CHAPTER III

HISTORY OF GOLD MINING IN KOLAR 1880 - 2000

Gold Mining industry of Kolar Gold Fields (KGF) is more than 100 years old. The gold mine was set up by the British. Later on it was taken over by the Indian Government. The gold mining company, Bharat Gold Mines Limited (BGML), was a major industry in the public sector which was providing employment to a large number of people. Due to the depletion of the gold resources, the Company has stopped production from the year 2000 and is in the process of winding up. An evaluation of the origin, growth and decline of the gold mine is done here.

Early History of Gold Mining at KGF

The Kolar Gold Fields was the chief center of gold mining of India. It had accounted for about 2 percent of the total world production of gold and almost the entire Indian output. KGF is situated between Karnataka (the parent state) Andhra Pradesh and Tamil Nadu. The goldmines provided employment to more than 35000 people during its peak period, i.e. 1905 to 1907.

KGF came into prominence because of the persistent efforts of a group of European entrepreneurs with vision and hard labour of native wage earners.
Although the exact date as to when the gold mining started in KGF is not known, it is believed that mining of gold was being done in South India during the time of Emperor Ashoka. Quartz veins (ore body in which gold is embedded) have been worked at KGF for gold by past generations of whom little or nothing is known. The ancient workings had gone to a depth of more than 300 feet. Recorded history shows that during the 18th century Tippu Sultan worked these mines. After this the locals continued with the mining until it was prevented by the Mysore Government when accidents became very common.2

The existence of ancient workings on Kolar was brought to the notice of Europeans by Lieut. John Warren, in 1802. Warren was engaged in demarcating the Mysore boundary at that time. Based on his observations and enquiries with the local people Warren could establish that some form of crude mining industry was operated by old timers.

The mining practices of the olden days were narrated by Lieut. John Warren, in his Report published in the Asiatic Journal of 1804.3 In order to mine the ore and extract gold a group of 10 to 12 people comprising of men and women formed a team. The team then identified a spot where they expected to find the gold deposits. The belief was that a spot on which peacock flies and alights will be the ideal point to dig for gold. Here a pit of sufficient diameter and depth was sunk to extract the ore. The ore was then transported over to the
surface. The women of the team powdered this ore and fine gold was extracted by adding mercury to it. The work place was abandoned once the depth reached the water table. The team then moved over to another location.4

It is observed that by mid 18th century mining activities in KGF registered tremendous growth. Locals in large numbers ventured into the field. The scale of activity was so large that Mysore State was forced to bring in regulations and the entire mining was brought under its direct control.

**Modern Mining**

Gold mining in KGF was drawn into an altogether different mode from the middle of the 19th century, with the accelerated integration of the Indian Subcontinent with the world economy. Based upon the Report of Lieut. Warren to the East India Company on the gold resources potential of the region, efforts were made to mine the gold. Attempts were made by the East India Company by engaging workers for extraction, but they did not succeed because of lack of technical know-how and cash crunch.

The first concession from the Mysore Government for mining gold from KGF was availed of only in 1873. Michael F. Lavelle, an Irish soldier who had acquainted himself with gold mining in New Zealand was the beneficiary. The
concession covered an area of 20 sq. miles. Lacking resources, Lavelle could not proceed and the concession was made over to Arbuthnot & Company of Madras. Under the supervision of an Australian Miner, John Munday, Arbuthnot & Company installed machinery and extracted some gold. As expenses far outstripped revenue, the project was abandoned. Eventually the concession came to be acquired by Kolar Concessionaries, a syndicate of army personnel headed by George de la Poer Beresford.⁵

**Entry of John Taylor and Sons**

In 1880, Kolar Concessionaries obtained the assistance of M/s. John Taylor & Sons, the well known London mining engineers. The Kolar Concessionaires not only subleased but also sold some of the gold bearing land acquired by them. As a consequence of this the Government issued fresh regulation which made granting of lease of land to a new company conditional upon the latter being formed within two years with working capital of not less than 5000 Pounds. Several companies were floated during 1880 and 1884, but owing to causes such as failure of loads (the ore body) or lack of capital many of these were wound up.⁶

The arrival of M/s John Taylor and Sons into Kolar Gold Fields resulted in the transformation of the mining scene. With them as Managers five companies
were floated in KGF in the year 1880\textsuperscript{7} – The Mysore Gold Mining Company Ltd., The Champion Reef Gold Mining Company Ltd., The Nundydroog Gold Mining Company Ltd., The Oorgaum Gold Mining Company of India Ltd. and the Balghat Mining Company Ltd. The registered offices of these companies were at 6, Queen Street Place, London.

