

**Report of the
Comptroller and Auditor General
of India**

**Performance Audit of State Excise Department
For the year ended 31 March 2009**

**NO. 5
(REVENUE RECEIPTS)
GOVERNMENT OF UTTAR PRADESH**

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PREFACE

To present a homogenous report of the State Excise Department of Uttar Pradesh, it was felt by us that a performance audit of State Excise Department may be conducted at macro and micro level. For this purpose the headquarters of the State Excise Department and all the major units like Distilleries, Breweries, Pharmacies, District Excise Offices and Alcohol Technologists Laboratories were audited.

This audit report is the compilation of the findings of audit conducted between October 2008 and December 2009 by the office of Accountant General (Commercial and Receipt Audit). It covers the period 2004-05 to 2008-09. Deficiencies noticed in other compliance audit exercises have also been included in this Report.

Executive Summary

Context

With a view to provide better quality of liquor at a reasonable price to the consumers, curb the supply of illicit liquor and for gathering revenue from excise duties a 'New Excise Policy' was promulgated with effect from 1 April 2001 in Uttar Pradesh. It also aimed to reduce the monopoly of the liquor syndicates and bring in new players in the business.

This report

In order to examine the gamut of elements which total up to the excise revenue in the state, we examined the system in existence. To preset a holistic picture we focused on both the Headquarters' structure and field formations, financial management vis-a-vis appropriate accounting thereof, operational control and staffing requirement of the State Excise Department. We have also examined the aspects of leakage of revenue and lack of coordination in the working of the department.

Audit findings

Our test check of the records of the offices of State excise, conducted during the years 2008-09 and 2009-10 (upto December 2009) for this Performance Audit Report, indicated a large number of cases of low recovery of alcohol from molasses, non-lifting of minimum guaranteed quota (MGQ) of country liquor, non-realisation of licence fee, non-levy of interest and other irregularities which have a revenue impact of ₹ 1,344.56 crore.

District Excise Offices

We found that the department had no monitoring mechanism for ascertaining the total sales made by the retailers during a year for working out the actual license fee payable by them in respect of the Foreign Liquor shops. This led to loss of licence fee of ₹ 2.07 crore. Excise duty of ₹ 1.04 crore was not levied by the department on short lifted quantity of country liquor and the entire Basic Licence Fee and security deposits of ₹ 11.28 crore were not deposited in time as required under the rules.

Sugar factories

To ensure that correct quantities of molasses arrived in the distilleries from the sugar factories there is a system of verification of MF 4 passes. Inaction in verifying the same by the department led to the loss of excise revenue of ₹ 58.09 crore.

In the accounting system of the molasses there are lacuna due to which there was short accountal of molasses with involvement of excise revenue of ₹ 21.40 crore. Deposits in molasses fund at lower than prescribed rates by sugar factories led to short deposit of ₹ 75.77 lakh in the fund.

Distilleries, Breweries and Alcohol Technologists Laboratories

Incorrect redistillation wastage allowed during production of Extra Neutral Alcohol and Absolute Alcohol from Rectified Spirit led to revenue loss of ₹ 42.97 crore.

Distilleries failed to achieve norms of minimum production, minimum fermentation and distillation efficiency. Loss of excise revenue of ₹ 133.30 crore was caused by these failures but the department did not take the punitive action prescribed in the rules against the concerned distilleries. The Department also failed to impose fines of ₹ 788.78 crore on production of alcohol over and above the annual/daily approved installed capacity. Excess transit and storage wastage of Rectified Spirit and Extra Neutral Alcohol, duty not charged on excess strength of alcohol bottled, wrong rates of excise duty on beer, incorrect amount of wastages allowed were noticed which resulted in loss of revenue. Interest on belated payments was also not levied by the Department.

Other irregularities

Spirits stored in pharmacies without executing required bond, inadmissible transit wastage of spirit allowed to pharmacies, excise locks not provided/not interchanged at regular intervals, were some of the issues we noticed. Realisation of overtime fees at lower rates and non-realisation of the overtime fees at revised salary rates led to loss in fees of ₹ 85.21 lakh. Transit and storage wastage of TRS, below norms recovery of fermentable sugar from Total Reducing Sugar and other issues involved loss of excise revenue of ₹ 279.83 crore.

Internal control management

Despite actual staff strength being below sanctioned strength, the department did not undertake any exercise for effective redeployment of staff. Internal inspection of the different field units was below the norms fixed. Internal audit was weak and failed to achieve the audit plan prepared.

CHAPTER-I GENERAL

The State Excise Department attempts to achieve maximum revenue through the legal sale of intoxicants under the relevant Central and State laws and rules.

1.1 Legislative provisions

The power of the State Government to levy and collect State Excise Duties is derived from Article 246 of the Constitution of India and Entry 51 of the List – II – State List of the Seventh Schedule thereto.

The following Central and State Laws and the Rules made thereunder govern the levy and collection of the excise duties and other excise receipts like fees, fines etc.

Central laws

- (i) The Opium Act, 1878 and Rules made thereunder to control the cultivation of poppy and manufacture of opium therefrom.
- (ii) The Dangerous Drugs Act, 1930 and Rules made thereunder to suppress contraband traffic and control the abuse of dangerous drugs, especially those derived from opium, Indian hemp etc.
- (iii) The Medicinal and Toilet Preparations (Excise Duties) Act, 1955 and Rules made thereunder provide for levy and collection of duties of excise on medicinal and toilet preparations containing alcohol, opium, Indian hemp or other narcotic drugs.

State laws

- (i) The Uttar Pradesh Excise Act, 1910 and Rules made thereunder to regulate the production, manufacture, possession, transportation, purchase and sale of intoxicating liquors and drugs, the levy of duty of excise and countervailing duties on alcoholic liquors and production and distribution of power alcohol.
- (ii) The *Uttar Pradesh Sheera Niyam*, 1964 and rules made thereunder.
- (iii) New Excise Policy of 2001, as amended from time to time.

The main provisions of the Uttar Pradesh State Excise Act, 1910 and rules and instructions made thereunder are mentioned in Appendix-I of this report.

1.2 Audit objectives

We conducted a comprehensive study of the working of the State Excise Department to examine whether

- (i) the system and procedures for monitoring levy and recovery of state excise receipts was adequate;
- (ii) financial management comprising of realistic budgeting, regularity in fund flow, appropriate accounting thereof as well as maintaining of proper cash books was sound;

- (iii) financial and operational controls existed and were periodically reviewed to fulfill the requirements of the internal control of the department; and
- (iv) the department periodically reviewed and assessed staffing requirements corresponding to departmental activities.

1.3 Audit methodology and scope of Audit

To present a comprehensive report of the working of the State Excise Department before the legislature, we attempted to focus on system issues covering even the smaller units. For this purpose, we conducted a comprehensive performance review, covering the period 2004-05 to 2008-09. We examined the records of 16¹ out of 157 Sugar factories, 21² out of 63 Distilleries, three³ out of five Breweries, two⁴ out of four Alcohol Technologists Laboratories (AT Labs), six⁵ out of 55 Pharmacies, seven⁶ out of 71 District Excise Offices and office of the State Excise Commissioner during the period October 2008 to December 2009. The units were selected on random sampling basis. Besides these, we have included issues noticed during 2008-09 in our transaction audit of 18 distilleries and four out of 44 District Excise Offices in this report.

1.4 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the State Excise Department in providing the necessary information and records to audit. An entry conference was held with the Finance Controller of the department in which the objectives of the review were explained to him. We forwarded the draft Performance Audit Report to the Government and the Department in January 2010 and discussed it with the department in an exit conference held in May 2010. This was attended by Finance Controller, Joint Commissioner, Excise and other technical staff of the department. We have included the replies of the department received during the exit conference and at other points of time in the respective paragraphs.

1.5 Organisational set up

1.5.1 Headquarters

The Excise Commissioner is the Head of the Excise Department and is entrusted with the responsibility of overall supervision of the excise department. He is also the Ex-Officio Controller of Molasses. He is assisted by two Additional Excise Commissioners, three Joint Excise Commissioners, 10 Deputy Excise Commissioners and six Assistant Excise Commissioners at headquarters. In financial matters, the Excise Commissioner who is assisted by

¹ Agauta Sugar Factory Bulandshahar, Asmauli, Bajaj Sugar Factory Gagnauli Saharanpur, Balrampur Sugar Mill Balrampur, Balrampur Sugar Mill Bahnan Unit, Balrampur Sugar Mill Mankapur Unit, Daurala, Dhampur, Ghosi Sugar Factory Ghosi Mau, J K Sugar Meeranji, Mawana Sugar Mill Meerut, Tikola Sugar Factory Muzaffarnagar, Triveni Sugar Mill Thakurdwara Moradabad, Triveni Sugar Factory Khatauli Muzaffarnagar, Triveni Sugar Factory Deoband Saharanpur and Uttam Sugar Mill Bijnor.

² Asmauli, Baheri, Balrampur, Gagnauli, Jagatjeet (grain), Jubillant Organosys, Kaptanganj, Tikola, Roza, Tapri, Nanauta, Dhampur, Kinauni Meerut, Mansoorpur, Rampur, Rampur (grain unit), Saraiya, IGL Gorakhpur, Naglamal Distillery Meerut, Jain Distillery Bijnor and Radio Khaitan Rampur Marg.

³ Mohan Gold Water Lucknow, Manav Brewery Ghaziabad and Skol Brewery Meerut.

⁴ AT Lab Lucknow and AT Lab Meerut.

⁵ Dabar India Ltd. Ghaziabad, Roop Chemical Pvt. Ltd. Lucknow, R.S. Bhargav Pharmacy Bulandshahar, Sri Durga Chemical Aligarh, Vijay Chemical Pvt. Ltd. Aligarh and Wardex Pharmaceutical Ltd. Ghaziabad.

⁶ DEO: Aligarh, Ghazipur, G.B. Nagar, Lucknow, Moradabad, Muzaffarnagar and Saharanpur.

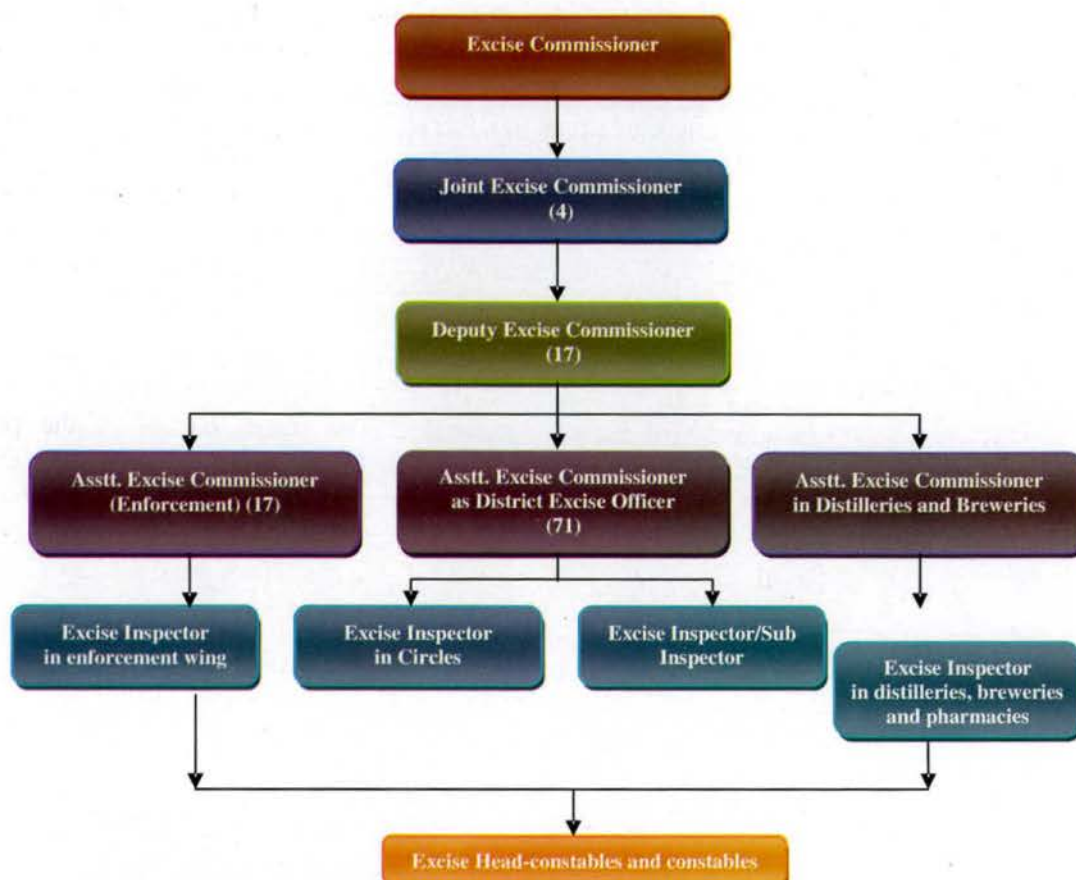
the Finance Controller and Chief Accounts Officer is also responsible for keeping watch over different units through the Internal Audit Wing. We noticed that during the last five years i.e. from April 2004 to March 2009, six Excise Commissioners were posted and the period of their tenure ranged from eight months to two years with an average stay of 10 months.



At the Government level the Principal Secretary, Excise is responsible for the overall control of the department and formulating the policy issues. During the last five years i.e. from April 2004 to March 2009, five Principal Secretaries, Excise were posted and the period of their tenure ranged from two months to 22 months with an average stay of 12 months.

1.5.2 Field formation

For the purpose of effective administration the State is divided into four zones and 17 charges, each under the charge of a Joint Excise Commissioner and a Deputy Excise Commissioner respectively, who are assisted by an Assistant Excise Commissioner in each district. In case of Excise receipts, the Collector of the district is the Head of the Excise administration within the district. An Assistant Excise Commissioner, who is posted at the District Headquarters and designated as the District Excise Officer (DEO), carries out all functions on his behalf. All the powers of the Collector regarding Excise administration are delegated to him. Each district is further divided into circles, under the control of one Excise Inspector in each circle. To assist the Excise Inspector in the field, head constables and constables are also posted in the circles.



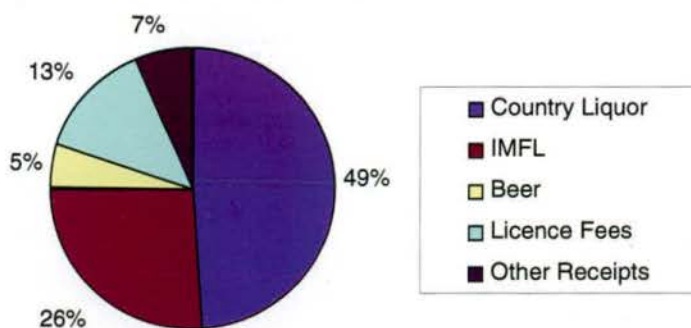
1.6 Activities

State Excise revenue is one of the most important components of the state's tax revenue. It is mainly derived from the shop rentals, fee for licences issued to distilleries, breweries and liquor dealers, duties on liquor, other spirits, beer, medicinal and toilet preparations containing alcohol, taxes and rent on toddy trees and composite fees, fines, penalties, etc. Revenue realised by the State Excise Department for the last five years from Country Liquor, IMFL, Beer, Licence fee and other receipts is as under:

(Rupees in crore)

Year	Country Liquor	IMFL	Beer	Licence Fees	Other Receipts	Total
2004-05	1,388.69	662.24	120.15	344.72	170.39	2,686.19
2005-06	1,525.77	756.35	147.35	426.37	232.70	3,088.54
2006-07	1,685.79	929.08	190.11	514.00	232.27	3,551.25
2007-08	1,900.47	1,091.92	204.64	507.25	244.12	3,948.40
2008-09	2,236.97	1,307.00	237.20	593.92	344.92	4,720.01
Total	8,737.69	4,746.59	899.45	2,386.26	1,224.40	17,994.39

% of total state excise receipts



There is an exhaustive Government control on the manufacture of rectified spirit, alcohol, etc., as per the Excise Act and the Rules. The Government lays down the norms for production, wastages, evaporation, etc., for different stages of manufacture and for different types of liquor. Alcohol is also made available at concessional rates of duty for certain industrial and other special purposes. In these areas some standard norms are also used for assessing the requirements of alcohol and to ensure its effective utilisation. Duty is also normally levied at concessional rates in respect of liquor exported outside the State.

An excise policy called the "New Excise Policy" promulgated with effect from 1 April 2001 provides for the entry of new liquor professionals by ending the monopoly of liquor syndicates. The main feature of the policy was the allotment of shops through public lottery in place of auction through bids or tender. The policy also ensures availability of better quality liquor at reasonable price to the customers. Affixing of safety holograms on the bottles/cans of the liquor curbed the supply of illicit liquor of below standard quality and also safeguarded the excise revenue.

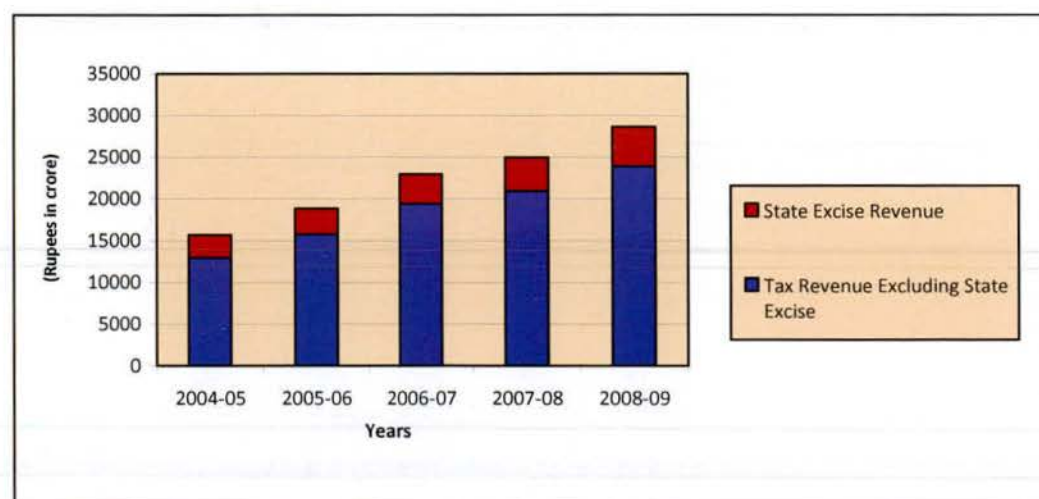
1.7 Trend of revenue with economy

1.7.1 Revenue position

The tax revenue raised by the State Excise Department as a part of the total tax revenue of Government of Uttar Pradesh for the period 2004-05 to 2008-09 was as below:

(Rupees in crore)

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
i	Tax revenue	15,692.61	18,857.90	22,997.97	24,959.32	28,658.97
ii	State Excise revenue	2,686.19	3,088.54	3,551.25	3,948.40	4,720.01
iii	Percentage of increase from previous year	8.65	14.98	14.98	11.18	19.54
iv	Percentage of i to ii	17.12	16.38	15.44	15.82	16.47



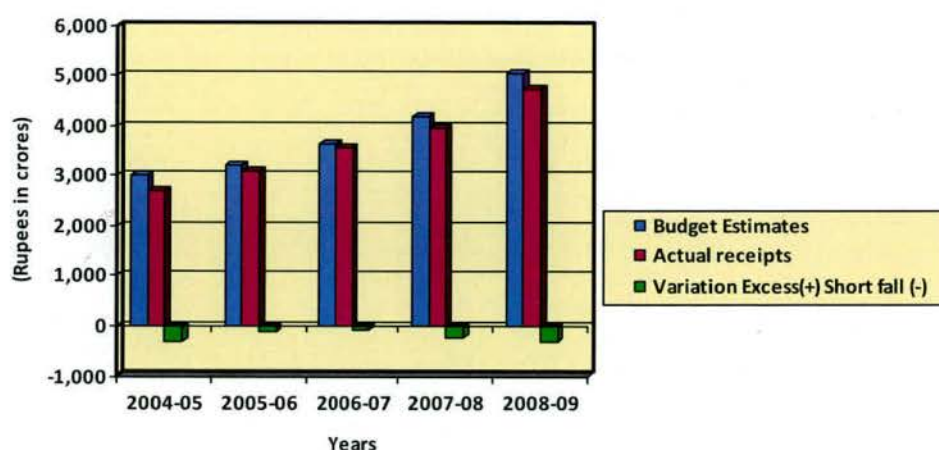
It is seen that although there was gradual increase in excise revenue over previous years, the percentage of excise revenue to total state revenue showed marginal fluctuations.

1.7.2 Variation between the budget estimates and actuals

The variation between the budget estimates and actual revenue receipts for the period 2004-05 to 2008-09 was as under:

(Rupees in crore)

Year	Budget estimates	Actual receipts	Variation excess(+) shortfall (-)	Percentage of variation
2004-05	3000.00	2686.19	(-) 313.81	(-) 10.46
2005-06	3200.00	3088.54	(-) 111.46	(-) 3.48
2006-07	3650.00	3551.25	(-) 98.75	(-) 2.71
2007-08	4192.00	3948.40	(-) 243.60	(-) 5.81
2008-09	5040.00	4720.01	(-) 319.99	(-) 6.35



It would be seen from the above that variation between the budget estimates and the actuals was (-) 2.71 to (-) 10.46 per cent. This indicates that the budget estimates were realistic.

1.7.3 Analysis of arrears of revenue

We noticed that the arrears of revenue, as on 31 March 2009, in respect of the State Excise Department, amounted to ₹ 56.73 crore. Out of this, ₹ 54.66 crore were arrears of more than five years. Of the total arrears, demand for ₹ 32.08 crore had been certified for recovery as arrears of land revenue out of which ₹ 0.80 crore have been recovered and recovery certificates amounting to ₹ 0.05 crore were sent to other States. Recoveries amounting to ₹ 21.93 crore had been stayed by the Courts and the Government. Demand for ₹ 2.72 crore was likely to be written off.

