Report of the
Comptroller and Auditor General of India
on Revenue Sector

for the year ended March 2017

Government of Karnataka

Report No.7 of the year 2017

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PREFACE

This Report, for the year ended March 2017, has been prepared for submission to the Governor of Karnataka under Article 151(2) of the Constitution of India for being placed in the State Legislature.

The Report contains significant results of the Performance Audit and Thematic Audit of the Departments of Government of Karnataka under Revenue Sector, including Commercial Taxes Department, Department of Stamps and Registration, Revenue Department, State Excise Department and Department of Mines and Geology.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2016-17 as well as those which came to notice in earlier years, but could not be reported in previous Audit Reports. The instances relating to the period subsequent to 2016-17 have also been included wherever found necessary.

Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains 14 paragraphs including one Performance Audit and one Thematic Audit. Observations relating to non/short levy of tax, interest, penalty, revenue foregone, etc. amounted to ₹ 311.58 crore. Some of the major findings are mentioned below:

I General

Total revenue receipts of the State Government for the year 2016-17 amounted to ₹ 1,33,213.79 crore against ₹ 1,18,817.31 crore for the previous year. 67 *per cent* of this was raised by the State through tax revenue (₹ 82,956.13 crore) and non-tax revenue (₹ 5,794.53 crore). The balance 33 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹ 28,759.94 crore) and grants-in-aid (₹ 15,703.19 crore).

(Paragraph 1.1)

A total of 2,282 Inspection Reports, containing 5,527 observations, involving money value of ₹ 2,010.14 crore, were pending with the Departments for settlement at the end of June 2017.

(Paragraph 1.5)

Test check of the records of 377 units of Value Added Tax, State Excise, Taxes on Motor Vehicles, Stamps and Registration Fee, Land Revenue and other Departmental offices conducted during the year 2016-17 revealed under-assessment/short levy/loss of revenue aggregating ₹ 440.95 crore in cases pointed out through 1,245 paragraphs.

(Paragraph 1.8)

II Taxes/VAT on Sales, Trade, etc.

Paragraphs

Works contract consideration of ₹ 201.27 crore, received by 54 dealers from the Karnataka Residential Educational Institutions Society during 2012-13 to 2015-16, was not declared by these dealers in their returns, which resulted in non-levy of tax of ₹ 13.81 crore.

(Paragraph 2.4)

Short levy of tax on sale of liquor by 96 Bars and Restaurants situated in urban areas for the period from March 2014 to March 2016 amounted to ₹ 11.62 crore.

(Paragraph 2.5)

Non-levy of penalty under Section 72 (1) of the KVAT Act, for delay in payment of tax by 274 assessees, amounted to ₹ 6.81 crore.

(Paragraph 2.6)

Additional tax of ₹ 3.67 crore, determined by the Auditors in the audited statement of accounts, was not paid by 24 dealers.

(Paragraph 2.7)

Tax of ₹ 3.55 crore, declared in 399 returns filed by 178 assessees, was not paid.

(Paragraph 2.8)

Non/short levy of interest under Section 36 (2) of the KVAT Act, for delay in payment of tax by 81 dealers, amounted to ₹ 5.08 crore.

(Paragraph 2.9)

III State Excise

Performance Audit on "Regulation and Control over Manufacture, Possession, Transportation, Distribution and Sale of Alcoholic Products in the State of Karnataka"

Delay in revision of norms regarding yield of Rectified Spirit caused potential minimum revenue loss of ₹ 64.84 crore to the Government by 12 distilleries during the period from April 2012 and September 2015.

(Paragraph No.3.4.8)

Norms prescribed by the Department did not factor technological advancements and efficiencies designed for the fermentation plants which provided enough "margin" to the distillers to work to their advantage to make additional yield of Rectified Spirit. Audit analysis revealed a "margin" of about 2.19 crore to 4.23 crore Bulk Litres of Rectified Spirit which works out to minimum revenue between ₹ 633.32 crore and ₹ 1,222.62 crore, if converted to potable alcohol.

(Paragraphs 3.4.9.1 and 3.4.9.2)

Deficient performance of Distillery Officers led to control lapses which resulted in:

- Non-accounting for 19,555 MT of molasses purchased by three distilleries in the State between May 2012 and April 2014 with minimum revenue impact of ₹ 124.97 crore;
- Shortfall in chemical analysis of samples of molasses in the range of 96.72 *per cent* to 99.33 *per cent* prevented the Department in estimating actual output; and
- Excess storage loss claimed by four distilleries for the period from April 2012 to March 2017 worked out to 1,119.241 MTs on which penalty of ₹ 7.60 crore was not levied.

(Paragraph 3.4.10)

Database relating to Excise Adhesive Labels was not interlinked with the database of M/s Karnataka State Beverages Corporation Limited (KSBCL), the wholesale liquor channelising agency, which resulted in release of liquor from KSBCL with unauthorised labels.

(Paragraph 3.4.11)

Violations of licence conditions and the sale of potable liquor by non-licencees were substantial and the enforcement action of the Department did not seem effective enough to control such illegal activities.

(Paragraph 3.4.12)

IV – Stamp Duty and Registration Fee

Paragraphs

Non-fixation of specific rate in the guidance market value for Prestige Tech Park-III led to loss of Stamp Duty and Registration Fee of ₹ 17.25 crore.

(Paragraph 4.4)

Suppression of facts and figures in 21 sale deeds and three sale agreements resulted in short levy of Stamp Duty and Registration Fee amounting to ₹ 1.60 crore.

(Paragraph 4.5)

Undervaluation of properties in respect of 19 sale deeds due to adoption of incorrect rates of market value guidelines resulted in short levy of Stamp Duty of ₹ 1.27 crore and Registration Fee of ₹ 0.24 crore.

(Paragraph 4.6)

V – Mines and Geology

Thematic Audit on "Deduction of royalty on minor minerals by works executing departments/agencies"

Only 21 to 26 *per cent* of the quantity of minor minerals was directly assessed based on pit measurement against which royalty was demanded from the legal quarry lease/licence holders by DMG on minor minerals. Rest of the quantity of minor minerals were transported without Mineral Despatch Permits and royalty in turn was levied by the works executing departments/agencies without ascertaining the source of quarrying. This indicated high likelihood of illegal quarrying in the State which needs to be investigated by DMG.

(Paragraph 5.4.2)

Out of ten Districts test checked, Nirmithi Kendras of seven Districts and M/s. Karnataka Rural Infrastructure Development Limited (KRIDL) in all the ten Districts were not deducting royalty. Four out of seven Nirmithi Kendras and six out of ten offices of KRIDL were not maintaining any account of minor minerals utilised in the works executed by them. Total non-levy of royalty under Nirmithi Kendras and KRIDL along with seven other defaulting WEDAs worked out to ₹ 3.66 crore.

(Paragraph 5.4.3.1)

Out of 87 WEDAs test checked:

- 19 WEDAs in ten Districts were not deducting royalty on the minor minerals obtained at the work site and utilised in the works (captive consumption) which resulted in non-deduction of royalty amounting to ₹ 39.56 crore.
- Nine WEDAs in seven Districts, had extracted 40.06 lakh cum of murram during the course of execution of works. Usage/removal of the murram extracted attracted a potential royalty of ₹ 12.02 crore, however, usage reports were not available with WEDAs or DMG and
- 12 WEDAs in seven Districts had collected royalty at pre-revised rates which resulted in short levy of royalty of ₹ 2.38 crore.

(Paragraphs 5.4.3.2 and 5.4.4)

DMG failed to impose the condition of collection of penalty through WEDAs for transportation of minor minerals without the required Mineral Despatch Permits. Sources of minor minerals consumed at WEDAs were also not identified which indicated towards possibilities of illegal quarrying and unrestricted transportation of minor minerals without Mineral Despatch Permits.

(Paragraph 5.4.6)

Paragraph

Penalty for transportation of minor minerals without obtaining Mineral Despatch Permits amounting to ₹ 51.45 crore was not demanded from the quarry lease holders.

(Paragraph 5.6)

VI Land Revenue

Paragraph

Compounding amount, for unauthorised diversion of agricultural lands for non-agricultural purposes, of ₹ 1.11 crore was not/short levied in 13 cases.

(Paragraph 6.4)

Chapter-I
General

Chapter–I
General

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Karnataka during the year 2016-17, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from the Government of India during the year together with the corresponding figures for the preceding four years are mentioned in **Table 1.1.1.**

Table 1.1.1
Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	**Revenue raised by the State Government**					
	• **Tax revenue**	53,753.55	62,603.53	70,180.21	75,550.18	**82,956.13**
	• **Non-tax revenue**	3,966.11	4,031.90	4,688.24	5,355.04	**5,794.53**
	Total	**57,719.66**	**66,635.43**	**74,868.45**	**80,905.22**	**88,750.66**
2.	**Receipts from the Government of India**					
	• **Share of net proceeds of divisible Union taxes and duties**[1]	12,647.14	13,808.28	14,654.25	23,983.34	28,759.94
	• **Grants-in-aid**	7,809.42	9,098.82	14,619.45	13,928.75	15,703.19
	Total	**20,456.56**	**22,907.10**	**29,273.70**	**37,912.09**	**44,463.13**
3.	**Total revenue receipts of the State Government (1 and 2)**	**78,176.22**	**89,542.53**	**1,04,142.15**	**1,18,817.31**	**1,33,213.79**
4.	**Percentage of total revenue raised by the State Government to total revenue receipts (1 to 3)**	**74**	**74**	**72**	**68**	**67**

The above table indicates that during the year 2016-17, the revenue raised by the State Government (₹ 88,750.66 crore) was 67 *per cent* of the total revenue receipts. The balance 33 *per cent* of the receipts during 2016-17 came from the Government of India.

1.1.2 The details of the tax revenue raised during the period 2012-13 to 2016-17 are given in **Table 1.1.2**.

[1] Figures under the major heads of account 0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0028-Other Taxes on Income and Expenditure-Minor head-901, 0032-Taxes on Wealth, 0037-Customs, 0038-Union Excise Duties, 0044-Service Tax, and 0045-Other taxes and Duties on Commodities and Services-Minor head-901, as share of net proceeds assigned to States booked in the Finance Accounts of the Government of Karnataka for 2016-17, under 'A-Tax Revenue' have been excluded from the revenue raised by the State Government and included in the State's share of divisible Union taxes.