By the year 1883 the mining companies became doubtful about the efficacy of continued mining operations. The Mysore Mining Company left with only 13000 Pounds debated the issue of winding up at a meeting held on October 5\textsuperscript{th}, 1883. The general view was to wind up. But a determined Mr. John Taylor in spite of stiff opposition could convince his partners and got the permission to continue. It was then decided to explore the old workings.\textsuperscript{8} This task was entrusted to Captain BD Plummer, an expert in deep underground mining. Captain Plummer is considered to be the pioneer of Kolar Gold Mines. He took charge of operations in a shaft (which was later on called Plummer’s Shaft) which was under extensive old workings estimated to be 2000 years old in Marikuppam. His exploration was in the opposite direction to the earlier workings and rich deposits were discovered. This success in 1884 changed the gloomy scene and activated the operations of the other companies also.
Emergence of the Mining Township

From 1884 onwards swift changes were witnessed in KGF. The region was sparsely populated till then and the land was utilised by the locals for raising crops such as ragi or maize. With the acceleration of mining activities the area attracted many people from different South Indian states. Erection of stamp mills, engine houses and workshops with modern machines took place.

Opening of the Kolar Gold Field Railway on 15th Feb., 1884 and the arrival of electricity in 1902 accelerated the mining operations. Prior to this, animal power or steam were the modes used for the operation of machines, and transportation of men and material. Electric power for the KGF mines was generated at Sivasamudram by commissioning a hydro electric power station there, exclusively for the mines. Electricity was then transmitted through 140 kms. long power line – world’s largest high tension transmission line then. Surface and several underground vantage points were connected through voice communication system with telephones of the bell prototype variety – one of the first of its kind in the country. Central Mines Rescue Station established for rescue operations in case of accidents in 1923 was the first of its type in Asia. Under the initiative and investments of Taylor & Sons, infrastructural and civic activities were developed.
Slowly, KGF began to possess many facilities which no other city in India used to have at that time. Arrangements were made for the supply of potable water from the sweet water lake situated 10 Km. away from KGF. Water purifying plants were set up. Excellent British/Gothic type granite bungalows, administrative buildings and other structures were erected. Schools, churches and hospitals too were established. For recreation there were gymkhana, golf, hockey, cricket and social clubs with billiards tables, card rooms, tennis courts and ladies rooms. Hygiene was excellent in the mining colony. For the maintenance of civic duties there was a separate Sanitary Board which efficiently maintained the sewage drains and toilets. With its well laid out roads and superstructures, KGF very much resembled the advanced towns of the Western world.

**Authority Over the Mining Area**

Within a short span of time M/s. John Taylor and Sons established their authority over the mining area. As managers they had the power to make or rescind contracts on behalf of the managed companies, to issue, accept and endorse financial instruments and appoint and dismiss employees. The Taylors were entitled to fixed remuneration as well as share of profits. Besides the gold mining companies two other sterling companies, Kolar Mining Power Station and Kolar Brick Manufacturing were managed by John Taylor and Sons.⁹
It is important to note that M/s. John Taylor and Sons who commenced their mining operations with 9 ounces of gold valued at Pounds 37-13-5 in 1882 ended up with 556527 ounces valued at 2,373,457 Pounds by 1905. Between 1881 and 1890, 750 kgs of gold was produced annually, this rose to 8960 kgs by 1900 and 17080 kgs by 1910. Relatively high production was maintained during the subsequent two decades too - the average annual production was 12550 kgs and 11700 kgs respectively. During the early days of modern mining, the entire output was exported through Bombay. From 1914 it was partly taken by the Bombay Mint for coinage. By 1930 gold worth 73 million Pounds were extracted from the Kolar Mines. During its peak period of operation in 1907 the employee strength was 34641 and the average number employed for 1901 – 1909 period was 29000. Royalty payable to the Princely State of Mysore was 5% of the gross value of the gold and an additional 2.5% on dividends since 1910. While around 3 million Pounds was paid as royalty, 22.5 million Pounds had been disbursed as dividends by 1930. The dividends paid out to metropolitan share holders represented 22 times the original investment.