1.8 Cost of collection

The gross collection of the State Excise revenue receipts, expenditure incurred on collection and percentage of such expenditure to the gross collection during the years 2006-07, 2007-08 and 2008-09 along with the relevant all India average percentage of cost of collection to gross collection was as under:

(Rupees in crore)

Head of revenue	Year	Gross Collection	Cost of collection	Percentage of cost of collection to gross collection	All India average percentage for cost of collection
State Excise	2006-07	3,551.25	37.34	1.05	3.30
	2007-08	3,948.40	44.57	1.13	3.27
	2008-09	4,720.01	50.19	1.06	3.66

We noticed that the cost of collection for the State Excise Department is below the All India average.

1.9 Outstanding inspection reports and audit observations

To test check the transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures, we conduct periodical inspection of the State Excise Department. Once the inspection is completed, we issue Inspection Reports (IRs), to the Head of Office inspected, with a copy to the next higher authority. These IRs contain irregularities detected during the inspection. We also report serious irregularities to the Head of the Department and the Government. The Head of Office is required to furnish replies to IRs through the Head of the Department within a period of two months.

A large number of the audit observations relating to the revenue receipts upto 30 June 2009 were pending for reply or action by the department as on 31 December 2009. The details for the preceding three years are mentioned below:

Sl. No.	Number of outstanding IRs/paras/revenue involved	2007	2008	2009
1	Number of Inspection Reports pending for settlement	764	830	814
2	Number of outstanding audit observations	1,173	1,191	1,276
3	Amount of revenue involved (Rupees in crore)	412.17	391.32	381.54 ⁷

The Government needs to take speedy and effective action on the issues raised in the IRs.

1.10 Audit committee meetings

A mechanism of Audit Committee Meetings (ACMs) has been devised in order to expedite the clearance of the outstanding audit observations. These committees should meet regularly and ensure appropriate and prompt action on all the audit observations and the IRs.

⁷ The observations relate to the period 1984-85 to 2008-09.

Three audit committee meetings were held during 2008-09 and 2009-10 in which only 26 paragraphs worth ₹ 7.88 crore were settled. Thus, merely 2.66 per cent of the total outstanding observations were settled during this period. This indicates that the Government/Department had not made optimum utilisation of the mechanism created for expeditious settlement of outstanding audit observations.

The Government may consider holding more meetings of ACs during a year to expedite the settlement of the audit observations.

1.11 Follow up of Audit Reports (ARs) - summarised position

Irrespective of whether the cases were taken up for examination by the PAC or not, the Department of Finance issued instructions in June 1987, to initiate *suo moto* action on all the paragraphs/reviews figuring in the Audit Reports. These were issued to ensure the accountability of the executive in respect of all the issues dealt in the various ARs. We have not received explanatory notes (ENs) in respect of two paragraphs/reviews as on 31 December 2009 even after the lapse of the prescribed period of three months. The outstanding ENs dating back to 2003-04 are as mentioned below:

Year of Report	Date of presentation of Audit Report to the legislature	No. of paragraphs/reviews included in the Audit Reports	No. of paragraphs/reviews on which ENs have been received from the department	No. of paragraphs/reviews on which ENs have not been received from the department
2003-04	20 July 2005	2	0	2
2004-05	11 March 2006	2	2	0
2005-06	25 January 2007	12	12	0
2006-07	15 February 2008	2	2	0
2007-08	17 February 2009	2	2	0
Total		20	18	2

1.12 Compliance with the earlier Audit Reports

We had reported cases of under assessment, non/short levy of state excise receipts involving ₹ 416.45 crore in the Audit Reports 2003-04 to 2007-08. Of these, as on December 2009, the department has accepted observations of ₹ 2.76 crore and recovered ₹ 0.83 crore. Audit Report-wise details of cases accepted and recovered are mentioned below:

Year of Audit Report	Total money value	Accepted money value	(Rupees in crore)
			Recovery made
2003-04	6.02	0.00	0.00
2004-05	0.50	0.34	0.34
2005-06	408.15	2.42	0.49
2006-07	0.52	0.00	0.00
2007-08	1.26	0.00	0.00
Total	416.45	2.76	0.83

As is evident from the above, the pace of recovery was very slow, as it was only 30 per cent of accepted money value of the audit observations.

The Government may advise the Excise Department to take necessary action for prompt recovery.

1.13 Results of audit

Our test check of the records of the offices of State excise, conducted during the year 2008-09 for this Performance Audit Report, revealed cases of low recovery of alcohol from molasses, non-lifting of minimum guaranteed quota (MGQ) of country liquor, non-realisation of licence fee, non-levy of interest and other irregularities amounting to ₹ 1,372.36 crore in 189 cases, which fall under the following categories:

(Rupees in crore)			
Sl. No.	Categories	Number of cases	Amount
1.	Working of State Excise Department	1	1,344.56
2.	Low recovery of alcohol from molasses	11	6.75
3.	Non-lifting of MGQ of Country Liquor	14	3.45
4.	Non-levy of licence fee	21	2.31
5.	Non-levy of interest	21	0.31
6.	Other irregularities	121	14.98
Total		189	1,372.36

During the year 2008-09, the Department recovered ₹ 19.68 lakh, involved in nine cases of low recovery of alcohol, non-lifting of MGQ and other irregularities, pointed out by us in the earlier years.

This report contains 29 paragraphs including eight chapters involving revenue impact of ₹ 1,344.56 crore. We have mentioned some of the major findings in the succeeding chapters.

CHAPTER-II DISTRICT EXCISE OFFICES



CHAPTER-II DISTRICT EXCISE OFFICES

2.1 Introduction

In case of excise receipts, the Collector of a district is the administrative head of the Excise Department in that district. An Assistant Excise Commissioner of the Excise Department, who is posted at the District Headquarters and designated as the District Excise Officer (DEO) carries out all functions on his behalf. All the powers of the Collector relating to administration are delegated to him.

We test checked the records of seven¹ District Excise Offices (DEOs), out of 71 in the State, for the period April 2004 to March 2009 between September 2009 and December 2009. Observations noticed in four² DEOs during transaction audit were also included in this chapter. During the test check, the following irregularities involving money value of ₹ 14.44 crore were noticed, which we have discussed in the succeeding paragraphs :

System deficiencies

2.2 Short levy of licence fee on shops of Foreign Liquor

Under the provisions of the Uttar Pradesh Excise (Settlement of Licences of Retail Sale of Foreign Liquor) Rule 2002 (as amended) annual licence fee in respect of the retail shops of foreign liquor is leviable on the basis of number of bottles sold out in the current year. As per the new excise policy the number of bottles was to be calculated on the basis of actual sale of nine months i.e. from April to December and presumptive sale of three months on the basis of 1/3 of sale of April to December i.e. 4/3 of the actual sale of nine months upto 2008-09 and thereafter actual sale of 10 months i.e. from April to January and presumptive sale to February and March by 1/5 of April to January i.e. 12/10 of the actual sale of 10 months.

Seven DEOs³ involving 153 retail license shops of foreign liquor

We noticed from the consumption register⁴ that the actual sales of the above

The Excise policy envisaged that in case any difference of license fee realised from the retailers on the basis of the aforesaid formula (henceforth called presumptive sales) and the license fee realisable from the actual sales was noticed, the matter should be referred to the Government for seeking their guidance so that there is no loss of revenue to the Government.

retail shops were more than the presumptive sales during the years 2006-07 to 2008-09 by 3.87 lakh bottles. The department had at no time made any effort to ascertain

the actual sales made by the retailers, by dint of which the shops could have been settled on higher license fee by the Government. Thus, the Government was deprived of revenue to the tune of ₹ 2.07 crore by way of licence fee.

We further observed that the department had not put in place any monitoring mechanism by way of returns to review the actual sales made by the retailers during a year for referring the same to the Government as envisaged by them in the policy. In fact it was unaware of the additional license fee payable by those shops whose sales exceeded the presumptive sales.

¹ Aligarh, Ghazipur, G B Nagar, Lucknow, Moradabad, Muzafarnagar and Saharanpur

² Ballia, Farukhabad, Mainpuri and Mau.

³ Aligarh, Ghazipur, G B Nagar, Lucknow, Moradabad, Muzafarnagar and Saharanpur

⁴ The register indicates monthly quantity of liquor lifted. It is maintained by each DEO.

After we pointed out the observation the department stated (May 2010) that the settlement was made as per the new excise policy issued by the Government. The reply is not tenable as in these cases the actual sales had exceeded the presumptive sales and as such these were required to be referred to the Government for seeking their guidance for determination of correct license fee.

The Government may consider putting in place a monitoring system that may be by way of introducing periodical returns for ascertaining the increase in the actual sales as compared to the presumptive sales at the apex level so as to enable the Government to fix the license fee correctly.

Compliance deficiencies

2.3 Non-realisation of excise duty due to short lifting of minimum guaranteed quota of country liquor

Under the provisions of the Uttar Pradesh Excise (Settlement of licenses for the retail sale of country liquor) Rules 2002, a minimum guaranteed monthly quota (MGQ) of country spirit to be lifted by each licensee is fixed by the department. A licensee is required to lift the entire MGQ fixed for him during a year.

Five⁵ DEOs involving 38 licensees of country liquor

We noticed that 38 licensees lifted 9,72,661.70 bulk liters (BL) of country liquor against the MGQ of 10,81,656.22 BL during the period 2006-07 to 2008-09. As such, the differential amount of

Rules provide that the country liquor lifted short by a licensee shall be adjusted from the security deposit of the licensee and a notice shall be issued to the licensee by the third day of the next month to replenish the deficit in the security amount either by lifting such quantity of country liquor involving duty equivalent to the adjusted amount or by depositing cash or a combination of both.

licence fee i.e. ₹ 1.04 crore on 1,08,994.52 BL of country liquor lifted short, was to be recovered from the licensees. This was not done.

We found that the department was unaware of the MGQ lifted short; it had at no time reviewed the monthly consumption register/ascertained the position of lifting of liquor against the monthly MGQ fixed by the department. Thus, excise duty amounting to ₹ 1.04 crore remained unrealised.

After we reported the cases to the department it stated (May 2010) that in one case entire licence fee of ₹ 5.89 lakh has been realised. We have not received report on the action taken in the remaining cases. (August 2010)

2.4 Short realisation of licence fee in settlement of Model Shop

DEO Farrukhabad involving one licence

We noticed that the license fee of a model shop of foreign liquor and beer set up in

As per Government order dated 10 January 2007 read with the circular of the Excise Commissioner, Uttar Pradesh dated 25 January 2007, the licence fee for setting up a model shop for the year 2007-08 or part thereof was fixed for ₹ eight lakh or the highest licence fee among the settled retail shops in the district for the same year, for both foreign liquor and beer, whichever was higher.

November 2007 was fixed as ₹ 5.32 lakh though the highest license fee of a retail shop

⁵ Ballia, Ghazipur, Lucknow, Mainpuri and Mau.

of foreign liquor and beer in the city was ₹ 10.65 lakh. Thus, incorrect fixing of the licence fee resulted in short realisation of revenue of ₹ 5.33 lakh.

2.5 Non-forfeiture of Basic Licence Fee and security deposits led to loss of revenue

Two⁶ DEOs involving 44 country liquor shops

The Uttar Pradesh Excise (Settlement of Licences of Retail Sale of Country Liquor) Rules 2002 provide that amount of Basic Licence Fee (BLF) shall be deposited in full within three working days, half of the security amount within 10 working days and rest of the amount within 20 working days, of receipt of the intimation of the selection of shops. In case of default, the selection of shops would be cancelled and amounts of BLF and security deposits, if any, would be forfeited in favour of the Government and the shops would be resettled forthwith.

We noticed that during the period 2007-08 to 2008-09 though the licenses of the above country liquor shops were settled or renewed, these licensees, however, did not deposit the entire amount of BLF and security deposit as required under the rules. For the default no action was initiated as envisaged

in the rules.

Thus, failure of the department to comply with the rules deprived the Government of revenue to the tune of ₹ 7.02 crore by way of BLF and security money.

2.6 Loss of revenue due to non-forfeiture of lapsed deposits of security money

Under the provisions of Uttar Pradesh Excise (Settlement of Licences of Retail Sale of Country Liquor) Rules 2002 (as amended) the amount of security deposit is required to be deposited into the Government account.

Four⁷ DEOs involving 125 retail liquor licensees

We found that the security deposits amounting to ₹ 4.26 crore made by 125

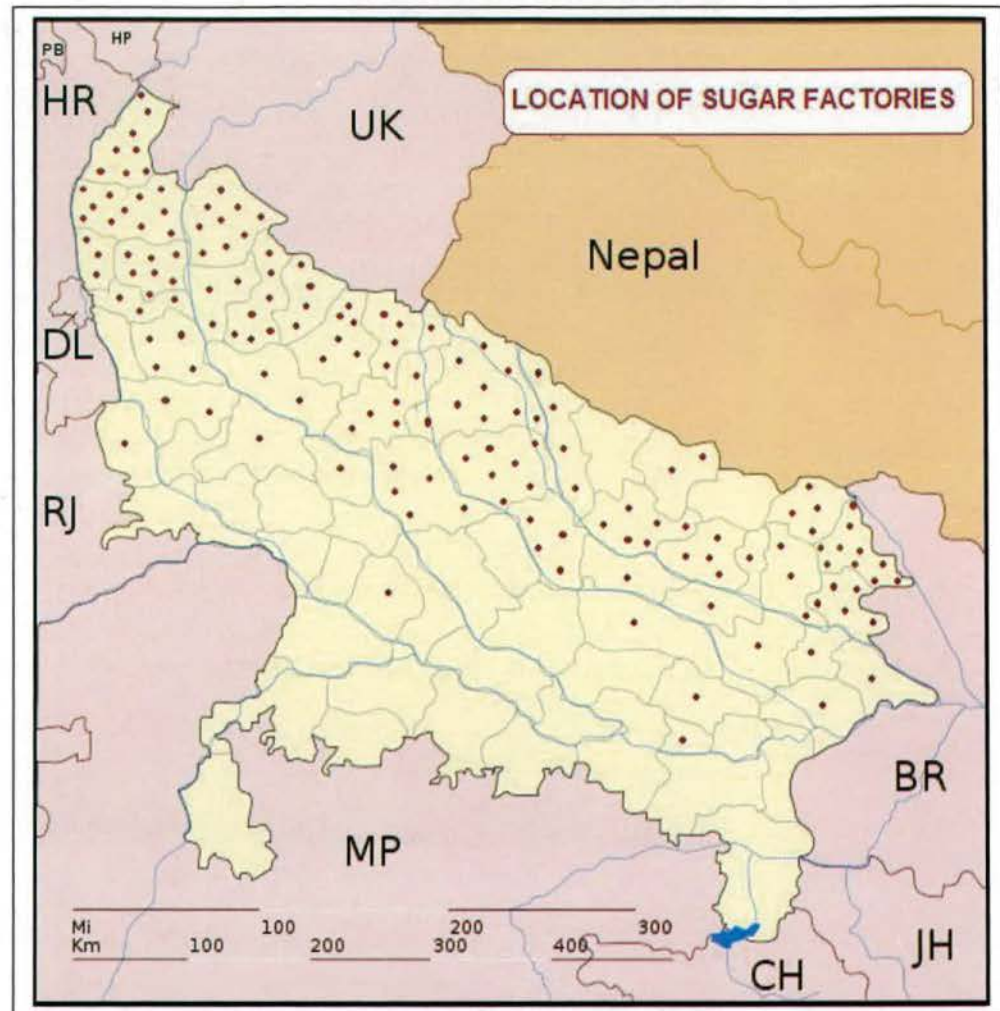
As per provisions of the Part I Volume V of the Financial Hand Book, any security deposit that remains unclaimed for three financial years is required to be treated as a lapsed deposit and credited to the revenue receipts of the Government. There is no provision for carrying forward the security deposits made by a licensee during a year to the next year either in the Act or in the rules.

retail liquor licensees were carried forward from year to year during the period from 2002-03 to 2008-09, though there is no such provision in the Act or in the rules. The security deposits being more than three years old were required to be treated as lapsed and credited into the Government account. This was not done. Thus

non-adherence of the financial provisions resulted in short recovery of revenue to that extent.

⁶ Ghazipur and Muzafarnagar
⁷ Ghazipur, Lucknow, Muzafarnagar and Saharanpur.

CHAPTER-III SUGAR FACTORIES



CHAPTER-III SUGAR FACTORIES

3.1 Introduction

Molasses is un-crystallised syrup obtained as an important by-product in the process of manufacture of sugar. The total reducing sugar content present in the molasses produced by sugar factories is ascertained by chemical analysis, and generally ranges between 40 and 50 *per cent* of the molasses. The most important use of molasses is in the manufacture of alcohol, both potable as well as industrial, particularly alcohol-based chemicals. It is also used in cattle feed and tobacco curing. The supply and distribution of molasses produced by 157 sugar factories in Uttar Pradesh is governed by the *Uttar Pradesh Sheera Niyamtran Adhiniyam*, 1964 (Act) and the *Uttar Pradesh Sheera Niyamtran Niyamavali* 1974 (Rules). The State Government appointed the State Excise Commissioner as the Controller of Molasses in November 1965. The sugar factories are responsible for proper and scientific storage of molasses in the factories. For this purpose, the Government in 1974 ordered for creation of a separate fund, called the 'Molasses Fund', into which such amounts, as may be determined and notified by the Controller of Molasses from time to time, shall be deposited. The Government has notified the rates on the basis of sale proceeds of molasses and the amounts recovered on this account are required to be credited to this fund by the sugar factories.

We test checked the records of 16 sugar factories¹ during the period September 2009 to December 2009. Our audit revealed a number of deficiencies involving money value of ₹ 80.31 crore. The specific cases are mentioned in the succeeding paragraphs.

3.2 Non-imposition of penalties

3.2.1 13 Sugar factories

We noticed that 10,269 MF 4 gate passes were received back by the above sugar factories from the distilleries with average delays of 68 days during the years 2006-07 to 2008-09. The department did not initiate any action to impose the prescribed fine for such default resulting in a loss of ₹ 5.51 crore as shown in Appendix II. After we pointed this out, five units replied that in future utmost care will be taken for timely receipt of MF 4

Rule 27 of *Uttar Pradesh Sheera Niyamtran Niyamavali*, 1974 provides for verification of MF 4 passes, by which molasses are received in distilleries from sugar factories, within one week of the arrival of the consignment at the distillery.

¹ Bulandshahar (Agauta Sugar Mill), Balrampur (Balrampur Sugar Mill), Bareilly (J. K. Sugar Mill Meerganj), Bijnor (Dhampur Sugar Mill & Uttam Sugar Mill Barkatpur), Gonda (Balrampur Sugar Mill Babhnan and Mankapur Unit), Mau (Ghosi Sugar Mill), Meerut (Daurala Sugar Works & Mawana Sugar Mill), Moradabad (Asmauli Sugar Mill & Triveni Sugar Mill Thakurdwara), Muzafarnagar (Tikola Sugar Mill Tikola & Triveni Sugar Mill Khatauli) and Saharanpur (Bajaj Hindustan Sugar Ltd. Gagnauli & Triveni Sugar Mill Deoband).

passes. However, the remaining eight units stated that passes were received back within the 45 day limit which was fixed by the Excise Commissioner. The reply is not correct as the time limit of seven days prescribed in the Rules for verification of passes of MF 4 was raised to 15 days in May 1997 and to 45 days in July 1999 by the Molasses Controller, though such powers were not vested in him under the Act. Thus, grant of extension of time limit in receipt of the verified passes in violation to the provisions of the *Niyamavali* was incorrect.

3.2.2 Three² sugar factories

We noticed that 64,911.03 quintals of molasses were issued to distilleries through 220 MF 4 gate passes but even after lapse of one to 24 months, the

Under the provision of Section 11 of *UP Sheera Niyamtran Adhiniyam*, 1964, a person contravening any provisions of the Act or rules/orders made/issued thereunder, will be punishable with imprisonment or with fine which may extend to two thousand rupees or both and in case of a continuing contravention, with an additional fine which may extend to one hundred rupees for every day during which the contravention continues after conviction for the first such contravention.

MF 4 passes were not received back in the sugar factories. There was nothing on record to prove that the department had ever made any effort to get these passes verified by the authorised officers. Thus, the receipt of molasses by distilleries was not verified. The molasses contained TRS³ of 29,022.68 quintals and 25,539.95 quintals of fermentable sugar having potential of producing 13,40,847.81 AL of RS⁴ involving excise duty of ₹ 52.58 crore.

After we pointed this out, the concerned inspectors of the sugar factories stated that the relevant passes would be collected shortly. The reply furnished is not correct as the time limit provided in the Act has already lapsed and the chances of misutilisation of the passes cannot be ruled out which may lead to illegal trafficking of molasses. Steps are required to be taken for invoking the penalty clause provided in the Act.

The Government may consider issuing directions to ensure that the provisions for getting the passes back within the prescribed period are complied with and in case of default impose penalty without any delay.

² Bulandshahar (Agauta), Meerut (Mawana) and Moradabad (Asmauli)

³ TRS: Total Reducing Sugar means percentage of total sugar content present in molasses

⁴ RS: Rectified Spirit

3.3 Irregularities in maintenance of molasses account

3.3.1 Three⁵ Sugar factories

We noticed that in the above factories the quantity of molasses stored in the factories measured on 95 occasions, on the basis of dips and brix⁶ taken by the department, for the periods from April 2007 to October 2009 was 33,14,302.36 quintals against which 32,89,951.15 quintals were booked in the

Rule 32 of the *Uttar Pradesh Sheera Niyamtran Niyamavali* 1974, states that every sugar factory is required to maintain an accurate daily account of molasses produced, stored, issued, sold or wasted in a register in form MF 5. Quantity of the molasses stored in tanks can be calculated on the basis of the dips taken at the time of receipt or issue of the molasses.

accounts by the department leaving an unaccounted gap of 24,351.21 quintals. This resulted in loss of TRS of 11,681.56 quintals and 10,279.78 quintals of fermentable sugar having potential of producing 5,39,688.47 AL of rectified spirit involving excise duty of ₹ 21.40 crore.