Table 1.1.2
Details of Tax Revenue

(₹ in cr

Sl. No.	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage increase (+)/decrease in 2016-17 o 2015-16	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Act
1.	Taxes on sales, trade etc.	27,735.00	28,414.44	33,590.00	33,719.35	37,250.00	38,286.03	41,329.00	40,448.63	46,504.10	46,105.17	12.52	13
2.	State Excise	10,775.00	11,069.73	12,600.00	12,828.36	14,430.00	13,801.08	15,200.00	15,332.88	16,510.00	16,483.75	8.62	7.
3.	Stamp Duty and Registra -tion Fee	5,200.00	5,225.02	6,500.00	6,188.76	7,450.00	7,025.85	8,200.00	8,214.71	9,100.00	7,805.98	10.98	(-)
4.	Taxes on Vehicles	3,350.00	3,829.52	4,120.00	3,911.50	4,350.00	4,541.57	4,800.00	5,001.69	5,160.00	5,594.39	7.50	11
5.	Others	4,760.69	5,214.84	5,653.99	5,955.56	6,389.75	6,525.68	6,916.39	6,552.27	6,590.34	6,966.84	(-) 4.71	6
Total		**51,820.69**	**53,753.55**	**62,463.99**	**62,603.53**	**69,869.75**	**70,180.21**	**76,445.39**	**75,550.18**	**83,864.44**	**82,956.13**	**9.70**	**9**

BE = Budget Estimates

1.1.3 The details of the non-tax revenue raised during the period 2012-13 to 2016-17 are indicated in **Table 1.1.3**.

Table 1.1.3
Details of Non-tax Revenue

(₹ in crore)

Sl. No.	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+)/decrease (-) in 2016-17 over 2015-16	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	Non–ferrous mining and metallur-gical Industries	1,500.00	1,496.49	1,750.00	1,474.49	1,750.00	1,931.10	2,048.15	2,003.80	2,402.83	2,419.43	17.32	20.74
2.	Other Non-tax receipts	1,692.82	2,469.62	2,288.28	2,557.41	2,723.43	2,757.14	3,158.02	3,351.24	3,817.62	3,375.10	20.89	0.71
Total		**3,192.82**	**3,966.11**	**4,038.28**	**4,031.90**	**4,473.43**	**4,688.24**	**5,206.17**	**5,355.04**	**6,220.45**	**5,794.53**	**19.48**	**8.21**

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 on some principal heads of revenue amounted to ₹ 16,394.48 crore as detailed in the **Table 1.2**.

Table 1.2
Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2017	Replies of Department
1.	0039 (State Excise)	808.71	Out of the total arrears, ₹ 75.22 crore was stayed by courts, ₹ 374.56 crore was covered by Revenue Recovery Certificates and recovery is in progress in the remaining ₹ 358.93 crore.
2.	0040 (Taxes on sales, trade etc.)	14,651.42	Out of the total arrears, ₹ 2,647.55 crore was stayed by courts, ₹ 142.41 crore was before BIFR[2], ₹ 203.28 crore was under liquidation process, ₹ 85.62 crore was covered by Revenue Recovery Certificates, ₹ 11,337.44 crore was under Court and Departmental recovery, write off proposals were made for ₹ 76.33 crore and payments of ₹ 158.79 crore received were under verification.
3.	0853 (Non-ferrous mining and metallurgical Industries)	934.35	Not Furnished
Total		**16,394.48**	

Details of arrears of revenue, if any, of Stamps and Registration, Energy, Transport and Revenue Departments, though called for (May 2017) were not received (November 2017).

1.3 Evasion of tax detected by the Departments

The details of cases of evasion of tax detected by the State Excise and Commercial Taxes Departments (CTD) are given in **Table 1.3**.

Table 1.3
Evasion of tax

(₹ in crore)

Sl. No.	Head of revenue	Cases pending as on 31 March 2016	Cases detected during 2016-17	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2017
					Number of cases	Amount of demand	
1.	0039 (State Excise)	02	0	02	0	0	02
2.	0040 (Taxes on sales, trade etc.)	5,182	27,310	32,492	25,806	2,949.74	6,686

As seen from the above, though majority of cases detected have been settled in CTD, a significant number of cases are still outstanding at the end of the year. Early action may be taken by CTD to settle these cases in the interest of revenue.

Details of frauds and evasions detected, if any, by Stamps and Registration, Transport, Energy and Revenue Departments, though called for (May 2017) had not been received (November 2017). The Department of Mines and Geology has reported that no such cases have been detected.

[2] Board for Industrial and Financial Reconstruction.

1.4 Pendency of refund cases

The number of refund cases pending at the beginning of the year, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2016-17 as reported by the Commercial Taxes Department is given in **Table 1.4**.

Table-1.4
Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	2016-17	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	1,534	577.79
2.	Claims received during the year	6,277	2,152.05
3.	Refunds made during the year	5,820	1,875.93
4.	Balance outstanding at the end of year	1,991	853.91

Details of pendency of refunds cases, if any, in Stamps and Registration, Energy, Transport, Revenue and Mines and Geology Departments, though called for (May 2017), were not received (November 2017). The State Excise Department reported that no refund cases were pending.

1.5 Response of the Government/Departments towards Audit

Accountant General (Economic and Revenue Sector Audit) conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the inspections and those not settled on the spot are issued to the Heads of the offices inspected, with copies to the next higher authorities, for taking prompt corrective action. The Heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the Accountant General within one month from the date of issue of IRs. Serious financial irregularities are reported to the Heads of the Departments and the Government.

5,527 paragraphs involving ₹ 2,010.14 crore contained in 2,282 IRs, remained outstanding at the end of June 2017. The details along with the corresponding figures for the preceding two years are given in **Table 1.5**.

Table-1.5
Details of pending Inspection Reports

	As of June 2015	As of June 2016	As of June 2017
Number of IRs pending for settlement	4,022	4,443	2,282
Number of outstanding audit observations	9,573	9,305	5,527
Amount of revenue involved (₹ in crore)	2,061.05	2,162.61	2,010.14

1.5.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2017 and the amounts involved are given in **Table1.5.1**.

Table-1.5.1
Department-wise details of IRs

(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Numbers of outstanding audit observations	Money value involved
1.	Finance	Commercial Taxes	536	2,082	202.57
2.		State Excise	511	766	319.64
3.	Revenue	Land Revenue	200	459	347.52
4.		Stamp duty and Registration fees	425	1,035	107.30
5.	Transport	Taxes on motor vehicles	417	685	49.05
6.	Commerce and Industries	Mineral Receipts	185	485	960.19
7.	Energy	Electricity Tax	8	15	23.87
Total			**2,282**	**5,527**	**2,010.14**

Audit did not receive even the first replies (required to be received from the Heads of offices within one month from the date of issue of the IRs) for 325 IRs issued during 2016-17. This large pendency of the IRs, due to non-receipt of the replies, indicated that the Heads of Offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the Accountant General in the IRs.

1.5.2 Departmental Audit Committee (DAC) meetings

The Government issued (March 1968) instructions to constitute DAC in the Secretariat of all the Departments to expedite the clearance of audit observations contained in the IRs. These Committees are to be headed by the Secretaries of the Administrative Departments concerned and attended by the designated officers of the State Government and a nominee of the Accountant General. These Committees are to meet periodically and, in any case, at least once in a quarter.

No meetings of the Committee were convened by any of the Departments during the year 2016-17. Action may be taken to convene Departmental Audit Committee meetings for clearance of outstanding IRs and audit observations.

1.5.3 Non-production of records to Audit for scrutiny

The programme of local audit of Tax Revenue/Non-tax Revenue offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the Offices to enable them to keep the relevant records ready for audit scrutiny.

During the year 2016-17, as many as 712 assessment files, refunds, registers and other relevant records were not made available to Audit. Break-up of these cases is given in **Table 1.5.3**.

Table 1.5.3
Details of non-production of records

Sl.No.	Name of the Office/Department	Number of records not produced to audit
1.	Commercial Taxes Department	24
2.	Department of Land Revenue	651
3.	Transport Department	37
	Total	**712**

1.5.4 Response of the Departments to the draft audit paragraphs

Draft Paragraphs/Performance Audit Reports proposed for inclusion in the Audit Report are forwarded by the Accountant General to the Additional Chief Secretary/ Principal Secretaries/ Secretaries of the Departments concerned through demi-official letters. According to the instructions issued (April 1952) by the Government, all Departments are required to furnish their remarks on the Draft Paragraphs/Performance Audit Reports within six weeks of their receipt. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Fourteen Draft Audit Paragraphs (including one Performance Audit and one Thematic Audit) proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Sector) for the year ended 31 March 2017 were forwarded to the Additional Chief Secretary/Principal Secretaries/ Secretaries to the Government and copies endorsed to the heads of Departments concerned between March and September 2017.

Replies for nine Draft Paragraphs (relating to Commercial Taxes and Stamps and Registration) were received from the Government. In respect of the Performance Audit, Exit Conference was held with the Government (October 2017). Reply from the Government were received (October 2017) in respect of the Performance Audit. Further, Exit Conference was held with the Head of the Department concerned (August 2017) for Thematic Audit.

Replies to the remaining three Draft Paragraphs and one Thematic Audit relating to Department of Mines and Geology were not received from the Government (November 2017).

1.5.5 Follow up on the Audit Reports - summarised position

According to the Rules of Procedure (Internal Working) of the Committee of Public Accounts (PAC), the Departments of Government are to furnish detailed explanations (Departmental Notes) on the audit paragraphs to the Karnataka Legislative Assembly Secretariat within four months of an Audit Report being laid on the Table of the Legislature. The Rules further require that, before such submission, Departmental Notes are to be vetted by the Accountant General.

174 paragraphs (including Performance Audits) were included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Karnataka for the years ended 31 March 2012, 2013, 2014, 2015 and 2016 and one Stand-Alone Report relating to the Department of Mines and Geology which were placed before the State Legislative Assembly between March 2013 and March 2017.

As of September 2017, out of 174 paragraphs, Departmental Notes for 48 paragraphs had been received within the due dates. Departmental Notes from the Departments concerned on 81 of these paragraphs included in Audit Reports for the years 2011-12 to 2014-15 were received belatedly, with an average delay of nine months. However, Departmental Notes on the remaining 45 paragraphs from seven Departments (Commercial Taxes, Land Revenue, Stamps and Registration, State Excise, Transport, Energy and Mines and Geology) have not yet been received.