**Fluctuations in Production**

From mid 1930s onwards signs of decline of the mine started showing up. During 1930 the Balaghat Mine was closed and the labour strength dropped to 17312 from 18454 of the previous year. But during the ten year period of 1931-
1940 there again took place an upsurge in production and in 1940 employment went up to 27000. It was made possible by the sinking of the deepest shafts of KGF. During the next decade of 1941-1950, the performance graph of the mines started dipping, production fell and so did employment. Ever since then no recovery was noticed and by 1953 one more company, The Oorgaum Mines was also closed. The following table depicts the performance pattern of the Kolar Gold Mines from its inception till 1983.

<table>
<thead>
<tr>
<th>Year</th>
<th>Tonnage in ‘000’s</th>
<th>Grade Gms/ton</th>
<th>Gold Kgs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901-1910</td>
<td>6089</td>
<td>28.05</td>
<td>170800</td>
</tr>
<tr>
<td>1911-1920</td>
<td>6899</td>
<td>18.19</td>
<td>125500</td>
</tr>
<tr>
<td>1921-1930</td>
<td>5951</td>
<td>19.66</td>
<td>117000</td>
</tr>
<tr>
<td>1931-1940</td>
<td>6438</td>
<td>15.44</td>
<td>99400</td>
</tr>
<tr>
<td>1941-1950</td>
<td>5092</td>
<td>12.43</td>
<td>63300</td>
</tr>
<tr>
<td>1951-1960</td>
<td>5288</td>
<td>10.23</td>
<td>54100</td>
</tr>
<tr>
<td>1961-1970</td>
<td>NA</td>
<td>7.15</td>
<td>32500</td>
</tr>
<tr>
<td>1971-1980</td>
<td>NA</td>
<td>6.35</td>
<td>19400</td>
</tr>
<tr>
<td>1981-1983</td>
<td>NA</td>
<td>3.96</td>
<td>3960</td>
</tr>
</tbody>
</table>

Source: At Cross Roads. A Self Portrait BGML Publication 1985

Tonnage refers to the volume of ore mined in tones for extraction of gold and grade refers to the grams of gold available from each ton, i.e. the richness
of ore. The table above shows that decline in production had set in from the 1930s. This is reflected in grade and gold production. During the ten year period 1941-1950 the output had come down to 37% of what it was during the ten year period, 1901-1910. It can be observed that by 1981 - 83 the mine had almost got exhausted of its payable ore resources. This is reflected in the grade of ore mined out, which was a mere 3.96 grams per ton.

Take Over by the Government of Mysore

All the mining companies of KGF were taken over by the Government of Mysore (GOM) on the 29th November 1956. Political and social compulsions forced the State Government to nationalise the mining companies. Nationalist spirit played a key role in this move. A compensation of Rs.1.64 crores was paid to M/s. John Taylor & Sons.\textsuperscript{13} After nationalisation the companies functioned under the style of Kolar Gold Mining Undertakings (KGMU).

John Taylor & Sons were not happy about the nationalisation. They suggested to the Government of India (GOI), for the appointment of a committee consisting of a retired Chief Justice, an Auditor General and an internationally known expert in gold mining to study the merits of nationalisation. The State Government also approached the GOI to conduct an enquiry into the issue of nationalisation. GOI did not take into consideration the
suggestion of John Taylor & Sons. On the other hand the request of the State Government was taken into consideration and Dr. John Mathai, Finance Minister of India was appointed to enquire into the matter.

Dr. Mathai visited KGF and conducted a detailed enquiry. According to Dr. Mathai, the timing of nationalisation was not appropriate because by then the mine had almost exhausted its reserves and the work spots were among the deepest in the world. For the state government it was too much of a burden to run such a giant organisation. Later developments revealed that Dr. Mathai was correct. Soon the GOM realised the burden of running this giant industry profitably.

**Take Over by Government of India**

The difficulties faced by GOM in running the mine compelled them to approach the Government of India with a request to take over KGMU. As a result of this in December, 1962, GOI took over the mine and placed it under the Department of Finance. To quote Collin Simmons, “the KGF has the dubious distinction of being one of the few firms to be nationalised twice over.”¹⁴ In 1972 the mines were amalgamated and Bharat Gold Mines Ltd.(BGML) was formed in the public sector under the Department of Steel and Mines.
BGML, with an array of fixed assets like land, deep undergrounds with installations such as road ways, tram ways, machinery etc., surface structures like buildings of varying sizes, schools, hospitals, clubs, water purification plants, supply lines and a huge work force of more than 13000 people became a heavy burden for the GOI also. Low grade ore resources, increasing depth of the mine, the ever lurking hazards of deep underground mining and falling profits made matters difficult for the Company. Since 2000 the Company had stopped its operations and is awaiting official winding up.

