, under section 10(A)(2)(c) where the Central Government has communicated previous approval for grant of a mining lease, or if an LoI has been issued by the State Government to grant a mining lease, before the commencement of Amendment Act, 2015, the mining lease shall be granted subject to fulfilment of the conditions of the previous approval or of LoI within a period of two years from the date of commencement of the Amendment Act 2015.

Audit noticed that in four ADMGs⁴⁶, 14 leases (as detailed in *Appendix IX*) whose lease period expired during July 1987 to August 2014 were neither cancelled nor renewed/processed for allotment through auction as per the provisions of Amendment Act, 2015. Further, LoI was also not issued for these leases by State Government prior to January 2015. However, these were shown under the possession of the lessees in contravention to the Act provisions. Further, 12 out of 14 leases had expired between July 1987 and June 2007 and for the other two leases, neither were renewal applications received nor was LoI issued.

In this regard, Audit scrutinised three cases and observations are enumerated as under.

⁴⁶ Banaganapalle, Kadapa, Kurnool and Yerraguntla

Case Study 3

- (a) A mining lease was granted (December 1982) to a lessee⁴⁷ for extraction of multiple minerals⁴⁸ over an extent of 1,000 acres of government land for a period of 20 years (till December 2002). Meanwhile, 130 acres of land was terminated (June 2001) from lessee for allotment of said land to Telugu Ganga Canal Project (TGCP). Due to construction of TGCP, the lessee could not utilise even the balance extent of land during April 1998 to March 2002. The State Government issued (February 2003) orders and extended the lease for the balance land of 870 acres for four years upto December 2006.

Before expiry of extended lease period, the lessee filed (November 2005) renewal application with ADMG Kadapa. The ADMG communicated (March 2006) to DMG for grant of renewal as the lessee had submitted the mining plan for the period 2006-07 to 2010-11 approved by IBM. The details of grant of renewal of lease by DMG were not on record. The ADMG requested (May 2010) the lessee to erect the boundary pillars around the leased area. The lessee submitted (June 2010) that boundaries cannot be fixed without resurvey of land by the Revenue Department, as Telugu Ganga Canal is passing in the entire area.

The District Collector, Kadapa informed (January 2014) that the Divisional Forest Officer, Proddatur has submitted (January 2014) a detailed report to the District Collector and requested for cancellation of mining lease as the area falls in Reserve Forest area of "Sri Lankamalleswara Wildlife Sanctuary, Proddatur Range". However, final action taken in this regard was also not on record.

Subsequently, GoI has issued (March 2015) Mines and Minerals (Development & Regulations) Amendment Act 2015. As per Section 8(3) of the Act 2015, all the mining leases granted prior to commencement of Act 2015, shall be deemed to have been granted for a period of 50 years. Accordingly, ADMG recommended (July 2015) DMG for deemed extension of lease up to December 2032 (from 1982). The details of extension granted were not on record.

Meanwhile, the lessee approached (April 2015) IBM for approval of mining plan. The IBM rejected (August 2015) the mining plan on the grounds of non-demarcation of the lease area, anomaly in exploration and stated that working of lease without approved mining plan accounts for violation of Rule 13(1) of MCDR, 1988.

The issue of permits was blocked as the lessee did not pay mineral revenue (dead rent, surface rent, cess on surface rent and interest) of ₹41.30 lakh for the year 2015-16. As of March 2017, the arrears of mineral revenue increased to ₹44.78 lakh.

⁴⁷ V. Surya Prakash

⁴⁸ china clay, white clay, limestone, black marble, white shale and yellow ochre in the Survey Number 569 of Pullur Village, Khajipeta Mandal, Kadapa District

Finally, re-survey of leased area was completed in March 2018 and the mining lease area of 870 acres was demarcated. Meanwhile, the lessee expired (September 2018) and consequently, ADMG declared (December 2018) the successor⁴⁹ of earlier lessee as lessee of the mining lease. The ADMG belatedly recommended (January 2019) DMG to consider first renewal of mining lease for a further period of 20 years from December 2006 for an extent of 870 acres based on the revised sketch/ survey and to consider for extension of lease period upto 50 years from the date of initial grant of lease in the name of the successor lessee.