This indicates that more proactive action is required from the Executive to pursue the important issues highlighted in the Audit Reports, which would also aid in collection of unrealised revenue.

1.6 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of compliance to the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and Performance Audit included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.6.1 and 1.6.2 discuss the performance of the State Excise Department[3] in respect of the cases detected in the course of local audit during the last ten years and also the cases included in the Audit Reports for the years 2006-07 to 2015-16.

1.6.1 Position of Inspection Reports

The summarised position of the Inspection Reports (IRs) issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2017 are tabulated below in **Table 1.6.1**.

Table 1.6.1
Position of Inspection Reports

(₹ in crore)

Sl. No.	Year	Opening Balance			Addition during the Year			Clearance during the Year			Closing Balance		
		IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
1.	2007-08	945	1,396	333.90	43	129	69.83	38	118	51.84	950	1,407	351.89
2.	2008-09	950	1,407	351.89	20	36	5.23	10	112	3.77	960	1,331	353.35
3.	2009-10	960	1,331	353.35	15	31	11.66	21	55	8.81	954	1,307	356.20
4.	2010-11	954	1,307	356.20	15	49	21.00	0	10	0.29	969	1,346	376.91
5.	2011-12	969	1,346	376.91	01	01	0.01	0	0	0.00	970	1,347	376.92
6.	2012-13	970	1,347	376.92	25	63	58.67	07	24	2.13	988	1,386	433.46
7.	2013-14	988	1,386	433.46	18	230	13.18	12	90	56.42	994	1,526	390.22
8.	2014-15	994	1,526	390.22	38	103	21.67	23	200	21.83	1,009	1,429	390.06
9.	2015-16	1,009	1,429	390.06	31	66	9.40	38	85	11.72	1,002	1,410	387.74
10.	2016-17	1,002	1,410	387.74	30	29	7.07	15	46	17.01	1017	1393	377.80

During the year 2016-2017, no DAC meetings were held by the State Excise Department for settlement of IRs/paragraphs.

[3] Under revenue head 0039.

During regular inspection of offices, the pending IRs/paragraphs are reviewed on the spot after obtaining compliance. Settlements of IRs/paragraphs are also made on receipt of compliance from the Department.

1.6.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Table 1.6.2**.

Table 1.6.2
Recovery in accepted cases

(₹ in crore)

Sl. No.	Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year 2016-17	Cumulative position of recovery of accepted cases as of 31-03-2017
1.	2006-07	-	-	-	-	-	-
2.	2007-08	01	0.23	01	0.23	-	0.09
3.	2008-09	-	-	-	-	-	-
4.	2009-10	01	1.02	-	-	-	-
5.	2010-11	01	182.29	01	11.98	-	0.18
6.	2011-12	-	-	-	-	-	-
7.	2012-13	02	3.10	01	0.26	-	0.26
8.	2013-14	01	2.14	01	2.14	-	-
9.	2014-15	04	10.57	03	10.37	-	0.48
10.	2015-16	-	-	-	-	-	-

As seen from the Table above, the percentage of recovery by the State Excise Department in accepted cases for the years 2006-07 to 2015-16 is only 4.04 *per cent*. Therefore, the Department may take immediate action to pursue recovery of the dues involved in accepted cases.

1.7 Audit Planning

The Auditable Units under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes critical issues in Government revenues and budget speech, white paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years etc.

During the year 2016-17, there were 1,218 auditable units, of which 364 units were planned and 377 units were audited, which was 31 *per cent* of the total auditable units. The details are shown in the **Table 1.7.1**.

Table 1.7.1
Details of units audited

Sl. No.	Department	Number of units		
		Auditable Units during the year 2016-17	Units planned for audit during 2016-17	Units audited during 2016-17
1.	Commercial Taxes	416	137	146
2.	Stamp Duty and Registration Fee	282	94	94
3.	Motor Vehicles Taxes	72	40	41
4.	Land Revenue	254	42	46
5.	State Excise	129	31	30[4]
6.	Mineral Receipts	34	13	13
7.	Energy	31	07	07
	Total	**1,218**	**364**	**377**

Besides the audit of units mentioned above, one Performance Audit on the 'Regulation and Control over Manufacture, Possession, Transportation, Distribution and Sale of Alcoholic Products in the State of Karnataka' by the State Excise Department, along with one Thematic Audit on 'Deduction of royalty on miner minerals by works executing departments/agencies' were also taken up during the year.

1.8 Results of Audit

Position of local audit conducted during the year

Test check of the records of 377 units of Sales Tax/Value Added Tax, State Excise, Taxes on Motor Vehicles, Stamps and Registration Fee, Land Revenue and other Departmental offices conducted during the year 2016-17 revealed under-assessment/short levy/loss of revenue aggregating ₹ 440.95 crore in cases pointed out through 1,245 paragraphs. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹ 72.11 crore raised through 264 paragraphs during 2016-17. The Departments collected ₹ 20.50 crore pointed out in 423 paragraphs during 2016-17, pertaining to the audit findings of previous years.

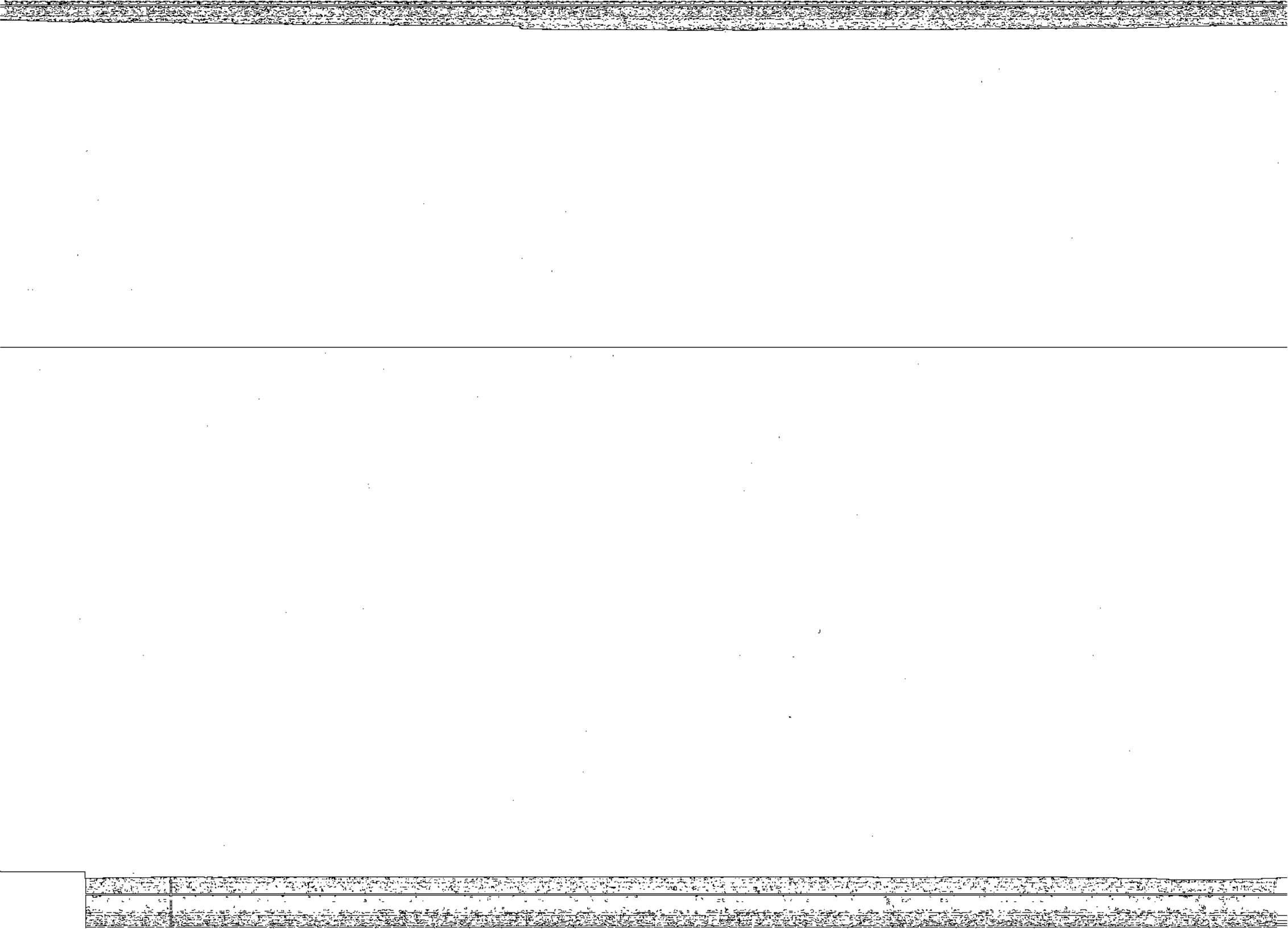
1.9 Coverage of this Report

This Report contains 14 paragraphs selected from the audit observations made during the local audit referred to above and during earlier years, (which could not be included in earlier reports) including one Performance Audit and one Thematic Audit involving financial effect of ₹ 311.58 crore.

The Departments/Government had accepted audit observations involving ₹ 25.85 crore out of which ₹ 2.09 crore had been recovered. The replies in the remaining cases were not received (November 2017). These are discussed in succeeding Chapters II to VI.

[4] One unit under State Excise Department was non-operational.

Chapter-II
Taxes/VAT on Sales, Trade, etc.



Chapter–II
Taxes/VAT on Sales, Trade, etc.

2.1 Tax Administration

Sales Tax/Value Added Tax (VAT) laws and Rules framed thereunder were administered at the Government level by the Additional Chief Secretary, Finance Department. The Commissioner of Commercial Taxes (CCT) was the head of the Commercial Taxes Department (CTD) who was assisted by 14 Additional Commissioners and seven Joint Commissioners (JCCTs). There were 13 Divisional VAT Offices (DVO), 13 Appeal Offices, eight Enforcement/ Vigilance Offices and one Minor Acts Division in the State, managed by 35 JCCTs. There were 123 Deputy Commissioners (DCCTs), 321 Assistant Commissioners (ACCTs) and 526 Commercial Tax Officers (CTOs) in the State. At the field level, VAT was being administered through 118 Local VAT Offices (LVOs) and VAT Sub Offices (VSOs) headed by ACCTs and CTOs respectively. The DCCTs, ACCTs and CTOs were heading 266 Offices, where assessments/re-assessments were finalised by the Department.

