A nexus of gangs, unions, officials and politicians is stealing vast amounts of coal and stoking an energy crisis in the world’s second-most populous land.

The ‘Coal Mafia’ plunders India

BY FRANK JACK DANIEL AND MATTHIAS WILLIAMS
DHANBAD, INDIA, MAY 14, 2013
Seven shots rang out at a wedding reception in this sooty city in eastern India, and Suresh Singh, India’s “Coal King”, fell fatally wounded.

He was a wealthy coal trader, a politician and, police say, a crime boss. At the time of the shooting, Singh had 14 criminal charges against him, including one for homicide. His career and murder are emblematic of one of India’s most nagging economic problems: the corruption that cripples the crucial coal industry.

The shooting was the latest gangland killing involving rival coal clans, both with the surname Singh. They have fought for years to control rackets that prey upon the coal industry in the impoverished state of Jharkhand in eastern India, home to some of the nation’s biggest mines. The rackets include controlling unions and transport, manipulating coal auctions, extortion, bribery and outright theft of coal. Popularly known as the “coal mafia,” their tentacles even reach into state-run Coal India, the world’s largest coal miner, its chairman told Reuters.

On a series of trips to the region, Reuters found widespread plunder in India’s coal country that contributes substantially to chronic shortages of a commodity fuelling over half the power generation in Asia’s third-largest economy.

It is a murky subculture that entwines the coal mafia, police, poor villagers, politicians, unions and Coal India officials. Coal workers pay a cut to crime bosses to join their unions, which control access to jobs, according to law-enforcement and industry officials. Unions demand a “goon tax” from buyers, a fixed fee per tonne, before loading their coal. Buyers must bribe mining companies to get decent-quality coal. The mafia pays off company officials, police, politicians and bureaucrats to mine or transport coal illegally.

In a startling admission, Coal India Chairman S. Narsing Rao said he knows some of his officials are involved in stealing coal but his company can’t control what happens once trucks leave the mine gate.

“Obviously (coal theft) happens with the connivance of our own guys, in collusion with our own guys,” he said in an interview.

Rao estimated the scams cost his company, which has a near-monopoly, about 5 percent of its 450 million tonne annual output. Two senior police officials in Jharkhand said the real figure is between a fifth and half the production at some mines.

Corruption, crime and waste in the economy exact a heavy toll. Recently built power stations stand idle across India, mainly for lack of coal. Last July, the world’s most severe blackout shut off power in half of India, home to 1.2 billion people.

Increasingly, power companies are turning to imports as domestic output lags demand. Yet India sits on the world’s fifth-largest coal reserves, which the government says could supply the nation’s energy needs for decades. Coal imports have tripled in a decade to some $1.5 billion a year. The International Energy Agency expects imports to rise faster in India than anywhere else, as consumption overtakes that of the United States by 2017.

National political leaders promise action—but at the same time throw up their hands. Coal Minister Sriprakash Jaiswal said in an interview that the Central Bureau of Investigation, akin to the U.S. Federal Bureau of Investigation, was taking a larger role in tackling the mafia, but emphasized it was mainly up to state governments to tackle crime.

“There is no doubt that coal mafias are active. We accept that coal theft happens. But law and order are state subjects,” Jaiswal said. “I won’t say that the state governments do not cooperate. But the system there is so weak, policing is weak.”
Mafia territory

Despite sitting on the world’s fifth largest deposits of coal, India is plagued by corruption, waste and mafia gangs that run extensive rackets in the coal belt. They are threatening the industry and India’s energy future.

SINGH MANSION

Suresh Singh seemed relaxed at the Dec. 8, 2011, wedding party of a local hotelier’s son, police and a witness said. His bodyguards were unarmed. A high-school dropout with a long police record, the 48-year-old Suresh thought the old gang ways were becoming outdated in the “Shining India” of today, a source close to the family said. He had even sent his son to England to study banking.

After the bullets flew, Suresh’s bodyguards drove him to a hospital, where he died 30 minutes later. His father filed a police report saying his son, in a dying declaration, had named three people responsible for the attack – Sashi, Sanjeev and Ramadhir Singh, from a rival family known as “Singh Mansion.”

Eleven witnesses also named Sashi as the shooter, according to the police report. “The moment Suresh got up to leave the party, Sashi stood up, walked towards him and shot him seven times,” said Ravi Thakur, the police officer in charge of the investigation.

Suresh was twice an unsuccessful candidate for India’s ruling Congress party in elections marred by violence. The mother of the accused gunman, Sashi, is the mayor of Dhanbad. Sashi is still at large, having fled across state lines, police said. No charges have been filed against the other accused individuals.

Police have differing versions of why Sashi would have shot Suresh. Thakur says he is investigating the case as a premeditated shooting, either in revenge for a previous murder or over their conflicting business interests. Another police officer and people in Dhanbad say an insult was the trigger.