The ADMG after conduct (July 2021) of inspection of the site, noticed violations⁵⁰ and breaches committed by the lessee, and has sent (August 2021) a proposal to DMG for cancellation/lapse of the mining lease as the lessee has not paid the advance dead rent for the year 2021-22 and outstanding mineral revenue arrears accumulated to ₹1.09 crore as of March 2021.

Audit noticed that:

- As per Rule 22(4) of MCR, 1960, the State Government shall take decision to grant precise area for precise purpose and communicate such decision to the applicant. On receipt of the communication from the State Government of the precise area to be granted, the applicant shall submit a mining plan within a period of six months, or such other period as may be allowed by the State Government.

However, the Department despite knowing the fact that the extent of land measuring 130 acres was transferred (in June 2001) for TGCP, did not resurvey and demarcate the balance extent of land measuring 870 acres in favour of the lessee and did not enter into supplementary lease deed. The renewal application submitted (November 2005) by the lessee was not renewed and the Department allowed the lessee for extraction of minerals during December 2006 to September 2012.

- Despite rejection (August 2015) of mining plan by IBM, on the grounds of non-demarcation of the lease area, the Department did not initiate any action to either demarcate the lease area or to terminate the lease.
- The entire mineral bearing area was kept idle without operating the mine and was blocked, thereby causing loss of revenue to the State Government. Despite violation committed by lessee and non-payment of arrears pending since 2015, the mining lease was not cancelled as of January 2024. The details of outstanding revenue realised were not on record.
- In 2018, ADMG sent proposals for cancellation of lease due to non-payment of arrears and subsequently, in 2019, recommended for deemed extension in favour of successor of the lessee. In 2021, ADMG sent proposals to DMG for termination of lease due to breaches⁵¹ noticed.

⁴⁹ V. Jaswanth (S/o V. Surya Prakash) being successor to late Sri V. Surya Prakash

⁵⁰ the lessee has not conducted mining operations since April 2015 *i.e.*, more than six years and the lessee has not obtained dispatch permits since May 2015

⁵¹ not operating for more than six years, not obtaining the dispatch permit since 2015, not having EC, CFE, CFO and pending arrears, *etc.*

	Different course of proposals made at different times shows lack of commitment on the part of Department to settle the issue of demarcation of leased area and either to continue with the lease or to terminate. This caused idling of land without generating revenue.
(b)	A lease was granted (June 1987) to a miner ⁵² for an extent of 7.45 hectares over a period of 20 years (upto June 2007) for mining lease. Subsequently, the lessee applied (August 2006) for renewal of the lease for a further period of 20 years after the stipulated date. The ADMG submitted (June 2008) rejection proposals for renewal of lease to DMG. Action taken by DMG was not on record. Further, ADMG submitted (October 2012) the lapse proposals to DMG, as the lessee was not operating the mining lease since November 2004. Further, ADMG proposed (November 2018) not to consider for deemed extension of the lease ⁵³ . However, no action had been taken by DMG on the proposals as of March 2022.
(c)	A miner ⁵⁴ was granted (May 1978) a mining lease for limestone over an extent of 20.785 hectares for a period of 20 years (upto April 1998). The lessee filed application for renewal of lease (February 1997). The action taken by the Department in this regard was not on record. As the lessee had stopped operation since 2000, ADMG had sent proposals belatedly in August 2012 for lapse of lease with effect from November 2002 to DMG. However, no action was taken by DMG. Further, ADMG proposed (April 2018) not to consider for deemed extension as lease was not in operation, not having mining plan, EC and dues were payable to the Government. However, no action had been taken by the Department yet. Audit noticed that in both the cases (b) and (c) though ADMG had sent proposals for rejection of renewal application, DMG had not taken action to lapse the leases.

In the above cases, instead of lapsing the lease and proceeding for auction as per amended Act 2015, the Department allowed the ineligible lessees to continue the possession of mining areas. This inaction of the Department not only resulted in preventing the Department to proceed for auction of the said premises but also resulted in loss of revenue.