2.2 Internal Audit

As per the information furnished by the Department, the Internal Audit Wing was functioning from the year 2011-12. During the year 2016-17, 344 Offices were due for audit, of which, 227 Offices were audited. The shortfall in coverage of Offices was due to the preparation for implementation of Goods and Services Tax. Year-wise details of the number of objections raised, settled and pending along with tax effect, as furnished by the Department, are given in **Table 2.1**.

Table 2.1
Year wise details of observations raised by IAW

(₹ in crore)

Year	Observations raised		Observations settled		Observations pending	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
2012-13	3,814	189.00	1,122	57.75	2,692	131.25
2013-14	4,183	15.23	319	0.18	3,864	15.05
2014-15	6,742	22.00	1,046	4.13	5,696	17.87
2015-16	1,129	34.59	595	3.15	534	31.44
2016-17	500	104.85	10	0.03	490	104.82
Total	**16,368**	**365.67**	**3,092**	**65.24**	**13,276**	**300.43**

As seen from the Table, 13,276 observations involving ₹ 300.43 crore were pending settlement as on 31 March 2017. Early action may be taken to settle pending observations.

2.3 Results of Audit

In 2016-17, test check of the records of 146 Offices of the CTD relating to VAT, Entry Tax and Professions Tax showed underassessment of tax and other irregularities involving ₹ 154.39 crore in 878 paragraphs, which fall under the following categories as detailed in **Table 2.2**.

Table 2.2
Results of audit

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
	Value Added Tax		
1.	Non/short payment of tax	56	11.36
2.	Non/short levy penalty	160	15.82
3.	Non/short levy of interest	86	38.59
4.	Non-levy of tax on works contract receipts from Karnataka Residential Educational Institutions Society	67	20.06
5.	Non-levy of tax on sale of liquor	28	21.89
6.	Unacknowledged returns	35	5.67
7.	Incorrect/excess allowance of Input Tax Credit	98	4.59
8.	Excess carry forward of credit	54	3.91
9.	Excess refund	07	2.63
10.	Non/short levy of tax on purchases from un-registered dealers	22	1.98
11.	Other irregularities	242	27.08
	Total	**855**	**153.58**
	Tax on Entry of Goods		
12.	Non-demand of Entry Tax/interest	23	0.81
	Grand Total	**878**	**154.39**

During the course of the year, the Department accepted under-assessment and other deficiencies involving ₹ 48.59 crore in 158 paragraphs. In 251 paragraphs, an amount of ₹ 11.10 crore was also recovered as pointed out during earlier years.

A few illustrative cases of non/short realisation of VAT, penalty and interest involving ₹ 57.72 crore are discussed in the following paragraphs.

2.4 Non-levy of tax due to non-declaration of works contract receipts from the Karnataka Residential Educational Institutions Society

According to Section 4 (1) (c) of the Karnataka Value Added Tax (KVAT) Act, 2003, tax shall be levied in respect of transfer of property in goods (whether as goods or in some other form) involved in the execution of works contract at the rates specified in the Sixth Schedule of the Act. Section 15 (1) (b) of the KVAT Act, 2003, provides that a dealer who executes works contract may elect to pay in lieu of the net amount of tax payable by him under this Act by way of composition at the specified rate on the total consideration for the works contract executed. Rate of tax on works contract for composition and regular dealer was four *per cent* and 14.50 *per cent* respectively for the years 2012-13 to 2015-16. Further, Section 9-A of the KVAT Act, 2003, provides for deduction of tax at source from the amounts payable to a dealer in respect of any works contract executed to the Central Government or State Government or an industrial, commercial or trading undertaking of the Central or State Government or local authority or a statutory body, etc.

The Karnataka Residential Educational Institutions Society (KREIS) was constituted by the Government of Karnataka in 2000[1] to establish, maintain, control and manage all residential educational institutions in the State. Since then, KREIS has been awarding works contract to construct Schools/Colleges. KREIS sought clarification from the CTD on deduction of tax from the payments made to the contractors, to which it was clarified that KREIS being a 'Society' is not authorised/required to deduct tax at source. Therefore, KREIS was not deducting tax from payments made to the contractors in respect of the works executed.

During the period from 2012-13 to 2015-16, KREIS made payments towards works contracts worth ₹ 1,425.30 crore to various dealers. Cross–check of such payments (May 2017) by Audit with the returns filed by the dealers revealed short/non-declaration of turnover in the returns filed in 23 LVOs, three VSOs and 10 Audit Offices in 17 Districts[2] as mentioned below:

(a) In respect of 31 dealers (under composition scheme), consideration of works contracts received from KREIS was ₹ 108.96 crore, of which only an amount of ₹ 34.16 crore was declared by these dealers, resulting in understatement of turnover of ₹ 74.80 crore. Non-levy of tax at the rate of four *per cent* on the turnover of ₹ 74.80 crore amounted to ₹ 2.99 crore.

(b) In respect of 14 dealers (under regular VAT), the works contract consideration received from KREIS was ₹ 119.97 crore, of which only an amount of ₹ 26.40 crore was declared by these dealers, resulting in understatement of turnover of ₹ 93.57 crore. Non-levy of tax at the rate of 14.50 *per cent* on the turnover of ₹ 93.57 crore (after allowing deduction of labour and like charges at 30 *per cent*) amounted to ₹ 9.50 crore.

(c) Nine dealers who were de-registered in the records of CTD had received consideration of ₹ 32.90 crore towards works contracts from KREIS. Since, these dealers were de-registered, no returns were filed and tax of ₹ 1.32 crore applicable on the consideration received was not paid.

Thus, total non-levy of tax on works contracts received from KREIS was ₹ 13.81 crore. Further, penalty and interest leviable under the KVAT Act, 2003 amounted to ₹ 1.38 crore and ₹ 4.60 crore respectively. Total short levy of tax including penalty and interest worked out to ₹ 19.79 crore. The CTD's action of not authorising KREIS to deduct tax at source, though being a work executing agency like Public Works Department, Karnataka Housing Board, National Highway Authority of India, etc. led to non-declaration of works contract turnover and consequent non-levy of tax.

Audit referred these cases to the CCT and the Government during May and June 2017. The Government replied (August and October 2017) that ₹ 17.33 lakh was collected in four cases and order demanding tax dues was passed by the Department in one case. Further, in one case, it was replied that tax on the

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[1] Government Order No. Saka E 532 S.E.W 96 dated 06 October 1999 and KREIS started its activities from 03 February 2000.

[2] Ballari, Bengaluru (Urban), Bengaluru (Rural), Bidar, Chikkamagaluru, Dharwad, Gadag, Hassan, Kalaburgi, Kolar, Koppal, Mysuru, Raichuru, Shivamogga, Tumakuru, Vijayapura and Yagdir.

turnover of KREIS was paid, however, payment particulars were not furnished to Audit. Reply in respect of remaining cases is awaited (November 2017).

2.5 Short levy of tax on sale of liquor by CL-9 licensees

According to Section 4(1)(a)(ii) of the KVAT Act, 2003, every registered dealer shall be liable to pay tax on his taxable turnover at the rate of five and one half *per cent* on sale of goods mentioned in Third Schedule of the Act. Under Section 5(1) of the KVAT Act, 2003, tax shall be exempt for the sale of goods specified in First Schedule of the said Act. As per First Schedule of the KVAT Act, 2003, tax payable on sale of liquor including beer, fenny, liqueur and wine was exempted.

The Government vide Notification[3] of 28 February 2014 removed exemption of tax payable on sale of liquor and introduced VAT at the rate of five and one half *per cent* on sale of liquor by CL-9 licences[4] i.e. Bar and Restaurants situated in areas coming under Bruhat Bengaluru Mahanagara Palike, City Municipal Corporation, City Municipal Council and Town Municipal Council or Town Panchayath with effect from 1 March 2014.

During test check of records in 16 LVOs and two VSOs in four[5] Districts between December 2016 and April 2017, Audit noticed that:

(a) In respect of 76 dealers (Bar and Restaurants situated in urban areas), the turnover of sale of liquor for the period from March 2014 to March 2016 was ₹ 180.91 crore. Tax payable at the rate of five and one half *per cent* amounted to ₹ 9.95 crore, of which only ₹ 42 lakh was paid. This resulted in short levy of tax of ₹ 9.53 crore;

(b) In respect of 20 dealers (Bar and Restaurants situated in urban areas), tax payable on sale of liquor for the years 2014-15 and 2015-16 was determined by Chartered Accountant/Sales Tax Practitioner in Form VAT-240[6] as ₹ 3.55 crore, of which only ₹ 1.46 crore was paid. This resulted in short levy of tax of ₹ 2.09 crore.

Hence, total short levy of tax on sale of liquor by 96 dealers was ₹ 11.62 crore. Further, penalty and interest leviable under Sections 72(2) and 36 of KVAT Act, 2003, amounted to ₹ 1.16 crore and ₹ 2.87 crore respectively. Total short levy of tax, including penalty and interest, works out to ₹ 15.65 crore.

Though the tax on sale of liquor by Bars and Restaurants situated in urban areas was to be levied with effect from 1 March 2014, the Department did not take action in raising timely demands for collection of tax.

Audit referred these cases to the CCT and the Government during April and May 2017. The Government replied (August 2017) that ₹ 11.94 lakh was collected

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3 Notification No.FD 21 CSL 2014 (II) dated 28 February 2014.

4 CL-9 licence is given by the Excise Department for sale of liquor in Bar and Restaurants.

5 Bengaluru Urban, Bengaluru Rural, Bidar and Chikkaballapura.

6 VAT-240 is a form used for filing Annual Audited Statement prepared by Chartered Accountant or a Sales Tax Practitioner. It is a comparative statement of dealer's liability to tax and his entitlements for input tax/refund as declared in the monthly returns (VAT-100), and the corresponding correct amount determined on audit.

from three dealers and notices were issued by the Department in respect of nine dealers. Reply in respect of remaining cases is awaited (November 2017).