After we pointed this out, the concerned inspectors of the sugar factories replied (between September 2009 and December 2009) that the difference was due to foam content present in molasses. The reply is not correct as there is no provision in the rules for permitting reduction on account of the foam content. Also the records maintained by the department had no entries relating to the foam content, if any, present in the molasses.

The Government may consider issuing directions to the department for taking corrective steps for measurement of molasses in accordance with the prescribed rules.

3.3.2 Ten⁷ Sugar factories

We observed in the above factories that the actual quantity of the molasses, as per the dip taken, was directly recorded in the fortnightly/monthly statements sent to the Controller of Molasses. Thus the basic records required, like the dip and brix, to determine the quantity of the molasses are not being maintained. In absence of these, the correctness of the quantity mentioned in the statements submitted to the Controller cannot be ascertained.

The Government may consider issuing directions for ensuring maintenance of the basic records in the sugar factories to ensure correctness of the quantity of the molasses mentioned in the statements submitted to the Controller.

⁵ Meerut (Daurala Sugar Works) and Muzafarnagar (Tikola Sugar Mill Tikola & Triveni Sugar Mill Khatauli)

⁶ Plunging of a scale into liquid to get wet to know its volume and the density of the liquid.

⁷ Bulandshahar (Agauta Sugar Mill), Balrampur (Balrampur Sugar Mill), Bareilly (J. K. Sugar Mill Meerganj), Gonda (Balrampur Sugar Mill Babhnan and Mankapur Unit), Meerut (Daurala Sugar Works & Mawana Sugar Mill), Muzafarnagar (Tikola Sugar Mill Tikola & Triveni Sugar Mill Khatauli) and Saharanpur (Bajaj Hindustan Sugar Ltd. Gagnauli).

3.4 Short deposits in molasses fund

Rule 3(1) of the *Uttar Pradesh Sheera Niyamtran Niyamavali*, 1974 read with *Uttar Pradesh Sheera Niyamtran Adhiniyam*, 1964, provide that a sugar factory shall provide adequate safeguards against leakage, seepage, overflow or any other accident likely to damage the quality of molasses stored in the factory. It is required to be stored in covered accommodation which should store at one time at least 50 per cent of the total production of molasses, calculated at four per cent of the total sugarcane that can be crushed in 140 working days according to the full registered cane crushing capacity of the factory or 50 per cent of the highest total production of molasses from the last four years, whichever is higher. For this purpose a fund called 'Molasses Fund' shall be created into which the amounts as may be notified by the Controller of the Molasses from time to time shall be credited by the sugar factory.

Four⁸ sugar factories

In case of a sugar factory which does not have adequate storage facility, the rate of contribution toward the molasses fund depended on the grade of molasses. It ranged between ₹ 1.50 to ₹ two per hundred kilograms while in case of a sugar factory which has adequate storage facility, it was ₹ 0.50 on all grades of molasses.

We noticed from the test check of records⁹ of factories that despite the fact that the above sugar factories did not have sufficient storage¹⁰ facilities for molasses, they deposited the molasses fund at the rate of ₹ 0.50 instead of ₹ 1.50 per 100 kilogram of molasses. Thus only

₹ 41.23 lakh was deposited in the molasses fund instead of the prescribed amount of ₹ 1.17 crore. This resulted in short deposit of ₹ 75.77 lakh in the molasses fund by these sugar factories.

3.5 Non-levy of administrative charges on below grade molasses

Two¹¹ sugar mills

The occupier of the sugar factory shall be liable to pay to the State Government, in the manner prescribed, administrative charges at such rate, not exceeding fifteen rupees per quintal as the State Government may from time to time notify [through the Molasses Controller under powers defined in section 8 (1) of the *Uttar Pradesh Sheera Niyamtran Adhiniyam*, 1964], on the molasses sold or supplied by him.

We noticed in the office of the Excise Commissioner in September 2008 that during the years 2005-06 and 2006-07 administrative charges of ₹ 6.61 lakh were not levied on above sugar mills. These sugar

⁸ Balrampur (Balrampur Sugar Mills), Gonda (Balrampur Sugar Mills, Babhnun Unit) Mau (Ghosi) and Moradabad (Triveni)

⁹ Sugar production, cane crushing files and Molasses production register.

¹⁰ The factories did not have the capacity as per the norms fixed by the department.

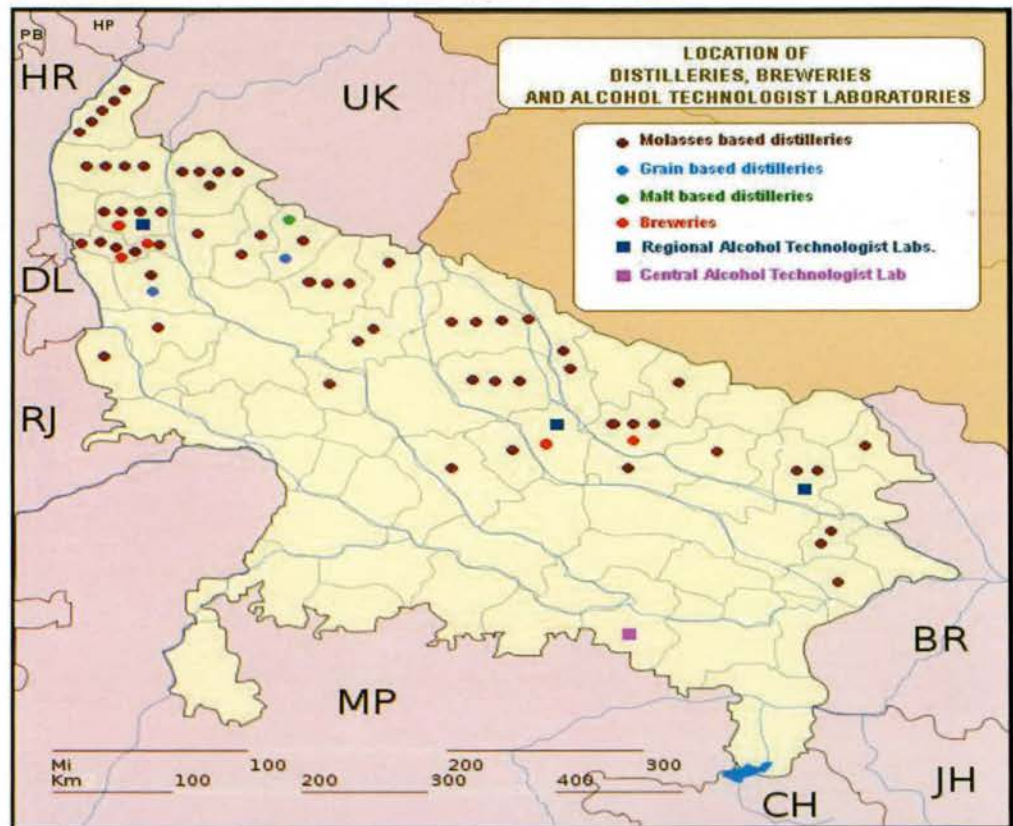
¹¹ Anand Agro Cam Sugar Mills (1,700 quintals) and Maijapur Sugar Mills (58,409 quintals)

mills produced 60,109 quintals of molasses.

After we pointed this out, the department intimated that this was due to non-levy of the charges on the "below grade molasses". The reply is not correct as the Act does not prohibit or exempt any class of molasses from the levy of the administrative charges. Thus by not levying the administrative charges on the factories there was a loss of revenue of ₹ 6.61 lakh.

The Government may issue directions for levying administrative charges as per the Act, irrespective of the grades of the molasses.

CHAPTER-IV DISTILLERIES, BREWERIES AND A.T. LABORATORIES



CHAPTER-IV

DISTILLERIES, BREWERIES AND A.T. LABORATORIES

4.1 Introduction

Distillery and Breweries are licenced units registered under the U.P. Excise Act 1910 and Uttar Pradesh Brewery Rules, 1961. A distillery produces alcohol and beer is brewed in breweries. Molasses, grains and malt wash are distilled to obtain the spirit, which is redistilled, compounded, blended, processed and diluted to produce different kinds of Indian Made Liquors and other intoxicants. Three regional laboratories at Gorakhpur, Lucknow and Meerut conduct chemical examination of molasses, alcohol, beer and other chemicals received from distilleries, breweries, sugar factories, liquor shops and alcohol based industries to ensure quality maintenance and proper control. A central laboratory at Allahabad coordinates and controls the regional laboratories.

We examined the records of 21 out of 63 Distilleries, three out of five Breweries and two out of four Alcohol Technologists Laboratories (AT Labs). Besides these our observations during transaction audit in 18¹ distilleries have also been incorporated in the paragraphs related to system and compliance deficiencies. These observations incorporating money value of ₹ 969.12 crore are enumerated below.

System deficiencies

4.2 Inadmissible re-distillation wastage in manufacture of Extra Neutral Alcohol (ENA) and Absolute Alcohol (AA)

Nine² distilleries

As per Rule 760 of Rules framed under the U.P Excise Act 1910, two *per cent* wastage is allowed in the process of re-distillation of spirit subject to certain conditions. The rules however, do not provide for any wastage of Rectified Spirit (RS), if any, claimed by a distillery in the manufacture of ENA or AA during the process of re-distillation.

We test checked the records of the above distilleries and noticed that the distilleries manufactured 1,564 lakh AL of ENA and 332 lakh AL of AA through the process of re-distillation of 2057 lakh AL of RS. These distilleries claimed a total wastage of 36 lakh AL of RS in the process of re-

distillation, as detailed below:

Number of Distilleries	Type of alcohol produced	RS Used (In lakh AL)	ENA/AA produced (in lakh AL)	Impure Spirit/RS in process (In lakh AL)	Wastage (In lakh AL)	Duty Involved (Rupees in crore)
8	ENA	1690.79	1563.65	95.87	31.27	36.45
2	AA	366.09	331.76	29.31	5.02	6.52
Total		2056.88	1895.41	125.18	36.29	42.97

¹ Bareilly (Superior), Bijnore (Dwarkesh and Mohit Petro Chemical), Ghazipur (Lords distillery), Gonda (Babhnai & Mankapur), Ghaziabad (Modinagar, Mohan Meakins & Ghaziabad Organics), Lucknow (Mohan Meakins), Mau (Ghosi and Nibi), Muzaffarnagar (Shamli & Triveni), Meerut (Daurala and United Spirits), Saharanpur (Shakumbhari) and Unnao (UDBL).

² Balrampur (Balrampur Distillery) [both ENA and AA units], Bareilly (Kesar Enterprises), Ghazipur (Lords Distillery), Ghaziabad (Modinagar), Muzaffarnagar (Mansoorpur, Shamli), Rampur (Rampur Distillery), Shahjahanpur (Roza) and Gonda (Balrampur Distillery Babhnai Unit)

The Assistant Excise Commissioners concerned incorrectly allowed the wastage claimed though it was not allowed by the rules. This resulted in loss of revenue of ₹ 42.97 crore as excise duty.

After we brought this to their notice, the department replied in August 2009 that rule 760 of the U.P. Excise Act, 1910 provides for two *per cent* wastage during the process of re-distillation. We do not agree with the reply of the department as the wastages allowed under the said Rule are on certain specified processes and these do not include wastage in the process of manufacture of ENA and AA through re-distillation.

4.3 Recovery of alcohol below norms

The UP Excise Rules framed under the UP Excise Act, 1910 provides that the distillers shall be responsible for maintaining such minimum fermentation and distillation efficiencies and such minimum recovery of alcohol from molasses consumed for production of alcohol, as may be prescribed by the Excise Commissioner.

4.3.1 32 distilleries - Non-recovery of minimum yield of alcohol

We noticed that in the above distilleries 402 composite samples of molasses were sent to the AT during the period April 2004 to March 2009 for

The norms of minimum recovery of alcohol prescribe that 52.5 litres of alcohol should be produced per quintal of fermentable sugar present in molasses.

determination of sugar content in 76.45 lakh quintals of molasses consumed by the distilleries. Based on the reports

of AT and the prescribed norms, 30.75 lakh quintal of fermentable sugar content was present in molasses, out of which 1,614 lakh AL of alcohol should have been produced. However, only 1,570 lakh AL was produced by these distilleries. This resulted in shortfall of 44 lakh AL of alcohol involving excise revenue of ₹ 79.41 crore as shown in Appendix-III.

When we brought these observations to light, the department replied in May 2009 that the duty on low yield of alcohol could not be levied because it is not actual but notional production. They also stated that this occurred due to disorder of the plant and machinery, interruption in the power supply, contamination of the molasses, etc. The reply of the department is not based on facts as the Excise Commissioner had while compounding 247 cases of low yield of alcohol, issued instructions to distillers between April 2004 and February 2009, to improve the recovery of alcohol within six months failing which their licenses would be cancelled and securities forfeited. Despite these instructions the distilleries had not improved the recovery of alcohol. Instead of cancelling the licences and forfeiting the securities as prescribed in the Rules, the Excise Commissioner continued to compound the cases and issued the same instructions in a routine manner.

The non-adoption of norms is fraught with the risk of depiction of incorrect quantity of production of alcohol that may lead to a loss of revenue to the Government.

The Government may consider incorporating a deterrent measure for non-adherence to the norms prescribed in the process of manufacture of alcohol.

4.3.2 Five distilleries - Non-achievement of minimum fermentation efficiency

We noticed in five distilleries that during the period April 2007 to March 2009, 158.37 lakh AL of alcohol should have been produced from 188.54 lakh

Rule 710 framed under the U.P. Excise Act 1910 provides that the distilleries shall maintain minimum fermentation efficiency of 84 *per cent* to yield wash from molasses.

AL of alcohol present in 32 batches of fermentable sugar by maintaining 84 *per cent* fermentation efficiency, against which actual production of alcohol was 156.98 lakh

AL. This resulted in short production of 1.39 lakh AL of alcohol involving excise revenue of ₹ 4.46 crore as shown in Appendix-IV.

We found that no action was initiated by the department against the distillers for non-achievement of prescribed minimum fermentation efficiency by the distilleries. The excise staff posted in the distilleries did not send the Continuous Out Turn wise statement to the Headquarters to assess these minimum prescribed efficiency percentages. Instead the department relied on the self- assessed fermentation efficiency reports sent by the distilleries to the Office of the Excise Commissioner in a monthly report in PD 29 formats³. The irregularities indicate that though the department had posted excise staff in the distilleries, there was lack of monitoring resulting in non-detection of the shortfall in production of alcohol.

4.3.3 17 distilleries - Non-achievement of minimum distillation efficiency

Rule 710 framed under the U.P. Excise Act 1910 provides that the distilleries shall maintain minimum distillation efficiency of 97 *per cent* to yield alcohol from wash.

We noticed that in 17 distilleries during the period April 2004 to March 2009, 1,357.27 lakh AL of alcohol should have been

produced from 1,399.25 lakh AL of alcohol present in 553 batches of wash. However, the actual production of alcohol was 1,338.47 lakh AL. This resulted in short production of 18.80 lakh AL of alcohol involving excise revenue of ₹ 49.43 crore as shown in Appendix-V.

The department had at no time taken any action to investigate the reasons for low yield of alcohol against any distiller or for non-achievement of prescribed minimum distillation efficiency by the distillery.

After we pointed out the low distillation and fermentation efficiency the department replied in May 2009 that the distiller cannot be punished for non-achievement of minimum norms fixed for distillation efficiency as the distilleries were already punished for low yield of alcohol cases. The reply is not correct as these norms are prescribed in the Act and the department needs to monitor the achievement by the distilleries at each stage to prevent any loss of revenue.

As the shortfall in the alcohol production as mentioned above has led to loss of excise revenue of ₹ 133.30 crore, there is a clear system failure of the department in these instances. The department has no system in place to ensure that the prescribed deterrent measures are taken against distilleries not

³ PD 29 Format: It shows the overall working of the distilleries like Molasses consumed, presence of fermentable sugar, maximum quantity of alcohol required to be produced and that produced in the distillery.

achieving the norms of minimum recovery of alcohol. There are also no measures in place to verify that the distilleries achieve the minimum fermentation and distillation efficiency.

The Government may consider -

- strengthening the system to ensure the prescribed deterrent measures against distilleries not achieving the norms are enforced and the enforcement monitored so that there is no loss of excise duty;
- measures are put in place to verify that the distilleries achieve the minimum fermentation and distillation efficiency. A system to verify the correctness of the sample test of wash done by the distillery staff should also be put in place.

4.4 Short levy of excise duty — Lacuna in the policy

We noticed that 15 batches of 1,54,680 bottles of 650 ml each prepared by

As per the New Excise Policy and the labels approved for Kingfisher Beer, beer with strength of alcoholic content less than five *per cent* is classified as mild beer and beer with strength of alcoholic content less than eight *per cent* is classified as strong beer. It did not distinctly classify the beer with strength of alcoholic content of five *per cent*.

Mohan Gold Water Brewery, Lucknow for Kingfisher Beer, were declared as mild beer and taxed at the rate of ₹ 16.50 and ₹ 18.50 per bottle

of 650 ml for the years 2006-07 and 2007-08 respectively. When the samples of these batches were test checked at ATL, Lucknow, they were found to have alcoholic content of five *per cent*. Hence these came under the category of strong beer and should be taxable at the rate of ₹ 30 and ₹ 32 per bottle of 650 ml each during 2006-07 and 2007-08 respectively. Incorrect classification led to short levy of excise duty of ₹ 20.88 lakh.

After we pointed this out, the department stated that beer with alcoholic strength up to five *per cent* was treated as mild beer. The reply of the department does not relate to our audit observation which refers to the beer strength with alcoholic content of exact five *per cent* while the reply furnished relates to strength of alcohol content upto five *per cent*.

The Government may consider defining clearly the distinction between strong beer by mentioning the strength of the beer from five to eight *per cent* and that of mild beer as below five *per cent*.

4.5 Non-maintenance of Cash Book

As per provisions of the Financial Handbook and orders issued by the Government and the department from time to time, all the receipts of Government must be entered in Cash Book. All the receipts of the Excise Department are entered in G-6 register of the District Excise Offices of the district concerned. AT Labs are required to maintain a cash book and verify/reconcile their receipts entered in cash book from G-6 register of District Excise Offices.

We noticed that in two ATLs⁴ the Cash Books were not being maintained. These ATLs had realised ₹ 38.31 lakh on account of

⁴

Lucknow and Meerut

sample tests and auction of old bottles. Thus, these ATLs could not verify/reconcile their receipts with G-6 register of the District Excise Office. Due to non maintenance of the Cash Book at these ATLs we were unable to verify the correctness of the remittance of the Government receipts into the Government account.

When we pointed this out the concerned Assistant Alcohol Technologists intimated (September and October 2009) that they do not have any instructions for maintaining the cash book in the laboratories.

The Department should ensure that all ATLs maintain cash books and reconcile them with G-6 register of District Excise Office at regular intervals.

Compliance deficiencies

4.6 Manufacture of alcohol in excess of installed capacity

The Government issued instructions on 23 July 1998 and 27 December 2004 that officers of the Excise Department posted at a distillery should ensure that no distillery produces spirit/alcohol in excess of its installed daily/annual capacity fixed for production including purchase of alcohol for human consumption from other distilleries of the State.

In test check of the records of four distilleries, we noticed that these distilleries produced 93.85 lakh BL (84.03 lakh AL) of alcohol in excess of the installed capacity of 328.40 lakh BL of alcohol. The production of the alcohol in excess of the annual/daily installed capacity was against the departmental instructions

Under the UPE Act, unlawful manufacturing and removal of intoxicant by any distillery will be punishable with imprisonment for two years and with fine of ₹ 500 or not less than 10 times of the duty due, whichever is higher.

for which a fine of ₹ 742.50 crore as shown in Appendix-VI, was leviable.

Similarly, we also noticed that seven distilleries produced 2.56 lakh AL of RS in excess of their daily installed capacity for which a fine of ₹ 46.28 crore as shown in Appendix-VII was leviable. The same was not imposed by the department.

We further observed that the excess production made by the factories was not brought to the notice of Excise Commissioner by the excise officials posted in the distilleries. No explanation for the excess production made was called from any distiller.

The Government may take stringent measures to ensure imposition of fines as per rules in case of any breach in the provisions of the Act/Rules.

4.7 Loss due to excess transit and storage wastages

Under the provisions of UP Excise Rules, if rectified spirit (RS) is transported under bond in metal vessels, wastage is allowed upto 0.5 per cent in each consignment and wastage up to 0.4 per cent in monthly storage of RS in bonded warehouses.

Under the UP Excise Rules, excise duty is leviable on the wastages in excess of the admissible limit. It is also called consideration fee.

4.7.1 We noticed in test check of the records of four⁵ distilleries that 33,64,509.6 AL of RS/ENA were issued from the distilleries to other consignees under bond during the period April 2007 to March 2009. Against this the consignees received only 33,00,406.18 AL of RS/ENA. The admissible wastage was 16,822.55 AL. Hence the department should have recovered the duty of ₹ 1.45 crore on the remaining stock of 47,280.87AL of RS/ENA.

4.7.2 We found that in Dhampur distillery 14,06,304.2 AL of RS was stored in the warehouses in December 2008, of which 4,61,151.6 AL of RS was issued from the warehouses. After allowing the admissible wastage of 5,625.2 AL, 9,39,527.4 AL of RS should have been in the warehouses. But during stock taking the actual stock was found as 9,35,097.36 AL. The missing stock of 4,430.04 AL of RS was excisable. The department incorrectly treated it as admissible wastage which resulted in short realisation of excise duty of ₹ 17.60 lakh.

After we pointed out the observation the Department accepted our contention. In the first case, they have recovered 30 *per cent* of the excise duty. In the second instance the Department has stated that the matter is pending for decision with the Excise Commissioner since June 2009.

4.8 Short levy of Excise Duty due to non-adoption of actual strength of country liquor

According to the Government notifications, the rates of excise duty on country liquor have been prescribed as ₹ 79 to ₹ 104 per BL for 36 *per cent* volume by volume (v/v)⁶ for the period from April 2004 to February 2009.

We test checked the records of two distilleries⁷ and noticed that 4,42,97,422 BL of spiced/plain country liquor was manufactured and issued for bottling.