Sashi’s cousin Sanjeev, the young heir to the Singh Mansion dynasty, is also a named suspect in the murder, though he was not at the wedding party. He was in hiding for months before returning to Dhanbad last September. Now he rides the streets of the coal capital with 20 men and an armed police escort in a convoy of white SUVs.

“Today, Suresh is not here, but it doesn’t mean I don’t have any more rivals who wish to kill me,” Sanjeev said in an interview.

Sanjeev is expected to run in the next state assembly elections as a candidate for the opposition Bharatiya Janata Party (BJP).
DIRTY WORK: Above, women in the coal capital of Dhanbad carry coal from illegal mines to a depot controlled by mob-run gangs. Below left, dirt-poor families scrape a living by digging coal in unregulated pits that surround Dhanbad. Below right, flames from vast underground fires in coal tunnels cast an eerie glow across the area’s dystopian landscape. REUTERS/AHMAD MASSOD
in Jharia, party members told Reuters. Sanjeev declined to confirm that.

In a two-hour interview over tea and samosas at the orange-walled mansion in Dhanbad that gave the family business its name, Sanjeev denied he or his family were involved in Suresh’s murder. But he spoke extensively about their feud.

Sanjeev’s father started Singh Mansion in the early 1970s, having risen from coal worker to union boss and state legislator. He counted the late Prime Minister Chandra Shekhar, who once spent a weekend at the mansion, as a friend, Sanjeev recalled.

The father’s power and business were based on the labour union he controlled and which remains a bastion of the Singh Mansion enterprise. It is empowered to bargain collectively for workers at Bharat Coking Coal Limited (BCCL), a Coal India subsidiary. Police say Singh Mansion uses the union to control and extract bribes from coal transporters.

The feud began in the 1990s, when Suresh began to compete with Singh Mansion at coal auctions, Sanjeev said. The auctions are a key focus for crime syndicates, police say. Mafia-controlled unions will sometimes refuse to load coal bought by anyone else. That usually ensures the syndicates are the only bidders and keeps auction prices low, said a person with close knowledge of Suresh Singh’s affairs.

The union controlled by Singh Mansion, Janta Mazdoor Sangh, has long exerted influence over BCCL officials, who allow Singh Mansion to run rackets that include theft of coal to sell on the black market and controlling trucks that leave the mines. Sanjeev, who is the general secretary of the union, denied the union was involved in anything illegal.

BCCL’s chairman, T.K. Lahiry, said it is true that when he took over the company four years ago, Singh Mansion’s influence was huge. “Singh Mansion was having entire command and control” over a major area in BCCL’s operations, he told Reuters.

“All sorts of anti-social activities were going through that particular office.”

He said he shut down the area office and transferred dozens of influential officials suspected of working for Singh Mansion. BCCL as a whole is making a profit now after years in the red, he said, but he added that only the police could put an end to the coal racket.

**BLIGHTED LANDSCAPE**

Decades of lawless coal trading have left their mark everywhere around Dhanbad, where coal dust chokes the sky. Dirt-poor families dig coal under a baking sun in unregulated pits. Thousands of people carry baskets of illegally mined coal atop their heads or by bicycle to mafia-run depots.

“Goon tax” that gangs impose on buyers to load coal

Many of the trucks that link the mines to the rail yards carry coal mixed with rocks, said a person with family ties to a coal gang. Other trucks are simply not counted as they leave.

At the Kapasara coal-mining operation, owned by Coal India subsidiary Eastern Coalfields Ltd (ECL), villagers dig illegal tunnels alongside licensed earth-moving equipment. Armed police watch indifferently. Illegal miners for years have been digging outward from a huge pit ECL was supposed to have closed and filled with sand. Four years ago, one tunnel collapsed on dozens of miners, killing six.

“This whole place is hollowed out,” said Jatin Mishra, tapping with a stick. He is part of an informal group of residents trying to use right-to-information laws to prove ECL has misspent millions of rupees on contracts to close the tunnels.

The “sand scam” was a big money spinner in the early 1980s for the mafia, and the failure to close illegal mines has made it easier for old fires to spread, the residents’ group said.

ECL Chairman Rakesh Sinha denied that. He said illegal tunnels were filled whenever police notified the company. Illegal mining is rampant, he conceded, due to inadequate policing.

Singh Mansion was among those who received contracts for filling mines with sand, said a senior BJP state official close to the family. “On paper, the mines were filled,” the BJP official said. “But they weren’t.” Sanjeev Singh denied that.

**RAILWAY BATTLEGROUND**

At a railway siding in Dhanbad, trucks load a train with coal from a nearby pithead. The siding is controlled by Singh Mansion, said a local politician close to Sanjeev’s family. These sidings are a key battleground for mafia gangs across Jharkhand state. Here, their unions extort money from coal buyers and load rocks along with the coal onto the trains, say police and coal-industry officials.

A manager at a state-run power company in Jharkhand that buys coal from Coal India said his plant’s efficiency and costs were harmed by rocks and ash mixed in with the coal. Adulterated coal is now such a major problem that the country’s top power producer, state-run NTPC, has withheld some payments to Coal India, citing quality concerns.