2.6 Non-levy of penalty under Section 72 (1) of the KVAT Act

According to Section 35 (1) of the KVAT Act, 2003, every registered dealer shall furnish a return and shall pay tax due on such return within twenty days after the end of the preceding month or any other tax period as may be prescribed.

Section 72 (1) of KVAT Act, 2003, states that a dealer who fails to furnish a return or who fails to pay the tax due on any return furnished as required under the Act shall be liable to pay together with any tax or interest due, a penalty equal to:

a) five *per cent* of the amount of tax due or ₹ 50 whichever is higher, if the default is not for more than 10 days, and
b) ten *per cent* of the tax due, if the default is for more than 10 days.

During test check of records of 32 LVCs/VSOs in fifteen[7] Districts between December 2015 and December 2016, Audit noticed that 274 assessees had filed returns for the years 2012-13 to 2014-15 and paid tax of ₹ 100.21 crore belatedly, i.e. beyond 20 days after the expiry of the applicable tax period. Though all these cases attracted penalty under Section 72(1) of the Act, they were neither paid by the assessees nor any effort was made by the Officers concerned to impose the same. This has resulted in non-levy of penalty of ₹ 6.81 crore.

It is pertinent to note here that basic checks such as verification of returns to ascertain timely payment of tax, issuing notices for belated payment of tax, etc. were not exercised by the Department due to which the belated payments went unnoticed, escaping levy of penalty.

Audit referred these cases to the CCT and to the Government between February and March 2017. The Government replied (June and August 2017) that ₹ 51.51 lakh was collected from 25 assessees, notices were issued in respect of 26 assessees for recovery of penalty and orders levying penalty were issued in respect of six assessees.

Further, the Government (September 2017) stated that 13 assessees (out of 274 assessees), applied for *Karasamadhana* Scheme[8] by paying 10 *per cent* of penalty (₹ 4.30 lakh) and balance 90 *per cent* of penalty (₹ 38.69 lakh) was waived by the Department.

Reply in respect of the remaining cases was awaited (November 2017).

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[7] Bengaluru, Ballari, Belagavi, Chikkaballapura, Chikkamagaluru, Chitradurga, Davanagere, Dharwad, Hassan, Kalaburgi, Kodagu, Mysuru, Raichuru, Shivamogga and Yadgir.

[8] Government of Karnataka vide Gazette Notification No. 323 dated 31.03.2017 introduced *Karasamadhana* Scheme whereby 90 *per cent* of penalty and interest would be waived on payment of 10 *per cent* of penalty and interest within 31 May 2017.

2.7 Non-payment of differential tax liability declared in audited statement of accounts

According to Section 31(4) of the KVAT Act 2003, every dealer whose total turnover in a year exceeds a prescribed amount[9] shall have the accounts audited by a Chartered Accountant or a Cost Accountant or a Tax Practitioner (Auditor) and shall submit to the prescribed authority a copy of the audited statement of accounts in Form VAT-240 and other documents as prescribed in the Act.

Form VAT-240 provides for the auditor to file a comparative statement of dealer's liability to tax and his entitlements for input tax/refund as declared in the tax returns, and the corresponding correct amount determined on audit. In case of a difference between them, the auditor is to advise the dealer either to pay the differential tax together with the penalty and interest, if any, or to claim refund due to him, as the case may be.

During test check of records in 13 LVOs and one VSO in eight[10] Districts between December 2015 and March 2017, Audit noticed that 24 dealers in their audited accounts in Form VAT 240 had declared additional tax liability of ₹ 3.67 crore over and above the tax liability declared in the monthly returns for the years from 2013-14 to 2015-16. For non-payment of additional tax liability, penalty and interest was also leviable as per the provisions of KVAT Act, 2003. The dealers concerned, however, neither paid the dues on their own while filing the audited accounts, nor were the dues demanded by the LVOs concerned. This resulted in non/short payment of tax of ₹ 3.67 crore. Further, penalty and interest leviable amounted to ₹ 0.45 crore and ₹ 1.14 crore respectively. Total non-payment works out to ₹ 5.26 crore. The Department has not put in place a mechanism to flag automatically any tax declared in excess by the dealer in Form VAT 240 vis-à-vis the amount paid by him in the monthly returns. Hence, inaction on the part of the Department to raise timely demands resulted in amounts declared payable by the dealers themselves to be shown as pending realisation to the Government.

After these cases were brought to the notice of the CCT and to the Government between January and April 2017, the Government replied (June and September 2017) that ₹ 19.27 lakh was collected in seven cases. Reply is awaited in the remaining cases (November 2017).

2.8 Non-follow-up of pending tax liabilities declared in the returns by Commercial Tax Department

Under Section 35(1) of the KVAT Act 2003, every registered dealer shall furnish a return in the prescribed form and shall pay the tax due on such return within 20 days (or 15 days in the case of dealers assessed under composition of tax) after the end of the tax period.

Test check of returns between February 2016 and March 2017 in 25 LVOs in six[11] Districts revealed that for 399 returns pertaining to tax periods between April 2011 and March 2016 filed by 178 assessees, the respective tax liabilities

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[9] ₹ 40 lakh till 31 March 2010, ₹ 60 lakh from 1 April 2010 to 31 March 2011 and ₹ 1 crore thereafter.

[10] Ballari, Belagavi, Bengaluru, Dharwad, Kalaburgi, Mysuru, Raichur and Vijayapura.

[11] Bengaluru, Ballari, Bidar, Kalaburgi, Mysuru and Raichur.

amounting to ₹ 3.55 crore were not discharged. Penalty and interest as applicable worked out to ₹ 35.51 lakh and ₹ 1.22 crore respectively. Total amount realisable worked out to ₹ 5.13 crore.

Even though the 'e-VARADI[12]' system for online filing of returns clearly indicates a status of 'Not Acknowledged' against all returns where the tax liability is not discharged in full, the Officers concerned failed to follow up on these cases and ensure timely recovery.

After these cases were brought to the notice of the CCT and to the Government between March and April 2017, the Government replied (June and August 2017) that an amount of ₹ 7.80 lakh was collected in 11 cases and notices were issued in 14 cases. In respect of one dealer[13], the Government replied that the tax was paid to the Department. The reply is not acceptable as the payment details furnished by the Department for having paid the tax could not be traced in Electronic Filing System (eFS). Reply in respect of the remaining dealers is still awaited (November 2017).

Audit had pointed out similar lapses of non-follow up of tax liability worth ₹ 10.97 crore in respect of 491 assessees in 1,103 returns in the previous three Audit Reports[14]. However, the Department failed to devise suitable checks to prevent the same.

2.9 Non/short levy of interest

Under Section 36(2) of the KVAT Act, 2003, every dealer who fails to pay any amount of tax or additional tax declared in the returns or furnishes a revised return more than three months after the tax becomes payable, shall be liable to pay simple interest. As per Section 37(1) of the above Act, the rate of interest leviable was 1.25 *per cent* per month (up to 31 March 2011) and 1.5 *per cent* per month (with effect from 1 April 2011) from the date on which any amount was due for payment under the Act.

During test check of VAT-100 returns, annual audited accounts filed in VAT-240 and re-assessment orders in 36 Offices (22 LVOs/VSO and 14 Audit Offices) in nine[15] Districts between February 2016 and February 2017, Audit noticed that there was a delay in payment of tax amounting to ₹ 70.50 crore for the tax period between 2006-2007 and 2014-2015 by 81 dealers. The tax due was either against original returns or against additional tax liabilities arising from re-assessments/revised returns/annual audited accounts filed in VAT-240. Though the belated payment of tax in all these cases attracted payment of interest under Section 36(2) of the Act, it was either not levied or levied short. The total non/short levy of interest for the tax periods between April 2006 and March 2015 worked out to ₹ 5.08 crore. Though there is a provision in the annual audit statement (VAT-240) and monthly returns (VAT-100 and VAT-120) for

[12] E-Varadi or 'VAT Return and Data through Internet', is a facility provided to the dealers to submit tax returns electronically.

[13] M/s. Himalaya Surveillance and Solutions Private Limited.

[14] Paragraph Nos. 2.7, 2.9 and 2.5 of Audit Reports for the year ended 31 March 2014 (Report No.7 of 2014), 31 March 2015 (Report No.3 of the year 2015) and 31 March 2016 (Report No.5 of the year 2016) respectively.

[15] Bengaluru, Ballari, Chikkaballapura, Chikkamagaluru, Davanagere, Kalaburgi, Mysuru, Raichur and Shivamogga.

payment of interest for delay in payment of tax, the Department failed to monitor compliance to this provision which resulted in the non/short levy of interest. Audit had recommended[16] automation of levy of interest on delayed payments through Electronic Filing System; however, the same was not complied with by the Department which resulted in repeated occurrences of delayed payments without levy of interest.

After these cases were brought to the notice of the CCT and to the Government between February and April 2017, the Government stated (June and August 2017) that interest of ₹ 50.15 lakh was collected in nine cases, notices demanding interest were issued in five cases, order levying interest was passed in one case and the matter was referred for re-assessment in one case.

Further, the Government (September 2017) stated that two dealers (out of 81 dealers), applied for *Karasamadhana* Scheme by paying 10 *per cent* of interest (₹ 0.30 lakh) and balance 90 *per cent* of interest (₹ 2.72 lakh) was waived by the Department. Reply in respect of the remaining dealers was awaited (November 2017).

[16] Recommendation No.11 under Paragraph No.2.8.18 of Report No.1 of 2014.

Chapter-III
State Excise

Chapter–III
State Excise

3.1 Tax Administration

The State Excise duty is levied on any liquor, intoxicating drug, opium or other narcotics and non-narcotic drugs which the State Government may, by notification, declare to be an excisable article. The Karnataka Excise (KE) Act, 1965 and Rules made thereunder govern the law relating to the production, manufacture, possession, import, export, transport, purchase and sale of liquor and intoxicating drugs and levy of duties of excise thereon. The State Excise Department is working under the administrative control of the Finance Department and is headed by the Excise Commissioner, who is assisted by Joint Commissioners of Excise. The excise duty is administered by the Deputy Commissioners of Excise (DCOE) at the District level and the Superintendents of Excise, Deputy Superintendents of Excise, Inspectors of Excise (IOE) and other sub-ordinate Officers at the distilleries and range Offices.