**Performance After Takeover**

Between 2.11.1956 and 31.3.1958, the first 18 months of nationalisation, monthly production of gold was 385.47 kgs and the grade was 4.97 gm/t. Net profit for the period was Rs. 261067.15 Average annual gold production during the peak period of its operation was 17080 kgs and the grade of ore was 28.05 gm/t. 16 By 1999 the yield had come down to 3.278 gm/t. Performance of BGML from inception till its closure can be assessed from the following table.
Table 3.2
Production, Cost of Production, and Sales
1972 – 2000

<table>
<thead>
<tr>
<th>Year</th>
<th>Production Kgs</th>
<th>Sales Rs. Lakhs</th>
<th>Profit/Loss Rs. Lakhs</th>
<th>Cost of Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972-1977</td>
<td>1910.93</td>
<td>718.26</td>
<td>-91.08</td>
<td>488.29</td>
</tr>
<tr>
<td>1977-1982</td>
<td>1673.16</td>
<td>1302.66</td>
<td>+135.40</td>
<td>1003.99</td>
</tr>
<tr>
<td>1982-1987</td>
<td>1071.00</td>
<td>1867.74</td>
<td>-1136.60</td>
<td>2988.80</td>
</tr>
<tr>
<td>1987-1992</td>
<td>797.45</td>
<td>2596.76</td>
<td>-2862.80</td>
<td>6261.40</td>
</tr>
<tr>
<td>1992-1997</td>
<td>664.54</td>
<td>3128.72</td>
<td>-4217.00</td>
<td>9574.00</td>
</tr>
<tr>
<td>1997-2000</td>
<td>492.98</td>
<td>2177.50</td>
<td>-5420.67</td>
<td>14991.67</td>
</tr>
</tbody>
</table>

Source: Annual Reports, BGML

An analysis of the figures presented above shows that except during the five year period 1977-82, the Company had incurred heavy losses throughout its existence. Production had declined at a very fast rate. The rate of decline from 1972-77 to 1997-2000 was 74%. During the same period cost of production of gold recorded a phenomenal increase, the rate of increase being 2972%. The above facts substantiate the argument that the GOI had acquired a loss making venture which had a bleak future.

The poor state of affairs had an impact on the employees also. Various rationalisation measures adopted by the Company resulted in a decline of the employee strength. New appointments were stopped by mid 1980s itself. A good number of workers were relieved under the Voluntary Retirement Scheme
(VRS). Added to these were the normal retirements. The trend in decrease of employee strength is depicted in the following table.

Table 3.3  
Number of Employees in BGML 1972-2000

<table>
<thead>
<tr>
<th>Year</th>
<th>Average size of Employees per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972-1977</td>
<td>12298</td>
</tr>
<tr>
<td>1977-1982</td>
<td>10133</td>
</tr>
<tr>
<td>1982-1987</td>
<td>12425</td>
</tr>
<tr>
<td>1987-1992</td>
<td>10451</td>
</tr>
<tr>
<td>1992-1997</td>
<td>6839</td>
</tr>
<tr>
<td>1997-2000</td>
<td>4333</td>
</tr>
</tbody>
</table>

Source: Annual Reports, BGML

The table above shows a steady depletion in the employee strength. Comparison of 1972 - 1977 figure with that of 1997 - 2000 shows that the decline in employee strength was 69%. When the Company’s position weakened, it had a direct impact on the size of work force. New recruitments were stopped from mid 1980s. Apart from this there was disengagement of workers under VRS, normal retirement, resignations, dismissals, transfers to National Institute of Rock Mechanics and death. Between 1991-92 and 2000-01 a total number of 6557 employees left the Company. Of them 4872 were under the VRS. The highest separation under VRS was during 1991-92 and
1997-98, 1583 and 1483 respectively. According to the 2006 Annual Report the employees in the rolls who were to be discharged were 3533.