Under the provision of UPE Act, 1910 and Rules made thereunder, the apparent strength of spirit as indicated by the hydrometer after addition of colour and flavor materials is to be mentioned on the label affixed on the sealed bottles.

We found that the label affixed on these bottles indicated the alcoholic content of country liquor as 25, 36 and 42.8 *per cent* v/v. But the actual strength of

the liquor after addition of the colour and flavour materials was found to be 25.1, 36.1 and 42.9 *per cent* v/v as shown by the hydrometer. Thus, the actual strength was higher by 0.1 *per cent* v/v in all cases. The rates of excise duty on the country liquor have been prescribed volume by volume (v/v) for the period from April 2004 to February 2009. Thus by not imposing excise duty on the basis of actual alcohol content, the Department collected less duty of ₹ 94.16 lakh.

The Department replied (May 2009) that 0.5 proof *per cent* which was 0.2855 *per cent* v/v margin was allowed in the bottling as storage loss and the addition of 0.1 *per cent* was within the norms. The contention of the department is not relevant as these are not the cases of loss but relate to presence of higher alcohol content on which excise duty is chargeable. The

⁵ Ghazipur (Lords), Mau (Nibi) and Muzaffarnagar (Tikola and Triveni)

⁶ v/v : v/v is the volumetric content of alcohol in the spirit which is equal to 57.06 *per cent*.

⁷ Lucknow (Mohan Meakin) and Saharanpur (Tapri)

Department should have charged the excise duty on the strength of liquor which was actually bottled as per the provisions of the Act.

4.9 Short levy of licence fee

As per UPE Act, an application for renewal of the licence for the excise year shall be made to the Excise Commissioner on or before 28 February each year. A licence fee as prescribed from time to time shall be payable in advance for such a renewal for a year or part thereof.

We noticed in Manav Brewery, Ghaziabad that the brewery produced

For breweries having an yearly production upto 5,000 kilolitres, the license fee shall be ₹ 1,00,000, while for breweries having an yearly production of over 5,000 kilolitres and up to 10,000 kilolitres the license fee shall be ₹ 2,00,000. For breweries having an yearly production of over 10,000 kilolitres, the fee shall be increased by ₹ 20 per additional one kilolitre.

15,211.26 kilolitres of beer during the year 2006-07. The minimum B-1 licence fees payable by the brewery for the years 2007-08, 2008-09 and 2009-10 was ₹ 3.04 lakh each year. Against this the brewery deposited B-1 licence fee of ₹ two

lakh for the year 2007-08 and ₹ 2.5 lakh for the year 2008-09 and 2009-10 respectively. This led to short deposit of licence fee of ₹ 2.13 lakh.

The Department has accepted our observation and stated in May 2010 that ₹ one lakh has been deposited.

4.10 Loss due to excess storage wastage of beer

Under the provisions of the Uttar Pradesh Brewery Rules, 1961 monthly storage wastage up to 10 *per cent* is allowed for beer. The wastage was admissible only on unbottled beer and no wastage was permissible once the beer was bottled.

We noticed that two⁸ breweries claimed wastage of 2,55,310.8 BL in the storage of beer between June 2005 and October 2007. The claim was allowed though the admissible wastage was only 1,73,576.5 BL. The extra wastage of 81,734.3 BL

claimed by the breweries involving excise duty of ₹ 40.22 lakh should have been disallowed.

When we pointed this out, the concerned Officer-in-charge (Excise) replied that wastage was calculated on the basis of total stock stored which included bottled stock. This indicated that the department had incorrectly worked out the wastages. Allowing of wastage on the bottled beer was incorrect and resulted in loss of revenue of ₹ 40.22 lakh.

The Department may consider putting in place a monitoring system for indicating the quantity of bottled and unbottled beer separately in the Monthly Stock Taking returns and issue directions for not allowing any wastage on bottled beer.

4.11 Non-levy of interest on belated payment of excise revenue

4.11.1 We test checked the records of four⁹ distilleries and three¹⁰ breweries and noticed that excise revenue of ₹ 77.45 lakh pertaining to the period 1997-98 to 2008-09 was deposited between April 2004 to August 2009 i.e. with average delay of 51 months. However, interest amounting to ₹ 19.31 lakh

Under the provision of the Uttar Pradesh State Excise Act, 1910, where any excise revenue is not paid within three months from the date on which it becomes payable, interest at the rate of 18 *per cent* per annum is recoverable from the date such excise revenue becomes due.

on the belated payment was not levied by the Department.

4.11.2 We also noticed that 15¹¹ distilleries and two¹² breweries paid licence fees of ₹ 1.84 crore with average delay of 27 months. The Department did not levy interest amounting to ₹ 67.85 lakh on the delayed payment.

4.12 Loss of revenue due to levy of sample fees at pre-revised rate

During the test check of records of two ATLS¹³ we noticed that during the period 6 October 2006 to 14 November 2006, sample fee was levied at the pre-revised rate. During this period 426 samples were checked resulting in short levy

As per Government notification of October 2006, rates of sample fees were revised from ₹ 80 per sample to ₹ 160 per sample. The revised rates were effective from 6 October 2006.

of sample fee of ₹ 34,080. The Department has issued instruction for the recovery of the fees (May 2010).

⁹ Bijnor (Dhampur), Meerut (Naglamal) and Muzafarnagar (Tikola and Shamli)

¹⁰ Ghaziabad (Manav), Lucknow (Mohan Gold Water) and Meerut (Skol)

¹¹ Balrampur (Balrampur Distillery), Bareilly (Superior), Bulandshahar (Jagatjeet), Ghazipur (Lords Distillery), Ghaziabad (Modinagar, Mohan Meakins), Gorakhpur (Saraiya), Lucknow (Mohan Meakins), Muzafarnagar (Mansoorpur, Shamli), Meerut (Daurala), Rampur (Rampur Distillery), Shahjahanpur (Roza), Saharanpur (Cooperative Distillery, Tapri) and Unnao (UDBL)

¹² Lucknow (Mohan Gold Water) and Meerut (Skol)

¹³ Lucknow and Meerut

CHAPTER-V OTHER IRREGULARITIES

Total Reducing Sugar (TRS) is the percentage of total sugar present in molasses which can be reduced to fermentable sugar (FS) and un-fermentable sugar (UFS). Alcohol is made from FS. Alcohol Technology (AT) laboratories have been established for determining the FS content present in the molasses. We noticed a few lapses and irregularities at the department level and in the field offices involving ₹ 280.69 crore which are enumerated below:

System deficiencies

5.1 Short levy of overtime fees

5.1.1 Short raising of demand from distilleries

Rule 727 of Rules framed under the UP Excise Act, 1910 states that in case excise staff stationed at a distillery are required to attend the distillery on any of the holidays or after normal office hours, the distillers are required to pay to the Government an overtime fee at the prescribed rates. The Government revised the rate of overtime fee of excise staff vide Gazette notification dated 9 March 2007 as Rule 12 of Uttar Pradesh Excise (Establishment of Distilleries) (Seventh Amendment) Rules 2007. No provision to levy/recover the overtime fee from sugar factories existed in the Act/rules or notifications issued thereunder.

We noticed in six distilleries¹ that the Government excise staff was deployed in the distilleries at night; thus, overtime allowance was recoverable at the rate

If the excise staff were retained after office hours or part thereof not less than 15 minutes in nights and in holidays, the distillers were required to pay to the Government, overtime fees equal to four times of the average pay and for retention of the Excise Staff after office hours during the day time it was two times the average pay. No such provision existed for sugar mills.

of four times of the average salary. The department recovered it at the rate of two times the average salary during the period from March 2007 to December 2008. This resulted in short deposit of ₹ 17.97 lakh. After we pointed this out, one distillery (Dhampur) deposited ₹ 1.95 lakh in

March 2009. A report on action taken by other distilleries has not been received.

We have noticed that in the concerned notifications and subsequent circulars regarding levy of overtime fees, there is no provision for levy of overtime fee for excise staff posted in sugar mills by the Government despite lifting of molasses being permitted between 6 a.m. to 10 p.m. This resulted in non-recovery of overtime fees from the sugar mills.

¹ Bareilly (Kesar Enterprises), Bijnore (Dhampur), Ghaziabad (Modi), Meerut (Kinauni), Muzaffarnagar (Mansoorpur) and Saharanpur (Tapri)

5.1.2 Short realisation of overtime fee due to increase in the average pay of the staff

We found that the Department did not demand the differential amount of over time on the increase in the average pay of the staff payable by the distilleries

The overtime fee was recoverable on the basis of the pay revised in accordance with the Sixth Pay Commission to the excise staff in December 2008.

after the implementation of the Sixth Pay Commission. This resulted in non-realisation of Government revenue of ₹ 67.24 lakh recoverable from the

distillers and brewers for the period from March 2007 to March 2009.

The Assistant Excise Commissioner of Skol brewery, Meerut recovered ₹ 16 lakh from the brewery after we pointed this out. The replies in respect of the other units has not been received (August 2010).

The Government may consider suitable provision for levy of the overtime fee for excise staff posted in sugar mills and specify a point of time at which night begins for the purpose of working out overtime.

5.2 Transit and storage loss of Total Reducing Sugar

Under the provisions of the UP Excise Working of Distilleries (Amendment) Rule 1978, for every quintal of fermentable sugar content present in the molasses, the distillery shall yield minimum alcohol of 52.5 alcoholic litres (AL).

5.2.1 We noticed that in 25 distilleries 63,17,816.31 quintals of molasses were transferred from the sugar factories to the distilleries during the period April 2004 to March 2009. We compared the percentage of TRS present in the molasses determined in the laboratories of sugar factories with that determined in the distilleries. It revealed reduction in percentage of TRS during

The Act and Rules do not provide for any loss of Total Reducing Sugar (TRS) in transit. The ownership of molasses to be transported by road shall pass on to allottee as the molasses are taken out of the factory premises with gate pass in Form M.F. 4 and such allottee shall be responsible for its safe arrival at the destination and for the loss in transit if any.

transportation that ranged between 0.03 to 11.50 *per cent*. The distilleries received 58,288.57 quintal of TRS short from which 26,92,931.30 AL of alcohol, involving excise revenue of ₹ 58.31 crore as shown in Appendix-VIII, could have been produced.

5.2.2 We noticed that 23 distilleries stored 60 lakh quintals of molasses during the period 2004-05 to 2008-09. There was loss of fermentable sugar during storage of molasses that ranged between 0.05 and 6.27

Excise Commissioner's Circular dated 24 May 1995 fixed norms of minimum 88 *per cent* Fermentable Sugar content in TRS. The Act and Rules do not provide for any loss of Fermentable Sugar (FS) in storage.

per cent. This amounted to 78,513.06 quintals of Fermentable Sugar from which 41,21,936.11 AL of alcohol involving excise revenue of ₹ 74.10 crore could have been produced (Appendix-IX).

When we pointed this out, the Department replied that recovery of alcohol is based on the fermentable sugar reported by the ATLs and not on the basis of TRS content dispatched from sugar factories or received/stored in distilleries. The reply of the department is not correct as ATLs have been established for determining the FS content present in the molasses. The variations between the percentage of TRS mentioned in the MF 4 Pass of molasses dispatched from sugar factories and that of the TRS received by the distilleries should have been examined to ascertain the actual production of alcohol in the interest of revenue.

5.2.3 Test check of the records of 13 sugar factories revealed that during the period April 2005 to October 2009,

The Act and Rules do not provide for any loss of TRS content in storage.

71,38,819.46 quintals of the molasses were stored in sugar factories. The TRS content was determined at different intervals and it was noticed that there was loss in TRS

which ranged between 0.02 to 3.42 *per cent* during storage. This resulted in loss of TRS of 55,853.55 quintals containing 49,151.11 quintals of fermentable sugar having potential of producing 25,80,433.90 AL of the rectified spirit, involving excise duty of ₹ 99.41 crore as shown in Appendix-X.

After we pointed this out, the Department stated that with the passage of time the TRS content decreases due to the different layers of molasses with different TRS, thus percentage of the TRS may vary. The reply of the Department is not in line with Rule 11 of the UP *Sheera Niyanttran Niyamavali* which provides for drawing up of the samples from all the three layers of molasses i.e. upper, middle and lower layers. So loss of the TRS content noticed as a result of the sample test by the same laboratory should have been investigated in the interest of revenue.

5.2.4 In a related case in the records of Kinauni sugar factory we noticed that at the time of dispatch of 30,84,996.60 quintals of molasses to its distillery

The Act and Rules do not provide for any loss of Total Reducing Sugar (TRS) or Fermentable Sugar (FS) in transit of molasses from a sugar factory to its distillery through pipeline.

through pipeline, the TRS contents present in molasses ranged from 44.50 to 46.80 *per cent*. However, the TRS contents

received by the distillery was shown between 41.00 to 45.90 *per cent*. The reduction of TRS content ranged between 0.18 to 3.95 *per cent* in 30,84,996.60 quintals of molasses transported through pipeline, resulting in loss of 22,268.90 quintals of TRS from which 10,28,825.50 AL of rectified spirit, involving potential excise revenue of ₹ 20.28 crore could have been produced. We noticed that the Department had at no time made any effort to ascertain the reasons for the loss though the distillery and sugar factory are located in the same premises.

5.2.5 We noticed that there was no provision in the Act/rules regarding action to be taken where distilleries fail to achieve minimum 88 per cent fermentable sugar from TRS. In the

Excise Commissioner's Circular dated 24 May 1995, fixed norms of minimum 88 per cent fermentable sugar content in TRS.

test check of the records of two² ATLs we noticed that during 2007-08 to 2008-09, in 68 samples received in the ATLs, the distilleries failed to achieve 88 per cent of minimum fermentable sugar derived from TRS. Thus there was short production of 5,045.01 quintals of fermentable sugar from the TRS and consequently 2,64,863.13 AL of rectified spirit could not be produced. This would involve excise revenue of ₹ 8.03 crore.

The Assistant Alcohol Technologists replied (May 2010) to our observation that the facts were reported to the Excise Commissioner and excise staff posted at the distilleries. Further action taken has not been received (August 2010).

5.2.6 On test check of the records of two³ AT Laboratories, we also noticed that there was a loss of TRS in storage as the sample of molasses received in AT Laboratories were of below grade (TRS of less than 40 per cent equivalent of FS of less than 35.20 per cent). Based on the information furnished we

Distilleries are generally allowed to purchase and use molasses from grade one to three. But molasses of below grade are not permissible to be used in distilleries.

noticed loss of 10,235.87 quintals of FS which would have produced 5,37,383.81 AL of rectified spirit involving excise revenue of ₹ 19.70 crore.

When we pointed this out, the Assistant Alcohol Technologists replied (May 2010) that the facts were reported to the Excise Commissioner and excise staff posted at the distilleries. Further action taken was not produced to audit.

The Department may examine the issues and make suitable amendments in the rules regarding loss of TRS in transit and storage as it involves loss of revenue. A penal provision also needs to be incorporated regarding loss of TRS in transit/storage beyond permissible limits and failure of distilleries to recover minimum quantity of fermentable sugar.

Compliance deficiencies

5.3 Non-levy of excise duty on transit wastages of spirit

Under the provisions of Rule 19 of the Medicinal and Toilet Preparation (Excise Duties) Rules, 1956, transit wastage of spirit is not allowed. The Excise Commissioner may however, if satisfied about merits of the case waive the duty payable in respect of such loss either in full or in part.

We test checked the records of Roop Chemical Pharmacy, Lucknow, and noticed that 2,94,595.8 AL of ENA was dispatched from distilleries to the

² Lucknow and Meerut
³ Lucknow and Meerut

pharmacy under bond in 86 passes. The consignee received only 2,93,798 AL of ENA against the dispatched quantity. The fate of the remaining 797.8 AL of ENA was not known to the Department. Thus excise duty of ₹ one lakh was recoverable from the pharmacy.

When we pointed this out, the Department replied that the transit wastage of 0.5 *per cent* was allowed. The reply of the Department is not correct as no transit loss is admissible under the Act. Moreover the Department had not processed the case even for waiving the loss incurred on account of non-receipt of the alcohol. Thus inaction on the part of the Department resulted in loss of revenue to the Government.

5.4 Non-Inter-change of excise locks

Under the provisions of Rule 137(3) of the Medicinal and Toilet Preparation (Excise Duties) Rules, 1956, excise locks are supplied by the Department for locking all warehouses, spirit pipes and vessels etc., to prevent any misuse, or leakage of spirit in the pharmacy.

Rule 738 made under the UP Excise Act, 1910 provides that locks were required to be interchanged at regular intervals. But the above provision is neither provided in the Medicinal and Toilet Preparation (Excise Duties) Act, 1955 nor in the rules made thereunder.

We test checked the records of four⁴ pharmacies and noticed that the required number of excise locks was not provided by the Department for the period 2004-05 to 2008-09 and they were not interchanged at regular intervals.

We suggest that the Department should provide the excise locks and make provision in the Act/Rules for interchange of locks at regular intervals so that there is no loss/pilferage.

5.5 Non/short execution of bond

Under the provisions of Rule 21 of the Medicinal and Toilet Preparation (Excise Duties) Rules, alcohol can be stored in pharmacies without payment of excise duty by executing a bond in B 1.

We test checked the records of four⁵ pharmacies and noticed that two pharmacies i.e. Roop Chemical Pharmacy and Vijai Chemical Pharmacy did not execute the required bond and the remaining two i.e. Bhargav Pharmacy and Sri

Durga Chemical Pharmacy executed bonds with less value as compared to alcohol stored in their premises.

⁴ Bhargav Pharmacy (Bulandshahar), Wardex and Dabur Pharmacy (Ghaziabad) and Roop Chemical (Lucknow)

⁵ Bhargav Pharmacy (Bulandshahar), Roop Chemical (Lucknow), Vijai Chemical Pharmacy and Sri Durga Chemical Pharmacy (Aligarh)

The storing of alcohol in the premises of a pharmacy without requisite bond or with bond of less value was a violation of Rule 21 and is fraught with the risk of non-recovery of dues in case of a default in payment of the excise duty.

CHAPTER-VI INTERNAL CONTROL MANAGEMENT

We test checked the records of the State Excise Department and noticed a number of lapses and irregularities on the part of the Government and Department at a macro level and in the field offices at micro level. These lapses and irregularities are discussed in the succeeding paragraphs.

6.1 Human Resource management

We test checked the records of the State Excise Office and noticed that there were 569 vacancies against the sanctioned strength. The position of sanctioned strength *vis-a-vis* persons-in-position and vacancies as on 1 January 2009 is as under:

Sl. No.	Name of Post	Sanctioned posts	Persons-in-position	Number of vacancies
1	Joint Excise Commissioner	7	4	3
2	Deputy Excise Commissioner	30	28	2
3	Asstt. Excise Commissioner	153	118	35
4	Excise Inspector	539	489	50
5	Excise Sub Inspector	68	64	4
6	Driver	156	138	18
7	Head Constable	557	541	16
8	Constable	1,498	1,057	441
	Total	3,008	2,439	569

We found that the shortfall in vacancies of officers/officials was 18.92 *per cent* against the sanctioned posts. Person-in-position was found short as compared to sanctioned post during the last five years including in the cadres of Joint Excise Commissioner, Deputy Excise Commissioner, Assistant Excise Commissioner, Excise Inspector and Excise Sub-Inspector.

Though the number of distilleries, breweries, sugar factories and pharmacies has increased, the department has not carried out any review of manpower deployment. There are several cases of officials holding additional charges. The shortage of staff has resulted in lack of proper controls as mentioned in the following paragraphs:

6.2 Lack of direct control over the issue of molasses

We noticed that the issue of molasses from sugar factories or on its receipt by the consignee distilleries and other industrial licensees lacked direct control as

Rule 25 of the Uttar Pradesh Sheera Niyamtran Niyamavali 1974 provides for issue of gate pass (MF 4) either by the sugar factories, or by an officer, authorised by the Controller of Molasses, before the actual transportation of molasses. A copy of the gate pass is required to be handed over to the Sub-Inspector of Excise posted at the factory.

the department has only 64 Sub-Inspectors of Excise against the sanctioned strength of 68 to look after the working of 157 sugar factories in the State. In 93 sugar factories the system of additional charge was prevalent.

For effective and efficient working of the Department, the Government and the Department may consider filling the existing vacancies in the cadres of the Joint Excise Commissioners, Deputy Excise Commissioners and Assistant Excise Commissioners and other assisting officers in the cadre of Excise Inspectors, Excise Sub-Inspectors etc.

6.3 Internal Control Mechanism

Inspection is an important part of the internal control mechanism for ensuring proper and effective functioning of a department and for timely detection of loopholes and to stop their recurrences.

The Excise Commissioner vide his instructions dated 1 January 1990 fixed the periodicity of inspection for each District Excise Office, distillery, bonded manufactory, un-bonded manufactory and sugar factory to be conducted by the JEC/DEC and AEC. The periodicity ranged between two months to six months.

We test checked the records of 44 units¹ and noticed that there was a 52 per cent shortfall in the prescribed number of inspections during the period from 2004-05 to 2008-09.

A summarised position is as under:

Sl. No.	Category of Officer	Number of Inspections			
		Due	Carried out	Shortfall	Percentage of shortfall
1	Joint Excise Commissioner	457	132	325	71.11
2	Deputy Excise Commissioner	616	308	308	50.00
3	Assistant Excise Commissioner	672	402	270	40.18
	Total	1,745	842	903	51.74

The shortfall in inspections ranged from 40 per cent to 71 per cent for different levels during these years. The maximum shortfall was recorded at the level of Joint Excise Commissioners. Effective control over the field offices may have been compromised due to these shortfalls. The Excise Commissioner had not devised any system, by way of returns, for monitoring the compliance of the prescribed norms and progress of the inspections.

We found that no norms have been fixed for inspection of AT Laboratories at any level. It can be inferred that department lacked effective control over working of AT laboratories.

The Department may ensure that the instructions issued by the Commissioner for conducting the inspections are strictly followed and norms for inspection of AT Laboratories be fixed.

¹ Distilleries, District Excise Offices, Breweries, Pharmacies, Sugar Factories and AT Laboratories

6.4 Internal Audit

Internal audit is an important tool for appraisal of deficiencies in the activities viz. proper and timely assessment and realisation of dues and implementation of Acts/Rules and in issue of guidelines for improving accounting etc. for better collection of revenue and plugging various loopholes within the organisation.