3.2 Internal Audit

The Internal Audit Wing (IAW) is functional in the Department since 1990. As per the information furnished by the Department, out of 109 Offices due for audit during 2016-17, only five Offices (4.59 *per cent*) were audited. The shortfall in coverage of Offices was attributed to the shortage of staff in the Wing. Year-wise details of the number of objections raised, settled and pending along with tax effect, as furnished by the Department, are given in **Table 3.1**.

Table 3.1
Year wise details of observations raised by IAW

(₹ in lakh)

Year	Observations raised		Observations settled		Observations pending	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Upto 2012-13	536	1,701.01	43	44.15	493	1,656.86
2013-14	00	0.00	00	0.00	00	0.00
2014-15	06	2.87	02	0.30	04	2.57
2015-16	00	0.00	00	0.00	00	0.00
2016-17	00	0.00	00	0.00	00	0.00
Total	**542**	**1,703.88**	**45**	**44.45**	**497**	**1,659.43**

As could be seen from Table above, it is clear that the activities of IAW in the Department have reduced to a greater extent after 2012-2013 and virtually to nil in the previous two years. This indicates that the Department is not according due importance to internal audit.

It is recommended that due importance may be accorded to strengthen IAW, as internal audit is an important mechanism to ensure compliance by the Department of the applicable laws, regulations and approved procedures.

3.3 Results of Audit

Test check of records of 30 Offices of the State Excise Department during the year 2016-17 revealed non/short levy of licence fee, non-levy of transfer fee, non-levy of penalty on short lifting of Indian Made Liquor (IML) and other irregularities amounting to ₹ 139.64 crore involving 30 paragraphs. Details are given in **Table 3.2**.

Table 3.2
Results of Audit

(₹ in crore)

Sl. No.	Category	No. of Paragraphs	Amount
1.	**Performance Audit on 'Regulation and Control over Manufacture, Possession, Transportation, Distribution and Sale of Alcoholic Products in the State of Karnataka'**	1	132.57
2.	Non-levy of penalty for excess wastage/loss/short lifting	5	2.18
3.	Non-levy of penalty for failure to produce minimum prescribed quantity of spirit	5	2.15
4.	Non/Short levy of licence fee including additional licence fee, transfer fee	7	0.98
5.	Non/Short levy of excise duty, additional excise duty	3	0.37
6.	Other irregularities	9	1.39
	Total	**30**	**139.64**

During the course of the year 2016-17, the Department recovered ₹ 3.53 crore involved in 43 paragraphs pointed out during earlier years.

A Performance Audit on 'Regulation and Control over Manufacture, Possession, Transportation, Distribution and Sale of Alcoholic Products in the State of Karnataka' involving ₹ 132.57 crore is discussed in the following paragraphs.

3.4 Performance Audit on 'Regulation and Control over Manufacture, Possession, Transportation, Distribution and Sale of Alcoholic Products in the State of Karnataka'

Highlights

Delay in revision of norms regarding yield of Rectified Spirit caused potential minimum revenue loss of ₹ 64.84 crore to the Government by 12 distilleries during the period from April 2012 and September 2015.

(Paragraph .3.4.8)

Norms prescribed by the Department did not factor technological advancements and efficiencies designed for the fermentation plants which provided enough "margin" to the distillers to work to their advantage to make additional yield of Rectified Spirit. Audit analysis revealed a "margin" of about 2.19 crore to 4.23 crore Bulk Litres of Rectified Spirit which works out to minimum revenue between ₹ 633.32 crore and ₹ 1,222.62 crore, if converted to potable alcohol.

(Paragraphs 3.4.9.1 and 3.4.9.2)

Deficient performance of Distillery Officers led to control lapses which resulted in:

- Non-accounting for 19,555 MT of molasses purchased by three distilleries in the State between May 2012 and April 2014 with minimum revenue impact of ₹ 124.97 crore;
- Short fall in chemical analysis of samples of molasses in the range of 96.72 to 99.33 *per cent* prevented the Department in estimating actual output; and
- Excess storage loss claimed by four distilleries for the period from April 2012 to March 2017 worked out to 1,119.241 MTs on which penalty of ₹ 7.60 crore was not levied.

(Paragraph 3.4.10)

Database relating to Excise Adhesive Labels was not interlinked with the database of M/s. Karnataka State Beverages Corporation Limited (KSBCL), the wholesale liquor channelising agency, which resulted in release of liquor from KSBCL with unauthorised labels.

(Paragraph 3.4.11)

Violations of licence conditions and the sale of potable liquor by non-licencees were substantial and the enforcement action of the Department did not seem effective enough to control such illegal activities.

(Paragraph 3.4.12)

3.4.1 Introduction

The Constitution of India, vide Entry No.51 of List II of Article 246, vests the power to levy duty on alcoholic liquors for human consumption and narcotics with the States. The scope of the State Excise Administration covers commodities such as Spirits, Indian Made Liquor, Beer, Medicinal and Toilet preparations, etc. The objectives of the Department can be summed up as ensuring public health through regulated procurement of raw-materials, manufacture of various commodities by use of these raw materials, their storage and distribution. The State Excise is the next major source of revenue in the State of Karnataka after Commercial Taxes Department and is regulated by the provisions of Karnataka Excise Act and Rules.

3.4.1.1 Vision and Mission of the Department

The Department has the following 'Vision' and 'Mission' for regulating manufacture, possession, transportation, distribution and sale of alcoholic products and other narcotics in the State of Karnataka.

Vision: Optimisation of Excise Revenue while preventing the use of unsafe liquor and ensuring informed consumption in hygienic conditions.

Mission: Implementing State Excise policies and procedures by regulating manufacture, transport, possession, sale and other activities of the trade in spirit, spirituous preparations, potable liquor and other intoxicants and monitoring collection of associated taxes.

The policies and procedures including levy of Excise Duty, Additional Excise Duty, Fee for issue of various licences, interest, penalties, etc. in this regard are governed by the Karnataka Excise Act (KE Act), 1965 and the Rules made thereunder.

3.4.1.2 Broad framework of Karnataka Excise Act

The KE Act and Rules made thereunder empower the Government/Department to issue licence for various activities such as manufacture of alcoholic products in Distilleries, Breweries and Wineries as well as for possession, transportation, distribution and sale of alcohol and its products.

The Act and Rules also provide for complete supervision over manufacturing activities through its Officers and staff placed in the Distilleries, Breweries and Wineries. The norms of production such as input to output ratios at various stages, loss due to evaporation, maturation, storage, blending, transportation, etc. are stipulated. Control over transportation, distribution and sale is exercised through issue of permits and Excise Verification Certificates (EVCs).

As of March 2017, there were 25 Primary [1] Distilleries, 26 Secondary [2] Distilleries and seven Composite[3] Distilleries. Apart from these, there were six

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[1] Primary Distilleries are those which distil spirits out of molasses, any grains, tapioca, sweet potato, sugar beet, cereals, sugarcane juice, cashew, pine-apple, apple, grapes, etc.

[2] Secondary Distilleries are those which use spirit distilled out of molasses, any grains, cereals, sugarcane juice, tapioca, sweet potato, sugar beet, grapes or malt for manufacture of Indian Liquor.

[3] Composite Distilleries are those which distil spirits and use the same for manufacture of Indian Liquor.

Breweries and 22 Wineries (including fruit and fortified wineries) in the State of Karnataka.

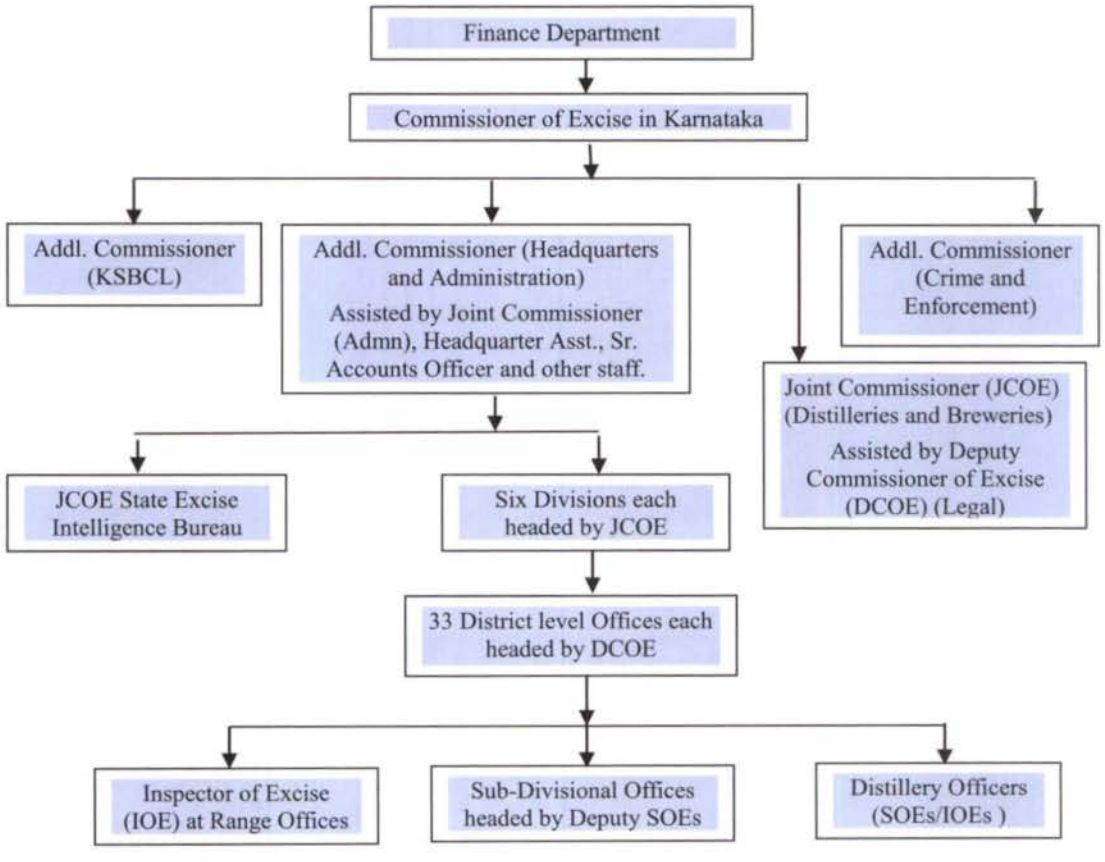
Further, the Government of Karnataka established M/s. Karnataka State Beverages Corporation Limited (KSBCL), in the year 2003, for the purpose of channelising sale of liquor in the State. Distilleries, Breweries and Wineries are required to sell their product through KSBCL to the retailers in the State. For monitoring the supply of quality liquor to the citizens, the Government prescribed affixing of Excise Adhesive Label (EAL) on the bottles and M/s. Marketing Communication and Advertising Limited (MCAL) was entrusted with the work of printing EALs.