The Government replied (January 2024) that lease period in respect of eight leases⁵⁵ had been extended as per Government order (January 2023)⁵⁶ for 50 years under section 8(A)(5) of MMDR Act, 2015. In respect of remaining leases, Government replied that action is yet to be taken as per rules.

However, Government did not furnish copies of orders issued for renewal of leases. Further, it was evident that the ineligible leases continued without any proper action.

Recommendation 2.5: *The State Government should ensure that the Mines and Geology Department periodically reviews and renews the leases within the lease period and resumes inoperative mining areas to avoid unauthorised mining activity beyond the lease period.*

⁵² Smt. V. Krishna Veni for limestone (Survey Number 545/4) of Velpula Village, Vemula Mandal as the lease was not in operation, not having mining plan, EC and dues payable to the Government

⁵⁴ Sri S. A. Saleem (Sy. No. 279/1, 284 & 292/B) of Velpula Village, Vemula Mandal

⁵⁵ M/s Panyam Cements & Minerals Industries Limited and V. Surya Prakash

⁵⁶ G.O.Ms.No.5, Industries and Commerce Department (M.III), dated 25.01.2023

2.4.3 Non-registration of lease deeds

Section 8A (5) of MMDR Act 2015, stipulates that where mineral is used for captive purpose, period of lease shall be extended and be deemed to have been extended up to a period ending March, 2030 with effect from the date of expiry of the period of renewal last made or till the completion of renewal period, if any, or a period of 50 years from the date of grant of such lease, whichever is later. The GoAP amended⁵⁷ (March 2022) the Rule 4 of APMMC Rules 1966 mandating the extension of all existing minor mineral mining leases up to 31 March 2023.

As per Rule 7(13) of MCR 2016, the date of commencement of a mining lease shall be from the date of registration of mining lease deed. The lease deed must be executed within 30 days from the date of grant/renewal of lease for major minerals, 60 days in respect of Granite, Marble and 31 minerals and 90 days for other minor minerals. Further, as per Section 17 of Indian Registration Act, 1908, any lease beyond the period of one year shall compulsorily be registered. Stamp duty at the prescribed rates⁵⁸, depending upon the period of the lease, must be collected on leases, as mentioned in the Indian Stamp Act⁵⁹.

Audit noticed that during 2017-18:

- In four out of eight sampled ADMGs, for 31 out of 148 limestone (major mineral) leases, the lease deeds were not executed and registered under Registration Act (as detailed in *Appendix X (A)*). This resulted in loss of revenue of ₹16.25 crore to the Exchequer towards stamp duty and registration fee.
- In two out of eight sampled ADMGs, for 37 out of 503 minor mineral mining leases, the lease deeds were not executed and registered under Registration Act (as detailed in *Appendix X (B)*). This resulted in loss of revenue of ₹32.95 lakh to the Exchequer towards stamp duty and registration fee.

The concerned ADMGs (Kadapa, Kurnool, and Banaganapalle) replied that lease deed would be executed after receipt of the orders from the higher authorities.

- The DMG did not have the information of number of leases for which deeds have been executed/not executed in the State. During the Exit Conference, the Government stated (March 2024) that the issue would be examined.

Thus, non-registration of lease agreement not only postponed the accrual of revenue to the State Exchequer but would also allow the lessees to violate contractual obligations. Further, non-maintenance of data at DMG office showed that the monitoring mechanism in the Department is ineffective.

Recommendation 2.6: *The State Government should ensure that all the mining lease deeds are executed and registered under the Stamp Act to avoid loss of revenue to Exchequer.*

⁵⁷ G.O.Ms.No.13, Industries and Commerce Department (M.III), dated 14.03.2022

⁵⁸ for lease period exceeding five years and up to 10 years: two *per cent* on Average Annual Rent (AAR), for lease period exceeding 10 years and up to 20 years: six *per cent* on AAR, for lease period exceeding 20 years and up to 30 years: 15 *per cent* on AAR and for lease period exceeding 30 years: three *per cent* of the Market value. Registration fee is 0.1 *per cent* of AAR

⁵⁹ article 31 of Schedule I-A to Indian Stamp Act, 1899