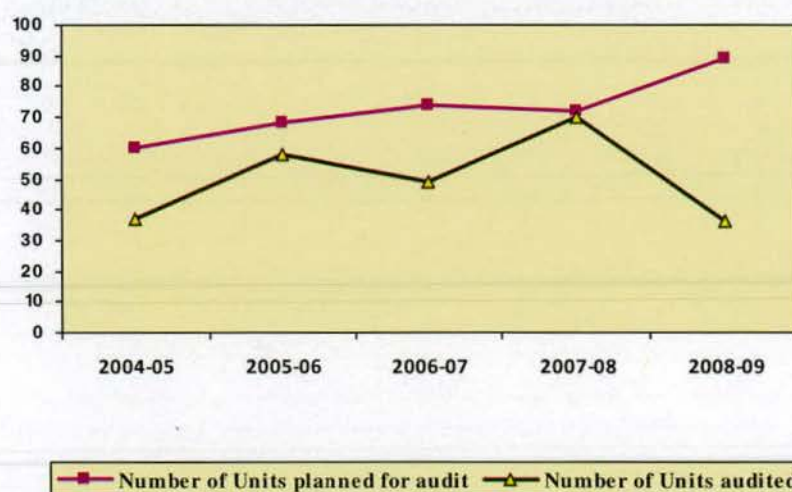
During our check of the records of 46 offices of the Department and internal audit wing of the office of the Excise Commissioner we noticed that internal audit of breweries, sugar factories, pharmacies and AT Labs was not conducted. Audit of other units was also not taken up regularly leading to overall shortfall of 31.13 per cent in

The internal audit wing of the department functioned under the control of the Finance Controller and Chief Accounts Officer who were assisted by two Assistant Audit Officers, responsible for conduct of audit of the field units of the State Excise Department.

audit wing of the office of the Excise Commissioner we noticed that internal audit of breweries, sugar factories, pharmacies and AT Labs was not conducted. Audit of other units was also not taken up regularly leading to overall shortfall of 31.13 per cent in

the units audited. The details are as under:

Period	Number of units planned for audit	Number of units audited	Shortfall	Percentage of shortfall
2004-05	60	37	23	38.33
2005-06	68	58	10	14.70
2006-07	74	49	25	33.78
2007-08	72	70	2	2.77
2008-09	89	36	53	59.55
Total	363	250	113	31.13



Thus, the internal audit wing fell short of its targets. This was stated to be due to shortage of staff.

The Government and the Department may ensure that internal audit of breweries, sugar factories, pharmacies and AT Labs are conducted at regular intervals and all the units planned for audit are covered by the internal audit.

CHAPTER-VII CONCLUSION AND RECOMMENDATIONS

The irregularities noticed during test check of records of different field units of the State Excise Department have been discussed in the preceding chapters. The conclusions arrived at and summary of recommendations are mentioned in the succeeding paragraphs.

7.1 Conclusion

We noticed a number of system and compliance deficiencies in the audit of the State Excise Department as stated below :

- The department had no monitoring mechanism for ascertaining the total sales made by the retailers during a year for working out the actual license fee payable by them in respect of the Foreign Liquor shops which led to loss of revenue in the form of license fee. There was no system of watching the receipt of correct quantity of molasses in the distilleries from the sugar factories.
- There was short accounting of molasses in the sugar factories. Subscriptions to the molasses fund by sugar factories was made at rates lower than the prescribed ones.
- Incorrect re-distillation wastage was allowed during production of Extra Neutral Alcohol and Absolute Alcohol from Rectified Spirit. This resulted in loss of revenue in a number of cases.
- Distilleries had failed to achieve norms of minimum production, minimum fermentation and distillation efficiency. The department did not take the punitive action prescribed in the rules against the concerned distilleries. The Department also failed to impose fines on production of alcohol over and above the annual/daily approved installed capacity. These factors led to loss of excise revenue.
- We also noticed that there was excess transit and storage wastage of rectified spirit and extra neutral alcohol, duty was not being charged on excess strength of alcohol bottled, the rates of excise duty on beer were applied incorrectly and incorrect amount of wastages of TRS were allowed. These irregularities resulted in loss of revenue.
- Spirits were stored in pharmacies without executing required bond and inadmissible transit wastage of spirit was allowed to pharmacies.
- Interest on belated payments was not levied by the Department.
- Essential security measures like excise locks were not provided/not interchanged at regular intervals. We also noticed realisation of overtime fees at lower rates in the distilleries and absence of overtime fees provision for sugar factories that led to loss of revenue to the Government.

- The department did not undertake any exercise for effective redeployment of staff. Internal inspection of the different field units was below the norms fixed. Internal audit was weak; it did not even conduct the audit of all the units it had selected in its audit plan.

7.2 Summary of recommendations

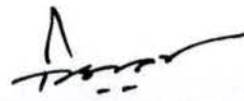
The Government/department may consider:

- putting in place a monitoring system that may be by way of introducing periodical returns for ascertaining the increase in the actual sales as compared to the presumptive sales at the apex level so as to enable the Government to fix the license fee correctly;
- issuing directions to ensure that the provisions for getting the passes back within the prescribed period are complied with and in case of default impose penalty without any delay;
- issuing directions to the department for taking corrective steps for measurement of molasses in accordance with the prescribed rules;
- issuing directions for ensuring maintenance of the basic records in the sugar factories to ensure correctness of the quantity of the molasses mentioned in the statements submitted to the Controller;
- issuing directions for levying administrative charges as per the Act, irrespective of the grades of the molasses;
- strengthening the system to ensure that the prescribed deterrent measures against distilleries not achieving the norms are enforced and the enforcement monitored so that there is no loss of excise duty;
- putting in place measures to verify that the distilleries achieve the minimum fermentation and distillation efficiency. A system to verify the correctness of the sample test of wash done by the distillery staff should also be put in place;
- defining clearly the distinction between strong beer and mild beer by fixing the strength of strong beer as five to eight *per cent* and that of mild beer as below five *per cent*;
- taking stringent measures to ensure imposition of fines as per rules in case of any breach in the provisions of the Act/Rules;
- putting in place a monitoring system for indicating the quantity of bottled and unbottled beer separately in the Monthly Stock Taking returns and issuing directions for not allowing any wastage on bottled beer;
- making suitable provision for levy of overtime fee for excise staff posted in sugar mills and specifying a point of time at which night begins for the purpose of working out overtime;

- examining the issues and making suitable amendments in the rules regarding loss of TRS in transit and storage as it involves loss of revenue. A penal provision also needs to be incorporated regarding loss of TRS in transit/storage beyond permissible limits and failure of distilleries to recover minimum quantity of fermentable sugar;
- ensuring that the instructions issued by the Commissioner for conducting the inspections are strictly followed and norms for inspection of AT Laboratories be fixed; and
- ensuring that internal audit of breweries, sugar factories, pharmacies and AT Labs are conducted at regular intervals and all the units planned for audit are covered by the internal audit.

Lucknow,
The

16 NOV. 2010


(Dr. Smita S. Chaudhri)
Accountant General (C&RA)
Uttar Pradesh

Countersigned



New Delhi,
The

30 NOV 2010

(VINOD RAI)
Comptroller and Auditor General of India

CHAPTER-VIII

GLOSSARY OF TERMS AND ABBREVIATIONS

AA	Absolute Alcohol
AL	Alcoholic Litre means a litre with reference to alcoholic content of the spirit.
ATL	Alcohol Technologist Laboratories.
BLF	Basic Licence Fee
BL	Bulk Litre means a litre with reference to the bulk or quantity of the contents
Brix	Density of solutions expressed in brix densitometric scale
CL	Country Liquor means plain or spiced spirit which has been made in India from material recognised as base of country spirit namely mahua, rice, gur or molasses
COT	Continuous Out Turn
Distillation	Separation of alcohol contents from water present in wash by vaporization of the mixture
DEO	District Excise Officer
DEOs	District Excise Offices
Dip	Measurement of molasses present in molasses tank
EC	Excise Commissioner
ENA	Extra Neutral Alcohol
Fermentation	Process of producing alcohol and alcoholic liquors from molasses
F.S.	Fermentable Sugar means sugar content present in molasses which can be converted into alcohol
FHB	Financial Hand Book
G-6	Register maintained by the excise offices having all the receipts of the excise department
Grade of Molasses	Categories of molasses in reference to percentage of sugar content present in molasses
IML	Indian Made Liquor
IMFL	Indian Made Foreign Liquor means spirit made in India and sophisticated or coloured so as to resemble flavour or colour of liquor imported into India

Model Shop	Shops having facility of drinking of IMFL and Beer
Molasses	Molasses is crystallised syrup obtained as an important by product in the process of manufacture of sugar
MGQ	Minimum Guaranteed Quota
PD	Production and Distillation
Spirit	Means any liquor containing alcohol obtained by distillation whether it is denatured or not
TRS	Total Reducing Sugar means percentage of total sugar content present in molasses
UFS	Un Fermentable Sugar means sugar content present in molasses which cannot be converted into alcohol
V/V	Volume by Volume
Wash	means a saccharine solution from which spirit is obtained from distillation

Appendices

APPENDIX-I

Para 4 of letter of Excise Commissioner specifying rates of licence fee under the Uttar Pradesh Excise Policy 2003-2004

9.1 Under the provisions of Para 4 of Excise Commissioner's letter specifying rates of licence fee under the Uttar Pradesh Excise Policy 2003-2004, the annual licence fee in respect of retail shops of foreign liquor is leviable on the basis of number of bottles sold in the current year. As per the new excise policy (from 2002) the number of bottles was to be calculated on the basis of actual sale of nine months i.e. from April to December and presumptive sale of three months on the basis of 1/3 of sale of April to December. From 2009-10 onwards it was calculated on the basis of actual sale of 10 months i.e. from April to January and presumptive sale of February and March by 1/5 of April to January.

In case, any difference of license fee realised from the retailers on the basis of the aforesaid formula henceforth called presumptive sales and the license fee realisable from the actual sales is noticed, the matter should be referred to the Government for seeking their guidance so that there is no loss of revenue to the Government.

Rule 14 of Uttar Pradesh Excise (Settlement of Licences of Retail Sale of Country Liquor) Rules, 2002

9.2 A minimum guaranteed monthly quota (MGQ) of country spirit to be lifted by each licensee is fixed by the department. A licensee is required to lift the entire MGQ fixed for him during a year. In case of failure, the licensing authority has to adjust the amount of licence fee of the liquor short lifted, from the security deposit of the licensee and also issue a notice to the licensee by the third day of the next month to replenish the deficit in the security amount either by lifting such quantity of country liquor involving duty equivalent to the adjusted amount or by depositing cash or a combination of both. In case the licensee fails to replenish the deficit in security amount by the tenth day of the next month, his licence would be cancelled.

Uttar Pradesh Excise Policy 2003- 2004

9.3 The Government order dated 10 January 2007, fixed the licence fee for setting up a model shop for the year 2007-08 or part thereof at ₹ eight lakh or the highest licence fee among the settled retail shops in the district for the same year, for both foreign liquor and beer, whichever was higher.

Rule 12 of Uttar Pradesh Excise (Settlement of Licences of Retail Sale of Country Liquor) Rules 2002

9.4 Under the provisions of Rule 12 of Uttar Pradesh Excise (Settlement of Licences of Retail Sale of Country Liquor) Rules, 2002 (as amended), the entire amount of Basic Licence Fee (BLF) is required to be deposited within three working days, half of the security amount within 10 working days and rest of the amount within 20 working days, of receipt of the intimation of the selection of shops. In case of default, the selection of shops would be cancelled and amount of BLF and security deposits, if any, would be forfeited in favour of the Government and the shops would be resettled forthwith.

Financial Hand Book Part I Volume V

9.5 As per provisions of Part I Volume V of the Financial Hand Book, any security deposit that remained unclaimed for three financial years is required to be treated as a lapsed deposit and credited to the revenue receipts of the Government. There is no provision for carrying forward the security deposits made by a licensee during a year to the next year either in the Act or in the rules.

Rule 27 of *Uttar Pradesh Sheera Nyantran Niyamavali*, 1974 and Section 11 of *UP Sheera Nyantran Adhiniyam* 1964

9.6 Rule 27 of *Uttar Pradesh Sheera Nyantran Niyamavali*, 1974 provides for verification of MF 4 passes, by which molasses are received in distilleries from sugar factories, within one week of the arrival of the consignment at the distillery. Under the provision of Section 11 of *UP Sheera Nyantran Adhiniyam*, 1964, a person contravening the provisions of this Act/rules/orders made or issued thereunder, will be punishable with imprisonment or with fine which may extend to two thousand rupees or both and, in the case of a continuing contravention, with an additional fine which may extend to one hundred rupees for every day during which the contravention continues after conviction for the first such contravention.

Rule 32 of the *Uttar Pradesh Sheera Nyantran Niyamavali* 1974

9.7 Rule 32 of the *Uttar Pradesh Sheera Nyantran Niyamavali* 1974, states that every sugar factory is required to maintain an accurate daily account of molasses produced, stored, issued, sold or wasted in a register in form M F 5. Quantity of the molasses stored in tanks can be calculated on the basis of the dips taken at the time of receipt or issue of the molasses.

9.8 Rule 32 of the *Uttar Pradesh Sheera Nyantran Niyamavali* 1974, states that every sugar factory is required to maintain an accurate daily account of molasses produced, stored, issued, sold or wasted in a register (in form M F 5) and to work out the total in all the columns of the register (in form M F 5) fortnightly on the fifteenth and last working day of each month and send an extract thereof to the Controller of Molasses on the sixteenth day of the month and the first day of the following month in the prescribed statement MF 1 and MF 2.

Rule 3(1) of the *Uttar Pradesh Sheera Nyantran Niyamavali*, 1974 (proper and scientific storage of molasses) and *Uttar Pradesh Sheera Nyantran Adhiniyam*, 1964

9.9 According to Rule 3(1) of the *Uttar Pradesh Sheera Nyantran Niyamavali*, 1974 and schedules prescribed in *Uttar Pradesh Sheera Nyantran Adhiniyam*, 1964, the responsibility for proper and scientific storage of molasses devolves on the sugar factories. The sugar factory shall provide adequate safeguards against leakage, seepage, overflow or any other accident likely to damage the quality of molasses stored in the factory. It is required to be stored in covered accommodation which should store at any one time at least 50 per cent of the total production of molasses, calculated at four per cent of the total sugarcane that can be crushed in 140 working days according to the full registered cane crushing capacity of the factory or 50 per cent of the highest total production of molasses from the last four years, whichever is higher.

Molasses Fund

9.10 For provision and maintenance of adequate storage facilities, a separate fund, called 'Molasses Fund', has been created for which a fraction, as determined and notified by the Controller of the Molasses, of sale proceeds of molasses is required to be credited by the sugar factory. The present rates are as follows:

- A sugar factory which does not have adequate storage facility as prescribed in Rule 3(1) of the *Uttar Pradesh Sheera Niyamtran Niyamavali*, 1974.

Grade of Molasses	Percentage of sugar contents of molasses (expressed as reducing sugar)	Rates of Molasses Fund (Per 100 Kilograms) (Rupees)
I	50 per cent and above	2.00
II	44 per cent to 49.99 per cent	1.50
III	40 per cent to 43.99 per cent	1.50
Below grade	Below 40 per cent	1.50

- A sugar factory, which has storage facility as prescribed in Rule 3(1) of the *Uttar Pradesh Sheera Niyamtran Niyamavali*, 1974

Grade of Molasses	Rates of Molasses Fund (Per 100 Kilograms) (Rupees)
On all grades of molasses	0.50

Section 8(4) of the *Uttar Pradesh Sheera Niyamtran Adhiniyam*, 1964

9.11 The occupier of the sugar factory shall be liable to pay to the State Government, in the manner prescribed, administrative charges at such rate, not exceeding fifteen rupees per quintal as the State Government may from time to time notify [through the Molasses Controller under powers defined in section 8 (1) of the *Uttar Pradesh Sheera Niyamtran Adhiniyam*, 1964], on the molasses sold or supplied by him.

Rule 760 framed under the U.P Excise Act 1910

9.12 As per Rule 760 of Rules framed under the U.P Excise Act 1910, two per cent wastage is allowed in the process of redistillation of spirit subject to certain conditions. The rules however, do not provide for any wastage of RS, if any, claimed by a distillery in the manufacture of ENA or AA during the process of redistillation.

Rule 710 framed under the UP Excise Act, 1910

9.13 Rule 710 of Rules framed under the UP Excise Act 1910 states that:

- (1) The distillers shall be responsible for maintaining such minimum fermentation and distillation efficiencies and such minimum recovery of alcohol from molasses consumed for production of alcohol, as may be prescribed by the Excise Commissioner.

Note: - The minimum fermentation and distillation efficiencies and recovery of alcohol from molasses prescribed by the Excise Commissioner are as follows:

- | | | |
|-------|-----------------------------|---|
| (i) | Fermentation Efficiency | 84 <i>per cent</i> of fermentable sugars present in molasses |
| (ii) | Distillation Efficiency | 97 <i>per cent</i> of alcohol present in the wash |
| (iii) | Minimum recovery of alcohol | 52.5 litres of alcohol per quintal of fermentable sugars present in the molasses consumed for production of alcohol |

Failure to maintain the prescribed minimum efficiency and recovery of alcohol shall render the distillers liable to cancellation of licence and forfeiture of security deposits in addition to any other penalties imposed under the UP Excise Act, 1910 and under Section 74(A) of UP Excise Act, 1910, imposing the maximum compounding fee of ₹ 5,000 in each case.

- (2) The Officer-in-charge of the distillery shall draw composite sample of molasses consumed in three successive out-turns and divide it into three equal parts which shall be sealed by the Officer-in-charge with his seal. Two parts of the sample duly sealed shall be handed over to the distillers who shall send one of the parts to the Chemical Examiner to the U. P. Government or any officer authorised by the Excise Commissioner, Uttar Pradesh, Allahabad or any officer or agency authorised by the State Government, as the case may be, for determination of the percentage of fermentable sugars and retain the other with them. The third part of the sample duly sealed shall be kept by the Office-in-charge. On the basis of the report furnished by the Chemical Examiner or any officer authorised by the Excise Commissioner, Uttar Pradesh, Allahabad or any office or agency authorised by the State Government, the Officer-in-charge of the distillery shall calculate the minimum quantity of alcohol which should have been produced by the distillers on the basis of minimum recovery prescribed by the Excise Commissioner. In case the recovery of alcohol is below the prescribed minimum level, the Officer-in-charge shall call for the explanation of the distiller and forward the same along with his comments to the Deputy/Assistant Excise Commissioner of the charge concerned. The Deputy/Assistant Excise Commissioner of the charge shall, if necessary, make inquiries in the matter and furnish his report to the Excise Commissioner for necessary orders.

Section 28 of UP Excise Act, 1910, Rule 890 and 891 framed under the UP Excise Act, 1910 and Uttar Pradesh Excise Policy 2006-2007 and 2007-2008

9.14 Under Section 28 of UP Excise Act, 1910 and Uttar Pradesh Excise Policy 2006-07 and 2007-08 excise duty is applicable on the basis of strength of beer such as mild and strong. The excise duty is higher on strong beer as compared to mild beer. For determination of strength of beer, sample of each batches are required to be sent to the laboratory for analysis under Rule 890 and 891 of Rules framed under the UP Excise Act, 1910.

Financial Hand Book Part I Volume V and Departmental Circular dated 29 December 1992

9.15 As per provisions of the footnote of Article 87 of Part I Volume V of the Financial Hand Book and Departmental Circular dated 29 December 1992, all the receipts of Government must be entered in the Cash Book. This was required to be verified from the Treasury after close of every month. All the receipts of Excise Department are entered in G-6 register of District Excise Office of the district concerned.

Section 60 of UP Excise Act, 1910, Rule 703 framed under the UP Excise Act, 1910 and Government and departmental orders issued from time to time

9.16 As per Rule 703 framed under the U.P Excise Act 1910, a distillery may manufacture spirit under the licence granted by the competent authority. Government and Department issued instructions on 27 November 1996, 23 July 1998 and 27 December 2004 that the officer of the Excise Department posted at a distillery should ensure that no distillery produces spirit/alcohol in excess of its installed daily/annual capacity fixed for production including purchase of alcohol for human consumption from other distilleries of the State. Under Section 60 of UP Excise Act 1910, unlawful manufacturing and removal of intoxicant by any distillery will be punishable with imprisonment for two years and with fine of ₹ 500 or not less than 10 times of the duty due, whichever is higher.

Rule 812 and 814 framed under the UP Excise Act, 1910 and Gazette Notification dated 15 November 2007

9.17 Rule 814 framed under the U.P Excise Act, 1910, envisages that if Rectified Spirit (RS) is transported under bond in metal vessels, wastage is allowed upto 0.5 *per cent* in each consignment and wastage upto 0.4 *per cent* in monthly storage of RS in bonded warehouses. It attracts duty (consideration fee) leviable on the wastages in excess of the admissible limit vide Gazette Notification dated 15 November 2007.

Section 28 of UP Excise Act 1910, Uttar Pradesh Excise Policy 2003-04 and Circular dated 12 June 2000 of Excise Commissioner

9.18 Section 28 of UP Excise Act, 1910 and Uttar Pradesh Excise Policy 2003-04 and Excise Commissioner's circular dated 12 June 2000 advocate that excise duty is applicable on the basis of strength of spirit. Apparent strength of spirit as indicated by the hydrometer after addition of colour and flavor materials is to be mentioned on the label affixed on the sealed bottles. According to the Government notifications, the rates of excise duty on country liquor have been prescribed as ₹ 79 to ₹ 104 per BL for 36 *per cent* volume by volume (v/v) for the period from April 2004 to February 2009.