The Excise Duty (ED) and Additional Excise Duty (AED) due on all kinds of potable liquors are paid by the manufacturer before transporting the liquor to KSBCL Depots.

Besides, stringent penal provisions are prescribed for violation of the provisions of the Acts and Rules made thereunder.

3.4.2 Organisational set-up

The State Excise Department (SED) is under the administrative control of the Finance Department. The SED is headed by the Excise Commissioner. The organisation chart of SED is given below:



3.4.3 Audit Objectives

The objectives of the Performance Audit were to ascertain whether:

- Controls over manufacture of potable liquor and collection of Excise Duties and Fees are being exercised optimally?
- Monitoring and control mechanisms for preventing and detecting offense cases under the Karnataka Excise Act, or Rules made thereunder, are effective?

3.4.4 Audit Scope

The Performance Audit covered the period from April 2012 to March 2017. Databases[4] of KSBCL and MCAL were obtained and analysed. The records maintained in the Excise Commissioners Office and one third of the Deputy Commissioners of Excise (DCOE) Offices in nine[5] Districts (11 out of 33 Offices in the State) were test checked. Information pertaining to the same period from all the Primary Distilleries were obtained and analysed. Records maintained in one third of the secondary distilleries (10 out of 31 distilleries in the State) were also test checked. Audit analysis of output was based solely on conversion of molasses to Rectified Spirit as this is the process established by majority of the distilleries in Karnataka. Besides, parameters of conversion of molasses are verifiable whereas the conversion of other raw materials like grains, grape, sweet potato etc. does not have verifiable parameters.

3.4.5 Audit Methodology

The information on supply of molasses from 30 out of 60 sugar factories in the State were obtained and cross-checked with the corresponding molasses receipt accounts of the Primary Distilleries. Also, information on issue of raw material for production of spirits, actual production of spirits of different kinds and strengths, adherence to the norms prescribed under the Act, etc. were examined. Supply of spirit from Primary Distilleries to the Secondary Distilleries manufacturing potable liquor was cross-checked in the selected Districts.

Cross-verification of records maintained in distilleries with those of KSBCL and cross-verification of records between MCAL and the distilleries with regard to Excise Adhesive Labels (EALs) were carried out to ensure that only liquor bottles/packs with valid EALs were channelised to the market. Important control deficiencies and other observations made during the course of Audit are brought out in the Report.

3.4.6 Acknowledgements

An Entry Conference was held (April 2017) with the Additional Chief Secretary (ACS) to Government of Karnataka, Finance Department and the Excise Commissioner in which the Audit Objectives, Scope and Methodology were

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[4] Databases of KSBCL relating to receipt of liquor consignments from distilleries and their distribution to retail licensees and MCAL who are authorised to issue Excise Adhesive Labels during the same period were analysed to ensure only authorised and duty paid liquor are released to market.

[5] Bengaluru, Dakshina Kannada, Dharwad, Gadag, Kalaburgi, Kolar, Mandya, Mysuru and Yadagir.

explained to the Department. In the Entry Conference, the ACS explained the major initiatives of the Government such as establishment of KSBCL and introduction of EALs and Technical Committee comprising of experts from the Central Food Technological Research Institute, Indian Institute of Science (IISc), etc. formed to look into production norms, to curb sale of illicit liquor and ensuring sale of safe potable liquor in the State. The Audit findings and recommendations were discussed with ACS and the Excise Commissioner in the Exit Conference held in October 2017.

Audit acknowledges the co-operation extended by the State Excise Department in providing the necessary records and information for the conduct of this Performance Audit.

Audit also acknowledges the co-operation extended by Center for Scientific and Industrial Consultancy (CSIC) in arranging the consultancy from Chemical Engineering Department, IISc, Bengaluru.

3.4.7 Audit Criteria

The following are the sources of Audit criteria used in this Performance Audit:

1. The Karnataka Excise Act, 1965;
2. The Karnataka Excise (Distillery and Warehouse) Rules, 1967;
3. The Karnataka Excise (Excise Duties and Fees) Rules, 1968;
4. The Karnataka Excise Licences (General Conditions) Rules, 1967;
5. The Karnataka Excise (Regulation of Yield, Production and Wastage of Spirit, Beer, Wine or Liquors) Rules, 1998;
6. The Karnataka Excise (Sale of Indian and Foreign Liquors) Rules, 1968;
7. The Excise (Possession, Transport, Import and Export of Intoxicants) Rules, 1967; and
8. Notifications and circulars issued by the Government and Commissioner of Excise.

Audit Findings

The sugar manufacturing process broadly involves the extraction, clarification and concentration of sugarcane juice (called 'mother syrup'). Sugar is extracted from the mother syrup by crystallisation processes. After extraction of sugar, the residue of the mother syrup is called 'molasses'. Primary Distilleries use these sugarcane molasses as raw material to produce Rectified Spirit (RS). The manufacturing process in the Primary Distillery involves dilution of molasses (the diluted molasses is called 'wash') and its fermentation. Fermentation is the actual process in which the Total Reducible Sugar present in the molasses break into ethyl alcohol and carbon dioxide. After fermentation, alcohol is separated from the rest of the materials in the wash through the process of distillation.

3.4.8 Inconsistent and delayed revision of norms

Norms prescribed for manufacture of any product in proportion to the raw material consumed by the industry is a control measure to safeguard the interests of the State against the possibility of under-disclosure of production by the

manufacturers. For this control to be effective, the norms so prescribed shall be as close as to the production efficiencies designed for the plants in the distilleries per unit of the raw material consumed. Alcohol being a very critical and sensitive product both socially and economically, the controls exercised by the State are expected to be stringent and pragmatic, and are to be revised systematically to keep up with the technological upgradations and consequent changes in the efficiency of the processes involved.

Audit studied the controls exercised by the Department in effectively controlling the yield of RS, and noticed the following.

The Government framed Rules for determining the yield, production and wastages of various liquors vide the Karnataka Excise (Regulation of Yield, Production and Wastage of Spirits, Beer, Wine or Liquors) Rules, 1998, which came into force from 4 August 1998. Under the said Rules, the molasses classification as per ISI specifications (IS-1162) had been adopted. The IS-1162[6] stipulates that molasses having Total Reducible Sugar (TRS) of 50 *per cent* and above are classified as Grade I molasses. When TRS is 44 *per cent* or above but less than 50 *per cent,* the molasses are classified as Grade II and those having TRS from 40 to 43.9 *per cent* are classified as Grade-III molasses.

Audit had pointed out in the Comptroller and Auditor General's Audit Report[7] for the year 2004-2005 the need for revision of norms. A four members Technical Committee had been constituted by the Government on 22 December 2005 for revision of norms. This Committee, in its report dated 5 October 2007, observed that the yield on RS would depend upon the TRS and the type of manufacturing process (batch[8] or continuous[9]) followed by the distilleries. The Committee recommended revised norms for yield of RS as mentioned in the **Table 3.3**.

Table 3.3
Yield of RS per MT of molasses prescribed by the first[10] Technical Committee

TRS (*per cent*)	Modifications proposed in bulk litres (BLs) for Batch Process	Modifications proposed in BLs for Continuous Process
Grade 'I' Molasses (then existing minimum requirement–220 BLs)		
(i) > 52	255	>270
(ii) 51 – 51.9	250	265
(iii) 50 – 50.9	245	260
Grade 'II' Molasses (then existing minimum requirement–200 BLs)		
(i) 49 – 49.9	240	255
(ii) 48 – 48.9	235	250
(iii) 47 – 47.9	230	245
(iv) 46 – 46.9	225	240

6 IS 1162 – Specification for Cane Molasses fixed by Bureau of Indian Standards.

7 Paragraph No.3.2.7 of the Performance Audit on 'Working of Distilleries'.

8 In Batch Processing, fermentation is done in separate batches of molasses. The process is stopped once the product is formed.

9 Unlike, batch processing, in Continuous Processing, the fermentation process never stops in between and continues to run for a longer period of time. The process is not stopped for collection of product but the same is continuously taken out.

10 The Committee constituted by Government on 22 December 2005 would be referred as First Technical Committee for the purpose of this Report. The Government constituted another committee at a later stage.

TRS (*per cent*)	Modifications proposed in bulk litres (BLs) for Batch Process	Modifications proposed in BLs for Continuous Process
Grade 'III' Molasses (then existing minimum requirement – 180 BLs)		
(i) 45 – 45.9	220	235
(ii) 44 – 44.9	215	230
(iii) 43 – 43.9	210	225
(iv) 42 – 42.9	205	220
(v) 41 – 41.9	200	215
(vi) 40 – 40.9	195	210

The Committee stated that the range in each grade was wide and recommended to have an incremental increase under each grade. The Table above depicts yield of RS for all the three grades of molasses which has been incrementally devised (even within the same grade) from 195 to 270 BL, depending on the batch or continuous processes read with TRS content. The better yield for continuous process was attributable to the efficiency of this process over the batch process.

These norms were not implemented by the Government. Instead, another Standing Technical Committee was constituted in April 2011 for revising the norms of yield of production of RS from molasses. The Standing Technical Committee's recommendation to revise the norms of yield was received (November 2014) and implemented with effect from 06 October 2015. The revised norms are as detailed in the **Table 3.4**.