**Pricing of Gold**

Trade unions, the Company Management, Committees constituted by the GOI and independent agencies have blamed the pricing policy for the heavy losses suffered by the Company. The pricing policy was forced upon BGML by the GOI. Till nationalisation and for two years after that the Company was selling its gold at the prevailing market prices. From 6th June 1958, GOI discontinued this practice and started acquiring the gold and silver produced by the Mine at an official price decided by the GOI. This price was much below the market price. The difference between the average selling price in the bullion market in Bombay and the official price for gold was made good to the Company by the GOI through grants.  

In March 1972 as per a GOI order the entire gold produced by the Company has to be made over to the GOI at International Monetary Fund (IMF) rate which was Rs.84.4 per gram. In turn GOI was to reimburse the difference between the international market rate and the IMF rate in the form of subsidy. The subsidy so earned during 1973-74 and 1974-75 were Rs. 40,00,0000 and Rs. 63,48,5000 respectively. Since the subsidy was linked to the international...
market price of gold any fall in the international level had adverse impact on the
Company. During August 1976 there was an unprecedented fall in these prices
from $177 per ounce to a new low of $ 106 per ounce.\textsuperscript{20}

From October 1976 the price subsidy got modified and was termed as
price differential - difference between IMF price and the cost of production of
the Mine plus 12% on its capital reserves. The total subsidy/price differential
received by the Company up to 31.3.1981 was Rs. 8694.94 lakhs.\textsuperscript{21}

The Company was denied the Indian market price of gold which was
always higher than the international price. Due to this the revenue loss suffered
by the Company from 1972 to 1985 was Rs. 20 crores.\textsuperscript{22} The premium allowed
on administered prices was insufficient to keep pace with the rapidly increasing
costs. The buyers of other metals paid a premium of 122% to 175% over
LME/IMF prices. Bulk of this went to the primary producer. In case of BGML
even though the price differential was in the range of 65% - 70% the margin of
premium was 35%. Even that was allowed only from April 1984.\textsuperscript{23} From
1.4.1984 the pricing policy for BGML gold was London Metal Exchange
(LME) price plus 35% or Indian Market rate which ever is lower.\textsuperscript{24}
Sale in the Open Market

From 1.4.1988 the GOI permitted BGML to sell gold in the open market. BGML had nominated agents in the open market and 10% commission in terms of value had been fixed. The feeling expressed by the management was that if the Company was allowed to trade its gold at the market price the Company would have had a surplus of Rs. 5.02 crores during 31.3.1985. 25

Other major gold producing countries like South Africa and Canada provided tax concessions along with subsidies to their gold mining companies. This was to sustain their gold mines. But in India this was not done. A comparative statement on price differentials that prevailed during 1984-85 between the various non ferrous metals is provided. It is evident from the following table that gold was discriminated.

Table 3.4
Price Differentials for Non Ferrous Metals 1984-1985

<table>
<thead>
<tr>
<th>Metal</th>
<th>Unit</th>
<th>Rupee equivalent of LME Price</th>
<th>Sales price</th>
<th>Margin over LME Price %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper</td>
<td>Rs/ton</td>
<td>16161</td>
<td>44500(a)</td>
<td>175</td>
</tr>
<tr>
<td>Lead</td>
<td>do</td>
<td>5164</td>
<td>11450(a)</td>
<td>122</td>
</tr>
<tr>
<td>Zinc</td>
<td>do</td>
<td>10536</td>
<td>27000(a)</td>
<td>156</td>
</tr>
<tr>
<td>Gold</td>
<td>Rs/10gms</td>
<td>1288</td>
<td>1739(b)</td>
<td>35</td>
</tr>
</tbody>
</table>

(a) MMTC Price, (b) Administered Price
From the data provided above it is found that except gold; copper, lead and zinc were sold by the producers at a price much higher than the LME price. The average of margin over the LME price for these metals was 151%. On the other hand due to the restrictions imposed for gold the margin was only 35%.

**Survival Efforts**

With all the odds working against the Company, its survival was at stake. In order to overcome these and ensure/prolong its survival BGML made some efforts. A 10 year Plan was drawn to mine an additional reserve of 38.3 lakh tons at a grade of 5.6 gm/t. Capital outlay envisaged was Rs.12.7 crores. The proposal was placed before the GOI to be included in the 6th and 7th Plans. But the proposals were not approved by the GOI. The Company started making efforts to mine gold from new places Chigragunta in Karnataka, Old Bisanatham and Yeppamana in Andhra Pradesh.