“Mafia in coal is a big issue, they are not addressing these issues,” a senior NTPC official told Reuters when asked about the spat with Coal India. “We keep on fighting, and it is of no use.”

Mafia-run unions demand a “goon tax,” a fixed price per tonne paid before coal is loaded onto trucks or trains, the Jharkhand power-company manager said. One coal trader told Reuters that bribes add up to 20 percent to the cost of a tonne of quality coal.

Private buyers who want to buy coal via
electronic auctions are locked out of the market. Auction data published in a local newspaper show that some lots of coal at mafia-dominated pits are sold at the auction floor price—well below market rates.

“The mafia doesn’t let people participate in the tender process,” the power plant manager said. “Even if you win the tender, the local mafia won’t let you lift the coal.”

TARGETING SINGH MANSION

When Suman Gupta rolled into Dhanbad in 2009 as the new police chief, she immediately put Singh Mansion on the defensive. Police under her watch searched cars for weapons by day, and using a network of informants, conducted raids on illegal truck-loads of coal at night.

She filed cases against Singh Mansion members, including charges of extorting coal merchants, but said she was unable to stamp out a system that involved politicians and mining officials. She was transferred after just two years as the Dhanbad police chief. News of her transfer sparked protests in the city.

“I know (who the mafia were), but I couldn’t take any action against them, because they’re politically well-connected. They have financial power,” Gupta said in an interview at her new posting in the city of Hazaribagh, which also lies in the coal belt.

She said that over the decades, Singh Mansion built close ties to officials at BCCL, the Coal India subsidiary, who provided cover for the illicit business. BCCL could itself make a huge dent in the problem of illegal mining simply by putting fences around the mines and stationing guards there, she said.

“We have registered many (police reports) against BCCL officials who were responsible for stopping this illegal mining, but they did not,” said Gupta. “There are many things they are supposed to do, but they are not doing it.”

Lahiry, the BCCL chairman, said his crackdown on ties to Singh Mansion was

Chain of corruption

1. Thousands of villagers carry coal from unregulated or illegal mines, and pull coal from open train wagons, to be sold on to mafia-run coal dumps.

2. Many trucks leave legal mine operations with unregistered loads to be sold to the black market. Others are adulterated with rocks and sold on to power companies.

3. Crime families pay mining company officials to look the other way as they run coal transport, contracting and trading scams.

4. Crime syndicates scare off other bidders to keep prices artificially low for coal sold in online auctions.

5. Workers pay a cut of their pay to crime bosses to work in their unions loading coal at depots.

6. Unions demand a “goon tax” from coal buyers before loading any coal for them.

7. Coal traders pay bribes to the mining companies to get the quality of coal they need.

8. Coal buyers at power stations complain of getting loads of rocks with their coal, which impacts power production.

Source: Reuters
forceful. “Now a clear-cut message has been sent to everybody... that the company comes first, and the priority is the company’s interest.”

**ECONOMIC IMPACT**

The mafia also reduces productivity with labour stoppages. One senior BCCL official in Dhanbad said stoppages alone by one suspected mafia boss restrained output at some collieries by 10 percent.

The exact economic impact of the coal mafia is hard to quantify; no comprehensive studies exist. A coal ministry tender to conduct the first investigation into the economic impact of criminal activities in the coal fields collapsed when no consultants bid for the contract. One research group said it decided not to bid because it was too dangerous for its staff.

Other issues bedevil Coal India – snarly regulations, enormous difficulty in acquiring land for mining, a shortage of railway lines to move product. But corruption is so widespread, Jaiswal told Reuters, that just cleaning up the system would raise official output by at least 15 percent.

That won’t be easy. Coal-industry executives say that even if they root out the established coal mafia, newcomers are waiting in the wings.

Walls in and around Dhanbad feature a scrawled new slogan that is shaking up the old mafia order: “Long live Dhulu Mahto.”

Like the founder of Singh Mansion, Mahto is a state legislator who started from humble beginnings as a coal worker and then union boss. He is the champion of a new class of rootless workers who don’t work for the big coal companies. Their ranks have steadily grown as the coal companies lease out their pits to private companies, who in turn look for contract workers.

People in Dhanbad call him “new mafia.” His influence falls over mines that account for a third of BCCL’s production, a senior BCCL official in the area said. Some mines would produce at least 10 percent more coal if Mahto, 37, were to stop leading labour strikes, the official said.

A recent public-interest suit filed in the Jharkhand high court by advocate Somnath Chatterjee sought an official inquiry into the source of Mahto’s wealth, which the suit estimated at $36 million.

Mahto denied he was a gangster and said accusations he was involved in the illegal coal trade were politically motivated.

“We don’t want to be kings,” he said, grinning broadly and surrounded by supporters at his mansion overlooking an abandoned pit outside Dhanbad. “We just want to serve.”

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