Rule 866 and 868 framed under the UP Excise Act 1910

9.19 As per Rules 866 and 868 framed under the UP Excise Act 1910 an application for renewal of licence for the excise year shall be made to the Commissioner Excise on or before 28 February each year. A licence fee as prescribed from time to time shall be payable in advance for such a renewal for a year or part thereof. The fee for the grant or renewal of a licence in Form

B-1 shall be as under:

- | | | |
|-------|--|-------------------------------------|
| (i) | For breweries having an yearly production up to 5,000 kilolitres | ₹ 1,00,000/- |
| (ii) | For breweries having an yearly production of over 5,000 kilolitres and up to 10,000 kilolitres | ₹ 2,00,000/- |
| (iii) | For breweries having an yearly production of over 10,000 kilolitres, the fee shall be increased by | ₹ 20/- per additional one kilolitre |

Rule 912 framed under the UP Excise Act, 1910 and The Uttar Pradesh Excise (Amendment) Ordinance No. 5 of 1978

9.20 Under Rule 912 framed under the UP Excise Act, 1910 and The Uttar Pradesh Excise (Amendment) Ordinance No. 5 of 1978, monthly storage wastage up to 10 *per cent* is allowed for beer. The wastage was admissible only on unbottled beer and no wastage was permissible once the beer was bottled.

Section 38 (A) of UP Excise Act, 1910

9.21 Under the provision of Section 38 (A) of the Uttar Pradesh State Excise Act, 1910 (as amended), where any excise revenue is not paid within three months from the date on which it becomes payable, interest at the rate of 18 *per cent* per annum is recoverable from the date such excise revenue becomes due.

Government orders dated 6 October 2006

9.22 As per Government notification of October 2006, rates of sample fees were revised from ₹ 80/- per sample to ₹ 160/- per sample. The revised rates were effective from 6 October 2006.

Rule 727 framed under the UP Excise Act 1910 and Rule 12 of UP Excise {Establishment of Distillery} (Seventh Amendment) Rules, 2007 and Rule 18 of UP Sheera Niyamtran Niyamavali, 1974

9.23 Rule 727 of Rules framed under the UP Excise Act 1910 states that in case excise staff stationed at a distillery, is required to attend the distillery on any of the holidays or after normal office hours, the distillers are required to pay to Government an overtime fee at the prescribed rates. The Government revised the rate of overtime of excise staff vide Gazette notification dated 9 March 2007 as Rule 12 of Uttar Pradesh Excise (Establishment of Distilleries) (Seventh Amendment) Rules 2007. This amendment provided that, if the excise staff were retained after office hours or part thereof for not less than 15 minutes in nights and in holidays, the distillers were required to pay to the Government, over time fees equal to four times of the average pay. If the Excise Staff were retained after office hours, in day time, the distilleries were required to pay to the Government, overtime fees equal to two times the average salary. The rules, however, did not mention about the point of time at which night began for the purpose of working out the overtime.

9.24 Rule 18 of *UP Sheera Niyamtran Niyamavali* 1974, provides for lifting of molasses from 6 a.m. in the morning to 10 p.m. in the night. Lifting of molasses should take place in the presence of excise staff posted in the sugar factories.

Rule 8, 20 and 25 of the *Uttar Pradesh Sheera Niyamtran Niyamavali*, 1974 and Rule 710 of Rules framed under the UP Excise Act 1910 and Excise Commissioner's Circular dated 24 May 1995

9.25 Under the provisions of Rule 8 and 25 of the *Uttar Pradesh Sheera Niyamtran Niyamavali*, 1974, one *per cent* wastage is allowed in transit in each consignment of molasses and two *per cent* wastage is allowed in storage of molasses in a year. The Act and Rules *ibid* are silent about wastages occurring in contents of Total Reducing Sugar (TRS) or Fermentable Sugar (FS) present in molasses. The Act and Rules do not provide for any loss of TRS or FS in transit as well as in storage. Under the provisions of Rule 20 of the *Uttar Pradesh Sheera Niyamtran Niyamavali*, 1974, the ownership of all molasses dispatched in Railway tank wagons to distillery shall continue to vest in the sugar factory concerned until it is actually delivered at the distillery and all losses occurring due to any cause other than a willful omission on the part of the distillery shall be borne by the sugar factory. The ownership of molasses to be transported by road shall pass on to allottee as the molasses are taken out of the factory premises with gate pass in Form M.F. 4 and such allottee shall be responsible for its safe arrival at the destination and for the loss in transit if any.

9.26 Excise Commissioner's Circular dated 24 May 1995, fixed norms of minimum 88 *per cent* fermentable sugar content in TRS. Under the provisions of UP Excise Working of Distilleries (Amendment) Rule 1978, for every quintal of fermentable sugar content present in the molasses, the distillery shall yield minimum alcohol of 52.5 alcoholic litres (AL). Distilleries are generally allowed to purchase and use molasses from grade one to three. But molasses of below grade are not permissible to be used in distilleries.

Rule 19 and 27 of the Medicinal and Toilet Preparation (Excise Duties) Rules, 1956

9.27 Under the provisions of Rule 19 of the Medicinal and Toilet Preparation (Excise Duties) Rules, 1956, transit wastage of spirit is not allowed. If in any particular case, it is proved to the satisfaction of the Excise Commissioner that the loss is bonafide and not due to negligence or connivance on the part of the pharmacies, the duty payable in respect of such loss may be waived in full or in part according to the merits of the case. Rule 27 of the Medicinal and Toilet Preparation (Excise Duties) Rules, 1956, emphasised that subject to the provisions of Rule 19, duty at the rate levied by the State Government on alcoholic liquors on all wastages shall be paid by the licensee of the bonded manufactory into a Government treasury, on receipt of a demand from the officer-in-charge and a copy of the treasury receipt shall be sent to the distillery officer who shall thereupon make the necessary adjustment in his registers.

Rule 137(3) of the Medicinal and Toilet Preparation (Excise Duties) Rules, 1956

9.28 Under the provisions of Rule 137(3) of the Medicinal and Toilet Preparation (Excise Duties) Rules, 1956, excise locks are supplied by the department for locking all warehouses, spirit pipes and vessels etc. to prevent any misuse, or leakage of spirit in the pharmacy. Rule 738 made under the UP Excise Act, 1910 provides that locks were required to be interchanged at

regular intervals. But the above provision is neither provided in the Act *ibid* nor in the Medicinal and Toilet Preparation (Excise Duties) Rules, 1956.

Rule 21 of the Medicinal and Toilet Preparation (Excise Duties) Rules, 1956

9.29 Under the provisions of Rule 21 of the Medicinal and Toilet Preparation (Excise Duties) Rules, alcohol can be stored in pharmacies without payment of excise duty by executing a bond in B 1.

Rule 25 of the *Uttar Pradesh Sheera Niyamavali*, 1974

9.30 The Controller of Molasses has no direct control either on issue of molasses from sugar factories or on its receipt by the consignee distilleries and other industrial licensees. Rule 25 of the *Uttar Pradesh Sheera Niyamavali*, 1974 provides for issue of gate pass (M F 4) either by the sugar factories, or by an officer, authorised by the Controller of Molasses, before the actual transportation of molasses. A copy of the gate pass is required to be handed over to the Sub-Inspector of Excise posted at the factory.

General provisions

9.31 Inspection is an important part of internal control mechanism for ensuring proper and effective functioning of a department and for timely detection of loopholes and to stop their recurrences. As the Excise Department is the second major contributor to state exchequer, periodical inspections at higher levels assume significance. However, no norms have been fixed by the Government for the Excise Commissioner Uttar Pradesh for periodical inspection of the State Excise offices. As per instructions issued by the Excise Commissioner dated 1 January 1990 to all sub-ordinate offices, periodicity to inspect District Excise offices, distilleries, bonded/un-bonded manufactories and sugar factories are as follows:

Sl. No.	Designation of officer	District Excise Offices	Distilleries	Breweries	Pharmacies	Sugar Factories
1.	Joint Excise Commissioner	Every six months	Every four months	Every six months	Every six months	Every six months
2.	Deputy Excise Commissioner	Every four months	Every three months	Every six months	Every six months	Every four months
3.	Assistant Excise Commissioner	Every three months	Every two months	Every four months	Every four months	Every four months

9.32 Internal audit is an important tool for appraisal of deficiencies in the activities viz. proper and timely assessment and realisation of dues and implementation of Acts/Rules and in issue of guidelines for improving accounting etc. for better collection of revenue and plugging various loopholes within the organisation. This wing functioned under the control of Finance Controller and Chief Accounts Officers, who were assisted by two Assistant Audit Officers, responsible for conducting of audit of the field units of the Department.

APPENDIX-II

Non-imposition of penalty (Reference Para No.3.2.1)

Sl. No.	Name of Sugar Factory	Period involved	Total number of MF 4 passes	Delay in days	Penalty in each case (@ ₹2000 per case)	Penalty (@ ₹ 100 per additional day)	Total amount of penalty (In rupees)
1	Agauta Sugar Factory Bulandshahar	2008-09	241	3-36	482000	312100	794100
2	Triveni Sugar Factory Deoband Saharanpur	2007-08	125	03-107	250000	324800	574800
		2008-09	645	02-38	1282000	1145400	2427400
3	Bajaj Sugar Factory Gagnauli Saharanpur	2006-07	156	02-69	312000	183600	495600
		2007-08	145	02-28	290000	112600	402600
		2008-09	22	06-40	44000	51400	95400
4	Triveni Sugar Factory Khatauli Muzaffarnagar	2006-07	1061	39-128	2122000	6609500	8731500
		2007-08	914	32-123	1828000	4168500	5996500
		2008-09	927	05-25	1854000	1641900	3495900
5	Mawana Sugar Factory Meerut	2007-08	30	8-16	60000	40200	100200
		2008-09	753	8-133	1506000	5456800	6962800
6	Daurala Sugar Factory Meerut	2007-08	07	2-13	14000	5800	19800
7	Balrampur Sugar Mill Balrampur	2008-09	1309	7-35	2576000	2809800	5385800
8	Balrampur Sugar Mill Babhnan Unit	2008-09	839	4-24	1678000	1273500	2951500
9	Balrampur Sugar Mill Mankapur Unit	2007-08	250	15-37	500000	686100	1186100
		2008-09	39	2-43	78000	81900	159900
10	J K Sugar Mill Meerganj Bareilly	2006-07	1015	2-135	2030000	4191900	6221900
		2007-08	1008	2-95	2016000	3662700	5678700
11	Asmauli Sugar Mill Moradabad	2007-08	380	6-78	760000	1380400	2140400
		2008-09	245	02-10	490000	129200	619200
12	Dhampur Sugar Mill Bijnor	2007-08	26	3-15	52000	25800	77800
13	Uttam Sugar Mill Bijnor	2008-09	132	12-35	264000	346100	610100
Total			10269	02-135	20488000	34640000	55128000

Say ₹ 5.51 crore

APPENDIX-III

Non-recovery of minimum yield of alcohol (Reference Para No. 4.3.1)

Sl. No.	Name of Distillery	Year concerned	COT No.	Molasses consumed (In quintal)	F.S present in molasses (In quintal)	Alcohol produced as per norms (In AL)	Actual alcohol produced (In AL)	Difference (in AL)	Rate of Duty (In case of BL, Rate in reference 42.8% v/v strength)	Duty involved (In rupees)
1	Ghosi	2007-08 (Before 15 Nov.)	2	9550	4144.67	217595.20	200111.01	17484.19	48/ per AL	839241
		2008-09	3	23550	10531.03	552879.60	545388.00	7491.60	170/ per BL	2975635
2	Nibi	2005-06	15	78595	29311.36	1538846.65	1492137.50	46709.15	48/ per AL	2242039
		2006-07	8	40768	15709.83	824766.35	811452.50	13313.85	48/ per AL	639064
		2008-09	1	4062	1700.35	89268.50	88183.10	1085.40	170/ per BL	431116
3	Jubilant Organosys	2007-08 (Before 15 Nov.)	5	355422	143085.82	7512006.22	7301308.20	38418.24	48/ per AL	1844075
		2007-08 (After 15 Nov.)	0	0	0.00	0.00	0.00	172279.78	162/ per BL	65207896
4	Modi	2007-08 (Before 15 Nov.)	8	47525	19232.90	1009727.57	995457.8	4758.45	48/ per AL	228405
		2007-08 (After 15 Nov.)	0	0	0.00	0.00	0.00	9511.32	162/ per BL	3600079
5	Shamli	2007-08 (After 15 Nov.)	4	21924	8929.00	468772.94	461823.80	6949.14	162/ per BL	2630281
		2008-09	4	26920	11047.04	579969.27	569419.5	10549.77	170/ per BL	4190329
6	Tikola	2004-05	4	23602	9472.80	497322.00	489130.10	8191.90	48/ per AL	393211
		2005-06	8	61327	25410.08	1334029.32	1317740.40	16288.92	48/ per AL	781868
		2007-08 (Before 15 Nov.)	1	8683	3622.54	190183.40	188279.5	1903.90	48/ per AL	91387
7	Dwarikesh	2007-08 (After 15 Nov.)	3	23795	10152.60	533011.50	527976.90	5034.60	162/ per BL	1905619
8	Superior	2004-05	14	121476	54250.96	2848127.36	2673977.10	174150.26	48/ per AL	8359260
		2007-08 (Before 15 Nov.)	5	57324	22159.00	1163350.77	1084543.20	78807.57	48/ per AL	3782763
		2007-08 (After 15 Nov.)	5	64466	25870.48	1358200.68	1325215.30	32985.38	162/ per BL	12485120
9	Roza	1/06 to 10/07	32	196690	80064.72	4203396.67	3839908.00	363488.67	48/ per AL	17447456
		11/07 to 08/08	11	47810	17876.43	938505.62	873798.70	64706.92	162/ per BL	24491860
10	M Meakin Lucknow	2007-08 (Before 15 Nov.)	1	2788	1188.00	62370.00	60864.60	1505.40	48/ per AL	72259
		2008-09	2	6228	2376.60	124771.60	121719.70	3051.90	170/ per BL	1212203
11	Balrampur	2005-06	1	28537	11423.36	599726.50	584445.10	15281.40	48/ per AL	733507
		2006-07	2	60353	20798.22	1091906.80	1078002.30	13904.50	48/ per AL	667416
		2007-08 (Before 15 Nov.)	3	121497	43555.74	2286676.2	2241017.60	45658.60	48/ per AL	2191612
		2008-09	1	38832	16565.73	869700.99	839832.80	29868.19	170/ per BL	11863533
12	Tapri	2006-07	1	3610	1514.03	79486.50	76845.10	2641.40	48/ per AL	126787

Sl. No.	Name of Distillery	Year concerned	COT No.	Molasses consumed (In quintal)	F.S present in molasses (In quintal)	Alcohol produced as per norms (In AL)	Actual alcohol produced (In AL)	Difference (in AL)	Rate of Duty (In case of BL, Rate in reference 42.8% v/v strength)	Duty involved (In rupees)
		2007-08 (Before 15 Nov.)	3	5413	2146.20	112675.37	109222.90	3452.47	48/ per AL	165718
		2007-08 (After 15 Nov.)	3	11456	4616.08	242344.55	222577.20	19767.35	162/ per BL	7482034
		2008-09	7	26925	10541.04	553404.60	539716.90	13687.70	170/ per BL	5436703
13	Nanauta	2005-06	3	33550	14302.15	750862.88	711731.60	39131.28	48/ per AL	1878301
		2006-07	8	85302	35715.05	1875040.13	1848730.30	26309.83	48/ per AL	1262871
		2007-08 (After 15 Nov.)	1	1231	508.53	26697.83	26307.40	390.43	162/ per BL	147779
		2008-09	2	13376	5525.30	290078.25	286503.30	3574.95	170/ per BL	1419956
14	Dhampur	2006-07	2	97675	40171.44	2108998.50	2081049.50	27949.00	48/ per AL	1341552
		2007-08 (Before 15 Nov.)	1	70450	29187.40	1532340.30	1508668.00	23672.30	48/ per AL	1136270
		2008-09	6	288825	116457.56	6114024.10	6053022.20	61001.90	170/ per BL	24229726
		2008-09	1	48950	17607.31	924384.03	891715.40	32668.63	170/ per BL	12975857
15	Mohit Petrochemical	2007-08 (Before 15 Nov.)	4	41250	17295.38	908007.70	887315.80	20691.9	48/ per AL	993211
		2007-08 (After 15 Nov.)	2	25520	10664.19	559870.00	545848.90	14021.10	162/ per BL	5307051
		2008-09	3	44385	17698.66	929179.60	902438.10	26741.50	170/ per BL	10621623
16	Kinauni Meerut	2005-06	3	144982	62751.59	3294458.50	3216876.20	77582.30	48/ per AL	3723950
		2006-07	3	203481	86685.91	4551010.30	4521000.10	30010.20	48/ per AL	1440489
		2007-08 (Before 15 Nov.)	1	54720	23819.60	1250529.00	1222714.80	27814.20	48/ per AL	1335081
17	Mansoorpur	2006-07	9	121370	50518.10	2652200.50	2586490.70	65709.80	48/ per AL	3154070
		2007-08 (Before 15 Nov.)	11	155371	60656.20	3184453.30	3111020.40	73432.90	48/ per AL	3524779
		2007-08 (After 15 Nov.)	8	123722	50430.90	2647622.40	2566425.80	81196.60	162/ per BL	30733292
		2008-09	4	61195	24078.50	1264121.30	1230894.30	33227.00	170/ per BL	13197640
18	Mohan Meakin Ghaziabad	2004-05	4	7955	2969.00	155872.60	153370.80	2501.80	48/ per AL	120086
		2005-06	1	1875	719.30	37763.30	36915.00	848.30	48/ per AL	40718
		2006-07	1	1995	732.80	38472.00	37720.80	751.20	48/ per AL	36057
19	Ghaziabad Organics	2005-06	1	7900	3227.20	169428.00	164714.90	4713.10	48/ per AL	226228
		2006-07	7	93641	38169.39	2003893.80	1947792.90	56100.90	48/ per AL	2692843
		2007-08 (Before 15 Nov.)	6	114831	46541.98	2443455.80	2410004.90	33450.90	48/ per AL	1605643
		2007-08 (After 15 Nov.)	4	55301	23148.81	1215313.40	1181620.40	33693.00	162/ per BL	12752957
		2008-09	1	17863	7273.81	381875.20	376457.90	5417.30	170/ per BL	2150668
20	Rampur Distillery	2006-07	8	460051	191138.25	10034757.67	9777376.41	257381.26	48/ per AL	12354300
		2007-08 (Before 15 Nov.)	5	384908	158108.19	8300680.09	8104605.60	196074.49	48/ per AL	9411575
		2007-08 (After 15 Nov.)	6	372946	153994.72	8084722.47	7932342.00	152380.47	162/ per BL	57676719

Sl. No.	Name of Distillery	Year concerned	COT No.	Molasses consumed (In quintal)	F.S present in molasses (In quintal)	Alcohol produced as per norms (In AL)	Actual alcohol produced (In AL)	Difference (in AL)	Rate of Duty (In case of BL, Rate in reference 42.8% v/v strength)	Duty involved (In rupees)
		2008-09	4	193669	76482.98	4015356.22	3954943.20	60413.02	170/ per BL	23995825
21	Rampur Distillery (grain Unit)	2007-08 (After 15Nov.)	2	58534	25037.46	1314466.80	1295603.50	18863.30	162/ per BL	7139847
22	Baheri	2004-05	7	100320	39887.19	2094076.42	1880844.20	213232.22	48/ per AL	10235146
		2005-06	7	98955	39044.57	2049839.90	1964616.5	85223.4	48/ per AL	4090723
		2006-07	5	84660	35059.57	1840627.15	1783052.60	57574.55	48/ per AL	2763578
		2007-08 (Before 15 Nov.)	5	97515	39676.92	2083038.51	2013254.70	69783.81	48/ per AL	3349622
23	UDBL Unnao	2005-06	6	51471	20059.91	1053145.40	1026405.20	26740.20	48/ per AL	1283529
		2006-07	3	29034	10854.16	569843.40	548930.90	20912.50	48/ per AL	1003800
		2007-08 (Before 15 Nov.)	3	21127	8647.31	453983.70	447209.30	6774.40	48/ per AL	325171
		2008-09	1	12530	5214.99	273786.90	252756.90	21030.00	170/ per BL	8353037
24	Saraiya Distillery	2005-06	5	161778	60075.70	3153974.30	3111223.10	42751.20	48/ per AL	2052057
		2007-08 (Before 15 Nov.)	1	27992	10648.16	559028.40	554182.90	4845.50	48/ per AL	232584
		2007-08 (After 15Nov.)	1	17664	6917.22	363154.10	357582.10	5572.00	162/ per BL	2109028
		2008-09	2	62808	24895.22	1306999.00	1233635.90	73363.10	170/ per BL	29139549
25	IGL Gorakhpur	2006-07	1	39382	15819.75	830536.90	827125.80	3411.10	48/ per AL	163732
		2007-08 (Before 15 Nov.)	2	123499	52131.68	2736913.20	2734072.90	2840.30	48/ per AL	136334
		2008-09	2	144870	63721.54	3345380.85	3251892.70	93488.15	170/ per BL	37133143
26	Lords Distillery	2004-05	4	29131	10395.58	545769	537512.9	8256.1	48/ per AL	396292
		2005-06	6	53116	19194.08	1007689.2	976887.52	30801.68	48/ per AL	1478480
		2006-07	4	26617	10003.50	525183.75	516956.82	8226.93	48/ per AL	394892
		2007-08 (Before 15 Nov. 2007)	1	8720	3457.48	181517.70	177056.64	4461.06	48/ per AL	214130
		2007-08 (After 15 Nov. 2007)	1	13705	5228.45	274493.62	272168.10	2325.52	162/ per BL	880220
		2008-09	1	12190	4739.47	248822.28	248487.90	334.38	170/ per BL	132814
27	Triveni Distillery Muzafarnagar	2007-08 (Before 15 Nov. 2007)	9	317328.6	122752.45	6444504.35	6238056.10	206448.25	48/ per AL	9909516
		2007-08 (From 15 Nov. 2007)	6	242032	95716.37	5025109.6	4988187.5	36922.10	162/ per BL	13975187
		2008-09	5	228320	89935.78	4721626.80	4647953.30	73673.50	170/ per BL	29262838
28	Naglamal Distillery Meerut	2007-08 (before 15 Nov.)	2	42049	17055.31	895404.29	827022.10	68382.19	48/ per AL	3282345
		2008-09	1	33680	14307.26	751131.36	739882.20	11249.16	170/ per BL	4468124
29	Babhnan Distillery	2004-05	2	30216	12237.85	642487.3	618191.1	24296.20	48/ per AL	1166215
		2005-06	2	39534	15677.58	823072.7	808610.1	14462.60	48/ per AL	694207
		2006-07	1	18523	7379.56	387427.1	382728.4	4698.70	48/ per AL	225536
		2007-08 (Up to 14Nov)	3	16058	6583.78	345648.5	341599.2	4049.30	48/ per AL	194364
		2007-08 (From 15 Nov)	1	21332	9315.68	489073.4	465033	24040.40	162/ per BL	9099415