Apart from these the Company decided to diversify its operations. It undertook mine construction, shaft sinking, manufacture of mining machinery and other fabricated items for outside customers. A tungsten carbide tipped rod manufacturing unit with an installed capacity to manufacture 700 rods of different sizes per month was set up. In its workshops the mining equipments
like winders, head gear, multi level signaling system for hoists, mine cars, conveyer systems etc were also manufactured for clients.

**Failure of Survival Efforts**

However the above attempts did not succeed. The main reason cited for the failure of the programme was that, the diversification scheme drawn in 1987 was not based on facts and realities. This is substantiated by the following observation made by a mining expert\(^27\) attached to BGML - “the past growth rate of the Company in the field of diversification, mine construction and manufacture of mining machinery were Rs. 50 lakhs, Rs. 25 lakhs annually. But when a plan for the next seven years were envisaged growth rates fixed for these areas were Rs. 49 crores and Rs. 36 crores respectively. This was against the previous envisaged targets of Rs. 3 crores and Re. 1 crore. While this revision was made the capital envisaged was played down. The projections have been off - hand without proper survey, order commitment and labour deployment strategies. There is no wonder that the diversification efforts failed to take off in the manner projected.”

**Role of Government of India**

The GOI operated the Company despite heavy losses. The concern of the State for its employees and its social responsibilities prompted the GOI to extend a supporting hand by pumping in heavy doses of subsidies and loans to
BGML. During 2000-2001 these figures came up to Rs. 26.3 crores and Rs. 219.22 crores respectively. Subsidy was given to neutralise the effect of increase in the price of gold in the international market and to compensate the adverse effect the Company had to face due to the pricing policy. The following table shows the subsidy given to BGML by GOI.

Table 3.5
Subsidy to BGML from Government of India

<table>
<thead>
<tr>
<th>Year</th>
<th>Subsidy (Rupees Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974 - 1975</td>
<td>634.85</td>
</tr>
<tr>
<td>1975 – 1976</td>
<td>557.35</td>
</tr>
<tr>
<td>1976 – 1977</td>
<td>731.03</td>
</tr>
<tr>
<td>1978– 1979</td>
<td>896.74</td>
</tr>
<tr>
<td>1979 – 1980</td>
<td>1673.23</td>
</tr>
<tr>
<td>1980 – 1981</td>
<td>2286.16</td>
</tr>
<tr>
<td>1983 – 1984</td>
<td>1915.75</td>
</tr>
<tr>
<td>1984 - 1985</td>
<td>1784.19</td>
</tr>
</tbody>
</table>

Source: Annual Reports of BGML

Subsidy amount during some years shows a decrease. This was because of the fall in the gold price in the international market. The over all picture that emerges from the above data is that the subsidy was a big burden for the GOI. From 1974 to 1985 the subsidy had increased by 181%. These supports however could not improve the position of the Company. Even with these massive subsidies the Company was incurring heavy losses. From 1985-86 the
GOI started sanctioning subsidy against cash loss. The total subsidy received up to 31st March 1991 amounted to Rs. 8316.94 lakhs.29

Under these circumstances, GOI in the year 1985 constituted a one man Committee to study the operations of the Company. The Committee was headed by Mr. KSR Chari, former Secretary Department of Mines, GOI. The Committee was to submit a report on various terms of reference. The terms of reference included points such as review of operation cost and suggest steps to minimise it, converting the Company into a departmental undertaking for improving its efficiency, possibility of winding up the Company and the time span required for such an action and scope for diversifying the Company’s operations.

After a thorough study of the KGF mines, Mr. Chari made several recommendations to improve the condition of the Company. He also made it clear that even a faithful implementation of the recommendations given in his report cannot give a permanent lease of life to the century old enterprise. At the best the Mines could be worked for ten years.30

The Report pointed out that the depletion of natural ores in the area and cost of production of gold with the age-old machineries etc. would seriously hamper the efforts of putting the Company on profitable lines.
The GOI could not accept all the proposals of the Chari Committee. The implementation of the proposals involved pumping in of huge sums of money which was proposed to be Rs. 40.42 crores.\textsuperscript{31} Taking into consideration the fact that the natural reserves of economic ores were getting exhausted, GOI felt that the investment was not economically sound and wise. Hence GOI decided not to risk further investments.