Sl. No.	Name of Distillery	Year concerned	COT No.	Molasses consumed (In quintal)	F.S present in molasses (In quintal)	Alcohol produced as per norms (In AL)	Actual alcohol produced (In AL)	Difference (in AL)	Rate of Duty (In case of BL., Rate in reference 42.8% v/v strength)	Duty involved (In rupees)
		2008-09	3	49290	21179.44	1111920.1	1097989.8	13930.30	170/ per BL	5533053
30	Mankapur Distillery	2007-08 (Up to 14 Nov)	2	64613	25315.95	1329087.77	1317579.6	11508.17	48/ per AL	552392
		2008-09	4	110290	46660.02	2449651.34	2363802.8	85848.54	170/ per BL	34098716
31	Asmauli Distillery	2008-09	10	246654.3	85955.58	4512668.4	4176000.6	336667.8	170/ per BL	133723196
32	Jain Distillery Bijnor	2007-08 (From 15 Nov)	1	10220	4210.64	221058.6	218966.7	2091.9	162/ per BL	791794
		2008-09	3	51500	16670.53	875203.14	854678.8	20524.34	170/ per BL	8152191
	Total		402	7644675.9	3075540.5	161465837.13	157034452.8	4431384.33		794142390

Say ₹ 79.41 crore

APPENDIX-IV

Non-achievement of minimum fermentation efficiency (Reference Para No. 4.3.2)

Sl. No.	Name of Distillery	Year concerned	COT No.	Molasses consumed (In Quintal)	F.S present in molasses (In quintal)	Alcohol produced as per norms (64.4 AL Per quintal of FS)	Alcohol would have been produced by maintaining 84% fermentation efficiency (In AL)	Actual alcohol produced (In AL)	Difference (in AL)	Rate of Duty (In case of BL, Rate in reference 42.8% v/v strength)	Duty involved (In rupees)
1	Lords Distillery Ghazipur	2008-09	5	48555	18572.97	1196099.26	1004723.20	1000849.00	3874.20	170/ per BL	1538817
2	Tapri Distillery Saharanpur	2008-09	7	9333	3657.74	235539.24	197852.93	190987.8	6865.13	170/ per BL	2726803
3	Balrampur Distillery Balrampur	2007-08 (From 15 Nov. 2007)	3	124367	53160.42	3423724.24	2875928.34	2862632.7	13295.64	162/ per BL	5032462
		2008-09	5	185077	74765.82	4814918.79	4044531.77	3992607.7	51924.07	170/ per BL	20624047
4	Mankapur Distillery, Gonda	2007-08 (Up to 14 Nov.)	8	239076	94048.06	6056695.36	5087624.1	5059463.75	28160.35	48/ per AL	1351696
		2007-08 (From 15 Nov.)	2	77597	30736.84	1979452.92	1662740.45	1655666.28	7074.17	162/ per BL	2677607
		2008-09	1	32337	13668.85	880273.93	739430.1	736602	2828.1	170/ per BL	1123311
5	Jain Distillery, Bijnor	2007-08 (From 15 Nov.)	1	10240	4150.27	267277.52	224513.11	199252.05	25261.06	162/ per BL	9561431
Total			32	726582	292760.97	18853981.26	15837344	15698061.28	139282.72		44636174

Say ₹ 4.46 crore

APPENDIX-V

Non-achievement of minimum distillation efficiency (Reference Para 4.3.3)

Sl. No	Name of Distillery	No. of cases	Period involved	Alcohol present in wash (AL)	Alcohol would have been produced by maintaining 97% Distillation Efficiency (AL)	Actual alcohol produced(AL)	Difference (AL)	Rate of Duty (In case of BL, Rate in reference 42.8% v/v strength)	Duty involved (In rupees)
1.	Jubilant Organosys	1	17.3.08 to 20.3.08	629966.95	611067.94	596568.50	14499.44	162/ per BL	5488105
2.	Tikola	12	April 04 to 14.11.07	668239.17	648191.98	642752.70	5439.28	48/ per AL	261085
		1	From 15.11.07	52152.96	50588.37	49932.00	656.37	162/ per BL	248439
3.	Dwarikesh	4	7.4.07 to 14.9.07	355665.60	344995.60	338502.50	6493.10	48/ per AL	311668
		6	8.12.07 to 28.2.08	544662.00	528322.20	507932.70	20389.50	162/ per BL	7717521
4.	Superior	12	12.4.07 to 1.11.07	3275418.93	3177156.36	3094546.4	82609.96	48/ per AL	3965278
		9	24.11.07 to 31.03.08	1810906.25	1756579.06	1687626.10	68952.96	162/ per BL	26099017
		7	2008-09	1688873.50	1638207.56	1584683.30	53524.26	170/ per BL	21259635
5.	Roza	1	2006-07	128210.28	124363.97	124161.80	202.17	48/ per AL	9704
		4	2007-08 (Before 15 Nov.)	446501.29	433106.24	421099.5	12006.74	48/ per AL	576323
		3	2007-08 (After 15Nov.)	281760.35	273307.53	253709.60	19597.93	162/ per BL	7417908
		4	2008-09	386702.57	375101.58	336553.37	38548.21	170/ per BL	15311204
6.	Mohan Meakin	6	2008-09	113284.60	109886.06	109062.10	823.96	170/ per BL	327273
7.	Balrampur	4	2006-07	1593803.50	1545989.39	1505776.80	40212.59	48/ per AL	1930204
		4	2007-08 (After 15Nov.)	2828907.40	2744040.16	2665899.50	78140.66	162/ per BL	29576604
		1	2008-09	1153623.60	1119014.89	1110208.40	8806.49	170/ per BL	3497904
8.	Tapri	2	2007-08 (Before 15 Nov.)	125750.45	121977.93	119148.90	2829.03	48/ per AL	135793
		4	2007-08 (After 15Nov.)	275551.32	267284.77	261802.70	5482.07	162/ per BL	2074989
		3	2008-09	186953.01	181344.40	178579.30	2765.10	170/ per BL	1098287
9.	Nanauta	14	2004-05	3625451.76	3516688.21	3480405.75	36282.46	48/ per AL	1741558
		14	2005-06	3473117.81	3368924.29	3336881.47	32042.82	48/ per AL	1538055
		16	2006-07	3819503.11	3704918.02	3668492.70	36425.32	48/ per AL	1748415
		6	2007-08 (Before 15 Nov.)	1367974.68	1326935.44	1312898.13	14037.31	48/ per AL	673790
		11	2007-08 (After 15Nov.)	2778753.69	2695391.08	2672809.05	22582.03	162/ per BL	8547403
		8	2008-09	1922791.75	1865108.00	1851349.60	13758.40	170/ per BL	5464785
10.	Mohit Petrochemical	12	2007-08 (After 15Nov.)	1063756.69	1031843.99	1026923.71	4920.28	162/ per BL	1862348
		32	2008-09	3467394.86	3363373.03	3346133.98	17239.05	170/ per BL	6847286
11.	United Spirits Meerut	43	2004-05	2437136.82	2364022.72	2322334.20	41688.52	48/ per AL	2001048

Sl. No	Name of Distillery	No. of cases	Period involved	Alcohol present in wash (AL)	Alcohol would have been produced by maintaining 97% Distillation Efficiency (AL)	Actual alcohol produced(AL)	Difference (AL)	Rate of Duty (In case of BL, Rate in reference 42.8% v/v strength)	Duty involved (In rupees)
12.	Kinauni Meerut	1	2007-08 (After 15 Nov.)	175688.10	170417.45	170233.30	184.15	162/ per BL	69701
		2	2008-09	861365.88	835524.93	819229.10	16295.83	170/ per BL	6472642
13.	Mansoorpur	72	2006-07	7119376.59	6905795.30	6829397.40	76397.90	162/ per BL	3667099
		12	2007-08 (before 15Nov.)	1367587.25	1326559.63	1310165.40	16394.23	48/ per AL	786923
		24	2007-08 (After 15Nov.)	2628453.31	2549599.71	2518343.20	31256.51	162/ per BL	11830735
		92	2008-09	10498121.10	10183177.46	10022752.30	160425.16	170/ per BL	63720273
14.	Ghaziabad Organics	14	2007-08 (before 15Nov.)	1285222.88	1246666.25	1191514.10	55152.15	48/ per AL	2647303
		23	2007-08 (After 15Nov.)	2730059.87	2648157.84	2513796.80	134361.04	162/ per BL	50856281
		27	2008-09	2978267.74	2888919.71	2693124.50	195795.21	170/ per BL	77769125
15.	Saraiya Distillery	4	2006-07	11384415.00	11042882.90	10951650.00	91232.9	48/ per AL	4379179
		6	2007-08 (before 15Nov.)	17095409.00	16582547.40	16448649.20	133898.20	48/ per AL	6427113
		4	2007-08 (After 15Nov.)	14460002.00	14026202.70	13897366.80	128835.90	162/ per BL	48764990
		10	2008-09	22091028.30	21428296.80	21295870.10	132426.70	170/ per BL	52599390
16.	IGL Gorakhpur	7	2006-07	2024363.50	1963632.40	1952227.30	11405.10	48/ per AL	547448
		9	2008-09	2328129.90	2258285.80	2244374.50	13911.30	170/ per BL	5525516
17	Lords Distillery Ghazipur	2	2008-09	394828.00	382983.16	381734.90	1248.26	170/ per BL	495804
Total		553		139925133.32	135727380.21	133847203.66	1880176.55		494291151

Say ₹ 49.43 crore

APPENDIX-VI

Manufacture of alcohol in excess of installed capacity (Reference Para No. 4.6)

Sl. No.	Name of Distillery	Year	Annual potable Installed Capacity	Annual purchase (in BL)	Production (Including purchase)	Strength (% v/v)	Excess production (In BL)	Excess production (In AL)	Rate of Penalty ¹	Penalty (In rupees)
1	Roja Distillery Shahjahanpur	2005-06	16500000	4097341.8	17689981.20	95.54	1189981.20	1136908.03	480/ per AL	545715858
2	United Spirits Meerut	2005-06	10900000	5048908.8	14714970.70	94.67	3814970.70	3611632.76	480/ per AL	1733583724
3	Rampur Distillery (Malt Unit)	2005-06	460000	124296.8	1021093.40	64.52 & 94.65	561093.40	399469.96	480/ per AL	191745580
		2006-07	460000	879727.6	1685836.30	63.32 & 95.47	1225836.30	1059042.72	480/ per AL	508340509
		2007-08	460000	998104.9	1908996.60	62.54 & 94.45	1448996.60	1224736.74	480/ per AL	587873636
		2008-09	460000	648939.4	1445271.10	62.05 & 94.48	985271.10	821823.91	1620/ per BL	3264253886
4	Tapri Distillery Saharanpur	2008-09	3600000	2207944.0	3758489.60	94.28	158489.60	149423.99	1700/ per BL	593506502
Total			32840000	14005263.30	42224638.90		9384638.90	8403038.11		7425019695

Say ₹ 742.50 crore

¹ In case of BL, Rate in reference 42.8% v/v strength)

APPENDIX-VII

Manufacture of alcohol in excess of installed capacity (Reference Para No. 4.6 2nd paragraph)

Sl. No.	Name of Distillery	Date of Production	Daily Installed Capacity	Production	Strength (per cent v/v)	Excess pro duction (In BL)	Excess pro duction (In AL)	Rate of Penalty (In case of BL, Rate in reference 42.8% v/v strength)	Penalty (In rupees)
1	Shamli	18.02.08	24546.67	30513.9	93.60	5967.23	5585.33	1620/ per BL	21140735
2	Tikola	17.12.07	30000.00	32544.0	95.73	2544.00	2435.37	1620/ per BL	18435978
		18.12.07	30000.00	32544.0	95.73	2544.00	2435.37	1620/ per BL	
		23.05.08	30000.00	30768.0	95.54	1536.00	1467.49	1700/ per BL	5828815
		24.05.08	30000.00	30768.0		1536.00	1467.49	1700/ per BL	5828815
3	Dwarikesh	15.02.06	30000.00	41280.3	94.80	11280.30	10693.72	480/ per AL	5132985
		10.04.06	30000.00	39278.5	94.19	9278.50	8739.41	480/ per AL	4194916
		19.01.08	30000.00	38429.0	94.96	8429.20	8004.36	1620/ per BL	30296876
4	Balrampur	26.12.04	100000.00	103500.0	95.30	3500.00	3335.50	480/ per AL	1601040
		11.01.06	100000.00	105337.0	95.60	5337.00	5102.17	480/ per AL	2449042
		01.02.07	160000.00	178284.0	95.47	18284.00	17455.73	480/ per AL	8378752
		30.01.08	160000.00	186163.0	95.21	26163.00	24909.79	1620/ per BL	94284719
5	Dhampur	16.12.07	140000.00	199960.40	94.00	59960.60	56362.96	480/ per AL	213336452
6	United Spirits Meerut	30.04.04	36333.33	39905.70	94.30	3572.40	3368.77	480/ per AL	1617009
		14.03.06	36333.33	36507.40	94.99	174.10	165.37	480/ per AL	79377
7	Kinauni Meerut	2005-06 (Date not mentioned)	160000.00	160803.00	94.00	803.00	754.82	480/ per AL	362313
		2006-07 (Date not mentioned)	160000.00	223119.50	94.00	63119.50	59332.33	480/ per AL	28479518
		2007-08 (Date not mentioned)	160000.00	207362.60	94.00	47362.60	44520.84	480/ per AL	21370005
	Total						256136.82		462817347

Say ₹ 46.28 crore

APPENDIX-VIII

Transit loss of Total Reducing Sugar (TRS) (Reference Para No. 5.2.1)

Sl. No.	Name of Distillery	Year concerned	No. of Passes	Molasses received (In quintal)	Details of TRS (In percentage)			Difference in Quintal of TRS	Quantity of FS (88% of TRS) (In quintal)	Quantity of Alcohol produced (52.5 AL per quintal of FS)	Rate of Duty (In case of BL, Rate in reference 42.8% v/v strength)	Duty Involved (In rupees)
					Dispatched	Received	Difference					
1	Ghosi	2007-08 before 15 Nov	52	8442.30	45.80	44.00	1.80	151.96	133.730	7020.80	48/ per AL	336998
2	Nibi	2007-08 before 15 Nov	39	3979.95	47 to 51.3	44 to 51	0.3 to 3	19.90	17.510	919.54	48/ per AL	44137
3	Jubillant Organosis	2007-08 (from 15 Nov)	245	64119.9	42.10 to 46.96	42 to 46.50	0.10 to 0.50	190.27	167.440	8790.60	162/ per BL	3327242
4	Modi	2005-06	29	5052.10	48.3 to 48.9	47.2 to 47.5	1.1 to 1.4	59.20	52.100	2735.25	48/ per AL	131292
		2007-08	126	23434.48	45.5 to 49.5	44.1 to 45.8	1.4 to 3.7	381.88	336.050	17642.62	48/ per AL	846845
5	Tikola	2007-08	1	2375	46.5	46	0.5	11.88	10.450	549.00	48/ per AL	26352
6	Superior	2008-09	128	30170.45	41.90-47.39	41.00-47.30	0.04-3.55	48.50	42.680	2240.70	170/ per BL	889997
7	Roza	2005-06 to 2006-07(before 15 Nov)	0	469450.97	44.74-47.80	44.54-47.60	0.20	938.90	826.230	43377.18	48/ per AL	2082105
8	Mohan Meakin Lucknow	2005-06 to 2007-08	1641	253820.40	41.40-50.50	44.10-50.40	0.10-3.60	2374.66	2089.700	109709.29	48/ per AL	5266046
		2008-09	47	9527.50	41.-45.32	41.00-45.10	0.11-0.80	35.57	31.300	1643.33	170/ per BL	652726
9	Tapri	2004-05	105	16655.55	46.2-48.02	44-45.53	1.17-3.91	417.65	367.530	19295.24	48/ per AL	926171
		2006-07	72	13335.5	47-48.71	46.2-46.3	0.5-2.51	262.99	231.430	12150.23	48/ per AL	583211
		2007-08 before 15 Nov	138	25761.05	45-47	44-46	1-1.21	334.17	294.070	15438.83	48/ per AL	741063
		2007-08 (from 15 Nov)	228	40512.55	46.20-48.40	45-46.9	1.1-1.61	507.19	446.330	23432.43	162/ per BL	8869284
		2008-09	167	31345.85	46.10-48.11	45-46.8	1.1-1.71	399.49	351.550	18456.53	170/ per BL	7330864
10	Nanauta	2004-05	709	120137.66	45.80-49.55	44.95-49	0.05-1.8	381.898	336.070	17643.67	48/ per AL	846896
		2005-06	531	96004.6	46.92-48.78	45.3-48.5	0.1-2.25	534.318	470.199	24685.44	48/ per AL	1184901
		2006-07	408	71376.15	47.10-48.80	46.7-48	0.08-1.8	171.154	150.615	7907.28	48/ per AL	379549
		2008-09	32	6525.50	47.03-47.46	47-47.4	0.03-0.06	2.925	2.574	135.14	170/ per BL	53675
11	United Spirits Meerut	2004-05	939	172562.63	46.73-49.16	46.02-48.0	0.50-2.07	1946.330	1712.770	89920.44	48/ per AL	4316181
		2005-06	247	49482.95	47.06-49.42	46.00-47.36	1.06-2.57	708.960	623.884	32753.95	48/ per AL	1572189
		2006-07	122	230716.33	46.20-46.70	45.80-46.30	0.20-0.90	38.370	33.766	1772.69	48/ per AL	85089
12	Mansoorpur	2007-08 (from 15 Nov)	103	25528.10	45.00-47.58	44.50-47.00	0.50-0.58	131.471	115.695	6073.98	162/ per BL	2299029
13	Mohan Meakin Ghaziabad	2004-05	428	81107.25	44.10-50.31	40.00-50.00	0.10-3.74	1674.910	1473.921	77380.85	48/ per AL	3714280
		2005-06	65	12273.70	43.20-47.00	41.66-45.00	1.00-2.79	169.990	149.591	7853.53	48/ per AL	376969
		2006-07	53	9872.90	46.50	44.24	2.26	223.127	196.351	10308.43	48/ per AL	494804
		2006-07 and 2007-08 (Before 15Nov)	5	966.10	47.50	44.64	2.86	43.260	38.068	1998.57	48/ per AL	95931
		2007-08 (from 15 Nov)	5	950.70	48.50	46.29	2.21	21.010	18.489	970.66	162/ per BL	367399
		2008-09	5	929.90	45.60-45.70	44.24	1.36-1.46	13.194	11.610	609.52	170/ per BL	242099
14	Baheri Distillery	2005-06	315	84052.65	45.0-54.20	44.30-48.0	0.03-9.20	1012.680	891.158	46785.80	48/ per AL	2245718
		2007-08 (from 15 Nov)	52	101673.00	42.50-43.20	42.0-43.02	1.04	195.200	171.776	9018.25	162/ per BL	3413450

Sl. No.	Name of Distillery	Year concerned	No. of Passes	Molasses received (In quintal)	Details of TRS (In percentage)			Difference in Quintal of TRS	Quantity of FS (88% of TRS) (In quintal)	Quantity of Alcohol produced (52.5 AL per quintal of FS)	Rate of Duty (In case of BL, Rate in reference 42.8% v/v strength)	Duty Involved (In rupees)
					Dispatched	Received	Difference					
		2008-09	148	158559.90	45.0-54.20	44.30-48.0	0.03-9.20	846.610	745.016	39113.35	170/ per BL	15535616
15	UDBL Unnao	2007-08 (from 15 Nov)	71	16254.40	46.2-48.1	44.5-47.1	1.0-2.0	184.900	162.712	8542.38	162/ per BL	3233330
		2008-09	348	75295.20	47.05-49.80	44.0-48.0	1.5-3.5	1804.700	1588.136	83377.10	170/ per BL	33117072
16	Saraiya Distillery	2004-05	1752	319534.30	42.4-48.6	40.1-45.4	0.6-6.11	6153.690	5415.247	284300.46	48/ per AL	13646422
		2005-06	0	444526.60	42.6-51.6	42.0-50.8	0.10-5.10	4927.900	4336.550	227668.98	48/ per AL	10928111
		2006-07	0	445847.5	42.0-51.45	41.5-50	0.20-3.0	4584.700	4034.530	211813.14	48/ per AL	10167030
17	IGL Gorakhpur	2007-08 (from 15 Nov)	0	1137720.20	41-48	40.5-47.5	0.20-1.50	7979.000	7021.520	368629.80	162/ per BL	139528101
		2008-09	0	202741.15	42.43-48	42.0-47.50	0.23-1.30	1860.650	1637.372	85962.03	170/ per BL	34143796
18	Shakumbhari Distillery	2007-08(Before 15Nov)	76	12795.08	46.7	45	1.7	217.500	191.400	10048.50	48/ per AL	482328
19	Daurala Distillery	2007-08(Before 15Nov)	16	2992.35	47.30	47.10	0.20	5.985	5.266	276.49	48/ per AL	13271
		2007-08 (from 15 Nov)	740	139841.10	44.20-48.98	44.00-48.60	0.20-0.60	390.553	343.683	18043.35	162/ per BL	6829490
20	Gagnauli Distillery	2007-08(Before 15Nov)	71	11711.05	46.10-47.00	44.12-46.09	0.91-1.98	120.490	106.030	5566.57	48/ per AL	267195
		2007-08 (from 15 Nov)	123	38426.75	45.90-48.84	44.05-47.50	0.84-1.92	556.130	489.390	25692.97	162/ per BL	9724909
21	Kaptanganj Distillery	2007-08(Before 15Nov)	15	3018.80	51.00	43.70	7.30	220.370	193.920	10180.80	48/ per AL	488678
		2007-08 (from 15 Nov)	42	6591.40	47.50-51.50	40.60-45.00	2.50-11.50	361.160	317.820	16685.55	162/ per BL	6315558
		2008-09	23	3059.30	50.50	40.60	9.90	302.860	266.510	13991.77	170/ per BL	5557478
22	Lords Distillery Ghazipur	2008-09	690	202136.4	40.00-48.50	40.00-44.00	0.46-8.50	6628.905	5833.436	306255.39	170/ per BL	121643496
23	Triveni Distillery Muzaffarnagar	2008-09	2980	828451	40.25-48.00	40.00-47.42	0.12-2.10	4902.49	4314.191	226495.04	170/ per BL	89962982
24	Naglamal Distillery Meerut	2007-08 (Before 15 Nov)	6	48834	43.48-45.58	42.50-44.20	0.10-1.38	503.005	442.644	23238.84	48/ per AL	1115464
		2007-08 (from 15 Nov.)	164	48226.46	46.40-46.60	44.54-45.80	0.60-1.96	652.446	574.15	30142.9	162/ per BL	11409239
		2008-09	23	6353.4	45.22-47.00	44.40-46.20	0.20-1.3	73.847	64.986	3411.65	170/ per BL	1355095
25	Mankapur Distillery	2007-08 (Upto 14 Nov.)	212	67120.6	42.84-45.50	41.5-44.1	0.46-2.02	964.818	849.035	44574.48	48/ per AL	2139576
		2007-08 (From 15 Nov.)	23	6985.7	43	42	1	69.857	61.474	3227.39	162/ per BL	1221582
		2008-09	7	28650	46	44	2	573.000	504.240	26472.60	170/ per BL	10514817
	Total		14567	6317816.31				58288.573	51293.895	2692931.3		583083128

Say ₹ 58.31 crore

APPENDIX-IX

Storage loss of Total Reducing Sugar (TRS) (Reference Para No. 5.2.2)

Sl. No	Name of Distillery	Period	Details of molasses received		Details of COT (AT Lab Report)		Difference of FS (In per cent)	Molasses consumed (in quintal)	Loss of TRS (in quintal)	Loss of FS (in quintal)	Quantity of alcohol produced ((52.5 AL per quintal of FS)	Rate of Duty (In case of BL, Rate in reference 42.8 per cent v/v strength)	Duty involved (In rupees)
			Percentage of TRS	Percentage of FS (88 per cent of TRS)	Period of molasses used	Percentage of FS							
1	Tikola	2006-07	45.2	39.776	10/06	37.33	2.446	7506	208.633	183.597	9638.83	48/ per AL	462663
		2008-09	46.0	40.480	9/08	39.07	1.41	9218	147.698	129.974	6823.62	170/ per BL	2710316
2	Dwarikesh	3/06	47.79	42.060	3/06	40.82	1.24	9342	131.634	115.840	6081.60	48/ per AL	291916
		9/07	45.41	39.960	9/07 - 10/07	38.15	1.81	5189	106.727	93.920	4930.80	48/ per AL	236678
3	Superior	4/06-9/08	42	36.960	2006-07 - 2007-08 (Before 15 Nov)	34.50 to 36.49	0.47 to 2.46	232905	4270.671	3758.190	197304.98	48/ per AL	9470639
		4/06-9/08	42	36.960	2007-08 (After 15 Nov.)	35.47 to 36.76	0.20 to 1.49	72339	606.716	533.910	28030.27	162/ per BL	10609588
		4/06-9/08	42	36.960	2008-09	34.11 to 36.76	0.20 to 2.85	54637	733.227	645.240	33875.10	170/ per BL	13455063
4	Roza	2/06-10/08	42.8	37.660	2006-07	33.13 to 37.34	0.32 to 4.53	65960	1341.691	1180.688	61986.12	48/ per AL	2975333
		2/06-10/08	42.8	37.660	2007-08 (Before 15 Nov.)	31.39 to 37.51	0.15 to 6.27	36670	615.860	541.957	28452.74	48/ per AL	1365731
		2/06-10/08	42.8	37.660	2007-08 (After 15 Nov.)	35.76 to 37.21	0.45 to 1.90	32140	480.807	423.110	22213.27	162/ per BL	8407826
		2/06-10/08	42.8	37.660	2008-09	32.10 to 36.70	0.96 to 5.56	42920	1437.919	1265.369	66431.87	170/ per BL	26386490
5	M Meakin Lucknow	4/04-11/08	40.00	35.20	2004-05	29.68-35.15	0.05-5.52	38234	455.818	401.12	21058.82	48/ per AL	1010823
		4/04-11/08	40.00	35.20	2005-06	32.59-34.97	0.23-2.61	32495	400.761	352.670	18515.18	48/ per AL	888728
		4/04-11/08	40.00	35.20	2006-07	32.61-34.75	0.45-2.59	48078	655.450	576.796	30281.82	48/ per AL	1453527
		4/04-11/08	40.00	35.20	2008-09	30.10-33.30	1.90-5.10	12471	448.210	394.425	20707.33	170/ per BL	8224874
6	Balrampur	4/04-11/08	40.20	35.376	2004-05	32.34	3.036	47618	1642.821	1445.682	75898.32	48/ per AL	3643119
		4/04-11/08	40.20	35.376	2005-06	35.12	0.256	22163	64.474	56.737	2978.70	48/ per AL	142977
		4/04-11/08	40.20	35.376	2006-07	34.13 - 34.97	0.406 - 1.246	233350	2536.913	2232.483	117205.40	48/ per AL	5625859
		4/04-11/08	40.20	35.376	2007-08 (Before 15 Nov.)	34.33-34.97	0.406-1.046	116289	904.945	796.352	41808.46	48/ per AL	2006806
		4/04-11/08	40.20	35.376	2007-08 (After 15 Nov.)	34.68-35.12	0.256-0.696	90163	468.618	412.384	21650.17	162/ per BL	8194690
		4/04-11/08	40.20	35.376	2008-09	34.68-34.57	0.696-0.806	94305	809.138	712.041	37382.18	170/ per BL	14848062
		2008-09	40.00	35.20	2008-09	34.68	0.52	12706	75.080	66.071	3468.73	170/ per BL	1377766
7	Tapri	4/04 - 01/09	44.00	38.72	2004-05	38.23-38.31	0.41-0.49	2814	14.484	12.746	669.16	48/ per AL	32119
		4/04 - 01/09	44.00	38.72	2005-06	36.27-37.43	1.29-2.45	13297	293.431	258.219	13556.49	48/ per AL	650711
		4/04 - 01/09	44.00	38.72	2006-07	38.52	0.20	3210	7.296	6.420	337.05	48/ per AL	16178
		4/04 -	44.00	38.72	2007-08	37.69-	0.47-	11081	72.950	64.196	3370.29	48/ per AL	161773

Sl. No	Name of Distillery	Period	Details of molasses received		Details of COT (AT Lab Report)		Difference of FS (In per cent)	Molasses consumed (in quintal)	Loss of TRS (in quintal)	Loss of FS (in quintal)	Quantity of alcohol produced ((52.5 AL per quintal of FS)	Rate of Duty (In case of BL, Rate in reference 42.8 per cent v/v strength)	Duty involved (In rupees)
			Percentage of TRS	Percentage of FS (88 per cent of TRS)	Period of molasses used	Percentage of FS							
8	Nanauta	01/09			(Before 15 Nov.)	38.25	1.03						
		4/04 – 01/09	44.00	38.72	2007-08 (After 15 Nov.)	37.05-38.29	0.43-1.67	7399	87.135	76.679	4025.64	162/ per BL	1523723
		4/04 – 01/09	44.00	38.72	2008-09	37.09-38.28	0.44-1.63	17037	182.571	160.662	8434.75	170/ per BL	3350249
		2007-08	44.95	39.55	2007-08 (Before 15 Nov.)	38.98-39.12	0.43-0.57	14852	91.689	71.886	3774.01	48/ per AL	181152
		2007-08	44.95	39.55	2007-08 (After 15 Nov.)	38.74-39.45	0.10-1.21	23737	173.065	152.297	7995.59	162/ per BL	3026369
9	Dhampur	4/04 – 01/09	44.00	38.72	2004-05	36.68-38.49	0.23-2.04	330025	5122.506	4507.805	236659.76	48/ per AL	11359660
		4/04 – 01/09	44.00	38.72	2005-06	36.72-38.49	0.23-2.00	348250	5253.522	4623.099	242712.69	48/ per AL	11650209
		4/04 – 01/09	44.00	38.72	2006-07	36.13-38.59	0.13-2.59	204050	1773.755	1560.904	81947.46	48/ per AL	3933478
		4/04 – 01/09	44.00	38.72	2007-08 (Before 15 Nov.)	37.51	1.21	72500	996.875	877.250	46055.62	48/ per AL	2210669
		4/04 – 01/09	44.00	38.72	2008-09	33.81-38.41	0.31-4.91	448550	10485.052	9226.846	484409.41	170/ per BL	192405606
10	Mohit Petro	4/04 – 01/09	44.00	38.72	2004-05	37.95-38.43	0.20-0.71	113630	607.621	534.706	28072.06	48/ per AL	1347458
		4/04 – 01/09	44.00	38.72	2005-06	36.69-38.63	0.09-2.03	159790	2091.516	1840.534	96628.03	48/ per AL	4638145
		4/04 – 01/09	44.00	38.72	2006-07	35.48-38.31	0.41-3.24	165382	1903.475	1675.058	87940.54	48/ per AL	4221145
		4/04 – 01/09	44.00	38.72	2007-08 (Before 15 Nov.)	38.46-38.56	0.16-0.29	21560	57.563	50.655	2659.38	48/ per AL	127650
11	United Spirits Meerut	2004-05	44.00	38.72	2004-05	37.09-38.67	0.05-1.63	126451	965.584	849.714	44609.98	48/ per AL	2141279
12	Kinauni Meerut	2008-09	41.56	36.57	2008-09	34.74	1.83	56658	1178.228	1036.841	54434.15	170/ per BL	21621040
13	Mansoorpur	4/04 – 01/09	44.00	38.72	2004-05	37.24-38.15	0.57-1.48	55836	523.660	460.821	24193.10	48/ per AL	1161268
					2005-06	37.65-38.67	0.05-1.07	131095	931.878	820.053	43052.78	48/ per AL	2066533
					2006-07	38.01-38.10	0.62-0.71	44753	342.635	301.519	15829.74	48/ per AL	759827
					2007-08 (Before 15 Nov.)	34.26-38.56	0.16-4.46	136274	3103.709	2731.264	143391.36	48/ per AL	6882785
					2007-08 (After 15 Nov.)	37.52-38.23	0.49-1.20	26579	250.777	220.684	11585.91	162/ per BL	4385321
					2008-09	35.20-38.66	0.06-3.52	294385	3861.533	3398.149	178402.82	170/ per BL	70860933
14	M Meakin Ghaziabad	2004-05	40.00	35.20	2004-05	31.79-35.15	0.05-3.41	19560	341.078	300.697	15786.59	48/ per AL	757756
15	Ghaziabad Organics	2006-07	44 – 45.08	38.72-39.67	2006-07	36.04-38.04	0.41-3.63	121685	1848.943	1627.070	85421.17	48/ per AL	4100216
		2007-08	44.00	38.72	2007-08 (Before 15 Nov.)	38.64	0.08	19384	17.622	15.507	814.17	48/ per AL	39080
					2007-08 (After 15 Nov.)	36.54	2.18	15878	393.349	346.140	18172.35	162/ per BL	6878319
		2008-09	44.00	38.72	2008-09	34.04-37.51	1.21-4.68	41398	1246.899	1097.271	57606.72	170/ per BL	22881173

Sl. No	Name of Distillery	Period	Details of molasses received		Details of COT (AT Lab Report)		Difference of FS (In per cent)	Molasses consumed (in quintal)	Loss of TRS (in quintal)	Loss of FS (in quintal)	Quantity of alcohol produced ((52.5 AL per quintal of FS)	Rate of Duty (In case of BL, Rate in reference 42.8 per cent v/v strength)	Duty involved (In rupees)
			Percentage of TRS	Percentage of FS (88 per cent of TRS)	Period of molasses used	Percentage of FS							
16	Baheri Distillery	2004-05	41.40	36.43	2004-05	36.26	0.17	5145	9.939	8.746	459.16	48/ per AL	22039
		2005-06	40.40	35.55	2005-06	29.38-35.16	0.39-6.17	222450	4360.842	3837.541	201470.90	48/ per AL	9670603
		2006-07	40.40	35.55	2006-07	34.73	0.82	19905	185.478	163.221	8569.10	48/ per AL	411316
		2007-08	41.13	36.19	2007-08 (Before 15 Nov.)	35.52-36.01	0.18-0.67	62235	245.472	216.015	11340.78	48/ per AL	544357
		2008-09	41.20	36.25	2008-09	34.60-36.86	0.39-1.65	64905	795.591	700.120	36756.30	170/ per BL	14599464
17	UDBL Unnao	2004-05	40.00	35.20	2004-05	32.08-35.04	0.16-3.12	70640	889.261	782.550	41083.87	48/ per AL	1972025
		2005-06	40.00	35.20	2005-06	31.06-34.88	0.32-4.14	42603	661.398	582.030	30556.57	48/ per AL	1466715
		2006-07	43.10	37.93	2006-07	32.07-37.82	0.11-5.86	163755	3886.773	3420.360	179568.90	48/ per AL	8619307
		2007-08	43.10	37.93	2007-08 (Before 15 Nov.)	36.18-37.51	0.42-1.75	29445	339.966	299.170	15706.42	48/ per AL	753908
			43.10	37.93	2007-08 (After 15 Nov.)	34.21-37.70	0.23-3.72	52528	783.648	689.610	36204.52	162/ per BL	13703580
		2008-09	41.50	36.52	2008-09	32.93-36.36	0.18-3.59	126150	1565.625	1377.750	72331.87	170/ per BL	28729948
18	Lords Distillery Ghazipur	2004-05	40.00	35.20	2004-05	32.04-35.01	0.19-3.16	42034	736.289	647.935	34016.58	48/ per AL	1632795
		2005-06	40.00	35.20	2005-06	34.24-35.12	0.08-1.21	37154	251.822	221.603	11634.15	48/ per AL	558439
		2006-07	40.00	35.20	2006-07	32.20-34.77	0.43-3.00	75977	1055.472	928.815	48762.78	48/ per AL	2340613
19	Ghosi Distillery Mau	2004-05	44.0	38.72	2004-05	38.45	0.27	9725	29.837	26.257	1378.51	48/ per AL	66168
20	Nibi Distillery Mau	2005-06	44.05	38.76	2005-06	34.59-38.56	0.20-4.17	131974	2889.777	2543.003	133507.71	48/ per AL	6408370
21	Naglamal Distillery Meerut	2007-08	42.50	37.40	2007-08 (After 15 Nov.)	36.46	0.94	42047	449.137	395.241	20750.15	162/ per BL	7854028
		2008-09	45.20	39.77	2008-09	35.72-38.49	1.28-4.05	115160	3161.622	2782.228	146066.97	170/ per BL	58017254
22	Mankapur Distillery Gonda	2007-08 (Up to 14 Nov.)	41.5	36.52	2007-08 (Up to 14 Nov.)	36.26	0.26	36492	107.817	94.879	4981.16	48/ per AL	239096
		2007-08 (From 15 Nov.)	41.5	36.52	2007-08 (From 15 Nov.)	36.03	0.49	45022	250.690	220.608	11581.91	162/ per BL	4383807
		2008-09	40	35.2	2008-09	34.53-35.15	0.05-0.67	52149	166.298	146.343	7682.96	170/ per BL	3051643
23	Asmauli Distillery	2008-09	43.00	37.84	2008-09	34.77-36.60	1.24-3.07	193267.8	3641.812	3204.795	168251.76	170/ per BL	66828970
Total								6004560.8	89228.778	78513.068	4121936.11		741035743

Say ₹ 74.10 crore

APPENDIX-X

Storage loss of Total Reducing Sugar (TRS) (Reference Para No.5.2.3)

Sl. No.	Name of Sugar factory	Year	Quantity of molasses stored	Percentage of TRS		Loss of TRS		FS present in lost TRS(88% of TRS) (In quintal)	Alcohol produced (52.5 AL per quintal of FS)	Duty involved (As rate applicable) (In rupees)
				Opening	Closing	%	Quantity (In quintal)			
1	Ghosi Sugar Factory Ghosi Mau	2005-06	21839.45	47.80-48.87	47.40-48.40	0.20-0.47	91.246	80.296	4215.54	202345
		2006-07	26401.45	48.20-48.80	48.00-48.20	0.20-0.60	127.230	111.962	5878.00	282144
		2007-08 (Up to 14 Nov.07)	75894.65	47.40-48.80	45.80-48.00	0.80-1.60	919.855	809.472	42497.28	2039869
		2007-08 (From 15 Nov.07)	2819.50	45.80	45.10	0.70	19.736	17.367	911.76	345105
		2008-09	5739.20	48.80	47.80	1.00	57.392	50.504	2651.46	1053150
2	Agauta Sugar Factory Bulandshahar	2005-06	36722.31	48.50	48.00	0.50	183.611	161.577	8482.79	407173
		2007-08 (Up to 14 Nov.07)	88787.10	47.64	47.50	0.14	124.301	109.384	5742.66	275647
		2008-09	87040.97	47.20	47.00	0.20	174.081	153.191	8042.52	3194458
3	Triveni Sugar Factory Deoband Saharanpur	2007-08 (From 15 Nov.07)	59016.15	46.20	45.40	0.80	472.129	415.473	21812.36	8256080
		2008-09	280805.05	44.30-45.90	41.0-44.60	0.20-3.30	3581.642	3151.844	165471.85	65724805
		2009-10	245363.00	46.0-47.0	44.50-45.80	0.60-2.50	3970.825	3494.326	183452.10	77152758
4	Bajaj Sugar Factory Gagnauli Saharanpur	2007-08 (From 15 Nov.07)	155010.00	44.90-46.20	44.00-45.00	0.90-1.20	1595.720	1404.233	73722.26	27904221
		2009-10	17310.00	45.25	44.25	1.00	173.100	152.328	7997.22	3363317
5	Tikola Sugar Factory Muzaffar-nagar	2008-09	252921.30	46.90-48.50	46.50-48.20	0.10-0.90	1153.351	1014.948	53284.82	21164529
		2009-10	252921.30	47.70-48.10	46.20-47.70	0.40-1.50	1153.351	1014.948	53284.82	21164529
6	Triveni Sugar Factory Khatauli Muzaffar-nagar	2007-08 (From 15 Nov.07)	502716.90	42.70-43.60	42.40-43.50	0.10-0.35	1243.528	1094.305	57451.01	21745477
		2008-09	1088481.60	41.05-43.35	40.70-43.25	0.05-2.35	4546.467	4000.891	210046.78	83429799
		2009-10	324505.8	41.80-42.75	40.15-41.80	0.05-2.60	5832.514	5132.612	269462.17	113325211
7	Mawana Sugar Mill Meerut	2007-08	42964.65	46.5	45.8	0.7	300.753	264.662	13894.77	5259235
		2009-10	516592.95	44.4-46.4	44.2-46.10	0.2-1.8	4692.927	4129.777	216813.26	91183148
8	Balrampur Sugar Mill Balrampur	2007-08	115144.7	43.86	40.44-42.86	1.0-3.42	2527.889	2224.542	116788.47	44204981
		2008-09	160422.1	42.86-43.86	41.10-41.50	1.36- 2.37	3229.772	2842.199	149215.44	59267815
9	Balrampur Sugar Mill Babhnan Unit	2007-08 (From 15 Nov.)	27517.2	49.00	47.00	2	550.344	484.303	25425.89	9623819
		2008-09	754218.8	45.50-49.00	45.00-48.00	0.10-2.0	6231.194	5483.45	287881.17	114345325
10	Balrampur Sugar Mill Mankapur Unit	2007-08 (Up to 14 Nov)	76728.7	44.5	44.01	0.49	375.971	330.854	17369.84	833752
		2007-08 (From 15 Nov)	86300	47.5	47	0.5	431.500	379.72	19935.3	7545604
		2008-09	601174.4	45-49	44-48	0.5-2.0	6378.164	5612.783	294671.16	117042282
		2009-10	158598.32	44.20-45.50	44.10-44.80	0.1-0.7	969.253	852.943	44779.49	18832496
11	J K Sugar Meerganj	2007-08	97929.4	47.39	47.04-47.32	0.07-0.35	158.566	139.538	7325.75	2772831
		2008-09	348112.86	45.80-47.32	45.20-47.30	0.02-0.80	718.250	632.059	33183.09	13180200
12	Triveni Sugar Mill Thakurdwara Moradabad	2007-08 (Upto 14 Nov.)	67864.13	46.10	44.90	1.2	814.370	716.646	37623.89	1805947
		2007-08 (From 15 Nov.)	26990.80	46.50	46.00	0.5	134.954	118.760	6234.87	2359929
		2008-09	24630.80	46.00	45.80	0.2	49.262	43.351	2275.90	903981
		2009-10	158598.32	44.20-45.50	44.10-44.80	0.1-0.7	969.253	852.943	44779.49	18832496
13	Uttam Sugar Mill Bijnor	2008-09	300175.32	44.10-47.79	43.20-47.37	0.5-0.9	1699.020	1495.137	78494.69	31177798
		2009-10	209158.6	46.85-47.27	46.15-46.85	0.42-0.70	1171.288	1030.733	54113.52	22758022
	Total		7138819.46	41.05-48.87	40.15-48.40	0.02-3.42	55853.556	49151.118	2580433.90	994127782

Say ₹ 99.41 crore

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