However, some recommendations of the Committee like sale of gold in the open market, diversification of activities of the Company etc., were implemented. Substantial investments were also made in this regard. During the 1985–1990 period an outlay of Rs. 2910 lakhs was allowed. Out of this Rs. 1333.24 lakhs was sanctioned between 1985-88.\textsuperscript{32} In spite of these the Company continued to suffer losses and ultimately its net worth was reduced to sub zero. An outlay of Rs. 6.19 crores\textsuperscript{33} was made for mine development, reopening of known ore bodies at Champion Reef and reopening of gold mine outside KGF at Yeppamana and Ramagiri.

The under mentioned data indicate the plight of the Company – as per 1990-1991 Annual Report of BGML, the paid up capital of the Company was Rs. 3776 lakhs and the working capital was a negative Rs. –1065 lakhs. Loss recorded was Rs. 7665.12 lakhs. Borrowings and trade dues were Rs. 11916.72
Exhaustion of the mine, declining production and failed diversification efforts made continuation of BGML difficult.

Reference to BIFR

Depleting resources, inefficient management and twenty trade unions that rarely remained united contributed towards confusing the issue further. During 1992 the BGML was categorised as a sick industry and referred to Board for Industrial Finance and Reconstruction (BIFR).

Efforts of BIFR

Immediately after the reference of the Company to the BIFR, the Board followed the necessary procedures. Information was gathered from the management, the registered trade unions and other stakeholders. The Board then directed the Company to submit its opinion in respect of the detailed unit cost structure for producing 10 gms of gold, details of repairs and maintenance expenditure, corporate plan for its future working, future long term plan etc. 

The Board through an order dated 27.7.1993 appointed ICICI as the Operating Agency (OA) to prepare a revival/rehabilitation package. The guidelines given to the OA were towards restructuring the liabilities of BGML, to consider the possibility of mobilising interest free funds, privatisation, revival
by infusing interest free funds, rationalisation through voluntary retirement of surplus labour etc. The OA was to find out whether the BGML is technically, economically and commercially viable. The OA was to submit its report within three months. The Company, GOI and Workers Unions were also directed to give their proposals for the revival of the Company.

The OA submitted its report to BIFR. The report suggested productivity of at least 1.165 tons of gold per year and 650 kgs per year from the tailing dumps. This required new technology and large funds. The BIFR on 18.3.1994 directed the GOI, GOK and Workers Union to submit their views and suggested a joint meeting of the concerned.

The BIFR then through its order dated 6.10.1994 directed the OA to submit its final report. In the mean while, the GOI examined the feasibility of revival based upon the report of OA in the light of the New Mineral Policy 1993. The New Mineral Policy framed under the liberalisation regime was permitting foreign investments in the mining. It was expressed that rehabilitation should be taken up with the support of a Joint Venture partner. As a result the BGML signed in 1995 a MOU with Normandy Anglo Asian Ltd., (NAAL) a South African mining company as joint venture partner for exploration and exploitation of gold from KGF.
But within six months the NAAL withdrew from the Joint Venture. According to BGML the reason cited by NAAL for this withdrawal was that NAAL had over estimated the reserves potential of gold in KGF.\textsuperscript{35} About the withdrawal of NAAL, the Workers Union had a different version. They held the view that the NAAL withdrew because BGML did not favour this party and an integrated tie up including the tailing dumps which had high business prospects was not allowed.\textsuperscript{36}

In between, on 14.11.1996, even before the OA could submit its final report, based upon the OA’s earlier reports BIFR ordered winding up of the Company. This order was challenged by BGML in the Appellate Authority for Industrial Finance and Reconstruction (AAIFR) through an appeal. On 5.2.1997 the AAIFR set aside the BIFR’s order directing the Board to consider the matter in the light of the final report of the OA. The final Report was submitted by the OA on 2.7.1997.

The OA had submitted three reports to the BIFR; March 1994, October 1996 and July 1997; in that order. The final report stated that decline in ore resources resulting in lower production of ore, fall in the grade of ore and inherent operational problems of deep level mining had increased the cost of production. It also pointed out that while the accepted norm for the working of a mine is 30-40 years, this mine has been operational for over a century. The
The OA then submitted a rehabilitation scheme, in which the total investment would be almost Rs. 200 crores. It also recommended conversion/writing off of loans and interests by the GOI. During 1993-94 the loan amount was Rs.85.93 crores and by 1997-98 this had gone up to Rs. 163.18 crores.38

The burden of this was almost entirely on the GOI and GOI expressed their inability in investing further funds in BGML. However GOI kept the option of finding out a suitable Joint Venture (JV) partner open and informed the BIFR that they are still negotiating the issue. A Committee with Additional Secretary, Ministry of Mines as Chairman was constituted to identify a co-partner. Global Tenders were floated to fulfill this task. However the Committee informed the GOI in May 1998 that it could not identify a bidder who is technically, financially or otherwise suitable to rehabilitate BGML.

Closure of BGML

GOI on studying the Report of the Committee came to the conclusion that revival of BGML was not possible. It then decided to inform BIFR that
BGML may be allowed to be wound up under the provisions of Sick Industrial Companies Act (SICA). Workers of the Company were to be offered the benefits of Separation Scheme. BIFR was informed of this decision on 27.1.2000. Finally on 12.6.2000 after eight years from the date of declaring the Company sick and referring it to the BIFR, BIFR passed the order to close down BGML.

This order of the BIFR was challenged by the workers unions. Karnataka Gold Mining NL, an Australian company which had shown interest in purchasing the sick Company also challenged the closure. Appeals were filed with the AAIFR. However the AAIFR dismissed all the appeals and confirmed the BIFR order for closure. On this BGML obtained the permission of GOI to close the Company under section 25(O) of the ID Act 1947 with effect from 1.3.2001.

**Decisions of the Karnataka High Court**

This move was challenged in the Karnataka High Court by the workers unions and BGML Officers Association. Separate petitions were filed by the challenging parties. On 16.3.2001 Single Judge quashed the orders of BIFR, AAIFR and GOI pertaining to the closure of the Company. The Court order
directed BIFR to reconsider the claims of the petitioners and find out ways and means to revive BGML.

The above mentioned order of the Single Judge was challenged by the GOI and BGML. An Appeal was filed on 9. 4. 2001, before the Double Bench of Karnataka HC. On 26\textsuperscript{th} September 2003 the Court passed its Order setting aside the order of the Single Judge. The Order contained the following recommendations;

- To extend to the employees the benefits of VRS as already offered with the further modifications contained in the official Memorandum dated 6.11.2001.

- To transfer/convey the Quarters/houses which have been allotted to the employees of BGML at concessional rates.

- To take appropriate steps to enable such employees who have accepted VRS scheme to form an Employees Co-operative by providing them appropriate land and such machinery and equipment as it can spare so that they can take up projects using their specialised knowledge and experience.

- To allot the excess lands held by BGML to needy ex-employees at reasonable rates to help them rehabilitate themselves.
To give an employee another interim relief of Rs.5000 each within two months to tide over their difficulties.

The Order also made it clear that all the above mentioned points were only recommendations and not directions. The Judges observed that; “when virtually a town is closed as a result of closure of BGML, special provisions are necessary and we do hope that the Central Government will do justice to the poor and suffering employees, as expeditiously as possible. We make it clear that the Central Government may at its discretion modify the recommendations. The Central Government may also consider any fresh proposals for revival if it so deems fit. Be that as it may.”

Conclusion

Organised gold mining from the Kolar Gold Mines started during the year 1880 under the supervision and initiative of the British mining experts, John Taylor and Sons. In the beginning five Companies were floated with London as their headquarters. Within a short period the well developed KGF township came up. Till early 1950 Kolar was the second leading mining activity in the Subcontinent. The mines were nationalised by the Government of Mysore in the year 1952. Later, in 1962 it was taken over by the Government of India. In 1970 Bharat Gold Mines Limited was formed. The declining phase of the mine had set in from the middle of 1930s. Steep fall in production and heavy losses
became a regular feature in the subsequent decades. In 1992 BGML was categorised as a sick industry and referred to BIFR. Subsequently the Company was closed down in the year 2000.
References


4. Ibid. p.236.


11. Ibid. p. 362


17  Annual Report, BGML 200-2001


19 Annual Report, BGML 1974- 75.

20 Annual Report BGML 1975-76.


23. Ibid. p.22.


26 Bharat Gold Mines at a Glance, BGML, Undated.


32. ibid. p.23.

33. ibid p.32.

34. BIFR Proceedings and Writ Appeal, Karnataka High Court, Petition No. 5118/2001.

35 Memorandum of Writ Appeal 1747-1757/2001(L), Karnataka High Court.

36 Objections filed to BIFR by BGMUEA, May 2000.

37 Writ Appeal No. 1747 – 57 / 2001, Karnataka High Court.