Table 3.4
Yield of RS per MT of Molasses prescribed by the second Technical Committee

Molasses as per ISI specifications IS-1162	TRS (*per cent*)	Norms up to September 2015 (Minimum production of RS in BL)	Revised norms from October 2015 (Minimum production of RS in BL)
Grade I	50 and above	220	240
Grade II	from 44 to 49.9	200	220
Grade III	from 40 to 43.9	180	200

Audit analysis of the revised norms revealed the following:

- Though the distilleries have reported production up to 270 BL even before the first Committee was constituted during 2005, revision of norms was implemented only during October 2015;
- There was a delay of eight years in revision of norms after the recommendations made by the first Technical Committee in October 2007. Also, the revised norms were below the standards proposed by the first Technical Committee. The production data in 12 distilleries during the period from April 2012 and September 2015 revealed short production of RS of 22.42 lakh BLs against the revised minimum yield of 240 BLs per metric ton (MT). Potential revenue loss to the Government due to the delay in decision making worked out to a minimum of ₹ 64.84 crore[11]. The details are given in ***Annexure I***;

[11] The revenue impact worked out for the 12 distilleries is only indicative as the data for only three and half years was analysed as against delay of eight years in revising the norms after the first Committee's recommendation.

- Incremental norms of yield on the basis TRS content within the same Grade of molasses was made by the first Technical Committee. This aspect was not even discussed in the second Committee's Report; and
- The first Technical Committee recommended higher norms for continuous process of RS production over the batch process. The second Technical Committee did not consider this factor as a basis for fixation of yield. Nine[12] out of 18 distilleries who furnished technical information on their plants claimed to have adopted continuous processing technologies, therefore the same was also an important factor in the yield estimations.

The reasons for repudiating the earlier Committee's recommendations were not found on record. Audit points out that parameters like nature of processing (batch or continuous), incremental production within the grade, etc. should have been factored within the norms since these significantly influence the output of RS.

3.4.9 Norms fixed for production of Rectified Spirit: An Analysis

With a view to ensuring the adequacy of the controls exercised by the Department through the norms prescribed under the KE Act and Rules made thereunder, the norms were analysed against the actual performances by the distilleries in the State during the five-year period from April 2012 to March 2017. The observations noticed in this regard are discussed in the following sub-paragraphs.

3.4.9.1 Discrepancies noticed in the norms fixed for production

Audit tabulated the yield of RS against the quantity of TRS in the molasses and worked out the mandated output of RS per Kg of TRS. Details are shown in the **Table 3.5**.

Table 3.5

RS output per Kg of Total Reducible Sugar as per adopted norms

TRS Percentage in Molasses	Grade of Molasses	Quantity of TRS applied in the process (in kg per MT of molasses)	RS expected in BL as per the prescribed norms	RS output in ml per Kg of TRS
40	Grade III	400[13]	200	500
41		410	200	488
42		420	200	476
43		430	200	465
44	Grade II	440	220	500
45		450	220	489
46		460	220	478

[12] M/s. Godhavari Biorefineries Limited, Bagalkot, M/s. Shri Doodganga Krishna, Belagavi, M/s. Shree Renuka Sugars Limited, Belagavi, M/s. Sathish Sugars Limited, Belagavi, M/s. Shree Renuka Sugars Limited, Kalaburgi, M/s. NSL Sugars Limited (Distillery Division), Mandya, M/s. Chamundi Distilleries Private Limited, Mysuru, M/s. Nandi Sahakara Sakkare Karkhane Niyamitha, Vijayapura and M/s. Core Green Sugars and Fuels Private Limited, Yadgir.

[13] Molasses of 40 *per cent* TRS (by weight) means 1 MT of molasses contain 400 kg of TRS and so on for the range given in the table.

TRS Percentage in Molasses	Grade of Molasses	Quantity of TRS applied in the process (in kg per MT of molasses)	RS expected in BL as per the prescribed norms	RS output in ml per Kg of TRS
47		470	220	468
48		480	220	458
49		490	220	449
50	Grade I	500	240	480
51		510	240	471
52		520	240	462
53		530	240	453
54		540	240	444
55		550	240	436

From the Table, Audit noticed the following discrepancies in the revised norms of production of RS:

- As per the norms, within a particular grade of molasses, there is a decreasing trend of yield per kg of TRS with an increase of quantity of TRS. This was neither logical nor reasonable;
- Minimum yield fixed for the Grade I molasses, which is considered the most potent, was the lowest in terms of yield per kg of TRS; and
- While the users of the Grade-I molasses with 55 *per cent* TRS content could achieve the stipulated norm with only 436 ml of RS per kg of TRS, users of Grade-III molasses with 40 *per cent* TRS content were required to produce 500 ml of RS per kg of TRS. Thus, as per the norms, the inferior Grade of molasses was expected to give an additional output of 14.68 *per cent* compared to that from a superior Grade of molasses.

This Table depicts the need for incremental increase based on TRS in the molasses. As the TRS increases, yield of RS should also proportionately increase, instead of decreasing as per the norms as shown above. Hence, the norms prescribed provide enough margin to the distillers to work to their advantage to make additional yield. The fact that superior molasses is required to produce less RS in comparison to quantity of TRS present in molasses reveals the flaws of the Department in regulating the manufacture of alcohol and its products at the initial stage itself. Thus, the basis for fixation of norms compromised the administrative control exercised by the Department.

After this was pointed out in July 2017, the Government and the Department stated, in October 2017, that the yield rate of alcohol not only depends on TRS but also on other parameters like volatile acidity, ash content, long storage, caramel content, lactic acid, microbial contamination, quantity of un-fermentable sugar, etc.

The reply was not reasonable as the effects of the various contents of the molasses on RS production would apply uniformly to molasses of all grades. In the grade III molasses, the TRS content, which produce RS, will only be 40 to 44 *per cent* and the other ingredients listed out by the Department would be 56 to 60 *per cent*. While, in the Grade I molasses TRS content will be 50 *per cent* or more and the other ingredients would be 50 *per cent* or less. Hence, as the TRS content increases, the volume of other ingredients decreases and consequently the impact of other ingredients on the output decreases. Hence the

contention of the Department that the presence of other ingredients would affect the yield of RS was not logical.

3.4.9.2 Comparison of production as per norms, good yields and productions reported by distilleries

a. Issues related to production within the distilleries

As described in paragraph No.3.4.9.1, the norms prescribed under the Act itself varied between 436 ml to 500 ml of RS yield per Kg of TRS and the possibilities of the distilleries making additional yield out of such margins provided in the norms cannot be ruled out. Audit compared the production levels of RS achieved by the distilleries to that of the production levels as per the norms prescribed to check whether the norms fixed were realistic. Audit also compared highest yield rates of RS achieved by a distillery with the often lower production levels reported in the same distillery to assess the possibility of reporting short production of RS in different distilleries.

For this purpose, the Chemical Analysis Reports of molasses (to determine TRS *per cent*) given by the Government Chemists authorised by the Department in this behalf were collected from eight[14] Primary Distilleries. Actual output of RS per MT of such chemically analysed molasses[15] by the Distilleries were obtained and tabulated against the TRS factors and then RS output per kg of TRS was worked out. The data used in this analysis constituted 15.25 *per cent* of the 79.65 lakh MT of molasses used by all the Primary Distilleries in the State during the period from April 2012 to March 2017. The analysis showed the following trends:

- Distilleries were generally achieving the norms prescribed under the Rules;
- There was considerable variation in yield per kg of TRS in the molasses to RS over the period which ranged between 434 ml to 599 ml of RS per Kg of TRS; and
- Distilleries which have achieved highest output of RS per Kg of TRS in certain months had failed to meet the same level subsequently.

Audit worked out the short production of RS in these eight test-checked distilleries during the period from April 2012 to March 2017, with reference to their own previous highest yield rates[16], in subsequent months, the details are given in **Table 3.6**.

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[14] M/s. Bannari Amman Sugars Limited (Distillery Division), M/s. Sri Chamundeshwari Sugars Limited Distillery, M/s. Core Green Sugar and Fuels Private Limited, M/s. J.P. Distilleries, M/s. NSL Sugars Limited (Distillery Division), M/s. Renuka Sugars, M/s. Sri Lakshmi Narasimha Distilleries Private Limited and M/s. Vijayanagar Sugars Limited (Distillery Division).

[15] Only in cases where Chemical Analysis Report was available and percentage of TRS was known; the corresponding output of RS was collected from the distilleries to analyse the trend.

[16] Highest production of RS per Kg in any month achieved by a distillery is used as norm for subsequent months till increase in yield rate is noticed by that distillery. For example, Sl.No.4 of table 3.6, 495 ml per Kg of TRS was the initial standard yield rate, later it became 517 ml per Kg of TRS. All other lower levels of production against the previous good yield rates were worked out as short productions.

Table 3.6

Short production of RS with respect to previous good yield rates achieved

Sl. No.	Name of the distillery	(i) Highest yield rate(s) - in terms of RS in ml per Kg of TRS in molasses (in the particular month(s) of production) (ii) Quantity of molasses Distilled	(i) Performance below highest yield rate (RS in ml per Kg of TRS in molasses) (ii) Quantity of molasses Distilled	Quantity of RS produced short when compared with highest yield (in BL)
1.	M/s. Sri Chamundeshwari Sugars Limited, Distillery, Bharathinagar, Maddur, Mandya District	(i) 569 ml of RS per Kg of TRS (July 2012) (ii) 5,171 MT of molasses distilled	(i) 469 ml to 538 ml of RS per Kg of TRS (ii) 1,73,274 MT in 33 subsequent months between August 2012 and December 2016	62,14,403
2.	M/s. Renuka Sugars Havalga Kalaburgi District	(i) 567 ml of RS per Kg of TRS (May 2012) (ii) 12,957 MT of molasses distilled	(i) 495 ml to 554 ml of RS per Kg of TRS (ii) 1,30,339 MT in 11 subsequent months from Nov 2012 to June 2014. Information for the subsequent months not available.	25,00,877
3.	M/s. Core Green Sugar and Fuels Private Limited, Shahapura, Yadgir, District	(i) 599 ml of RS per Kg of TRS (December 2012) (ii) 4,220 MT of molasses.	(i) 447 ml to 555 ml of RS per Kg of TRS (ii) 48,674 MT in 13 months between February 2013 and October 2015. Information for the rest of the months not available.	25,92,537
4.	M/s. NSL Sugars Limited (Distillery Division) Koppa, Mandya District	(i) 495 ml to 517 ml of RS per Kg of TRS (August 2012 and October 2013) (ii) 3,728 MT and 2,649 MT of molasses respectively.	(i) 458 ml to 516 ml of RS per Kg of TRS (ii) 67,597 MT of molasses. (Data available only for 26 months between April 2012 and January 2017).	7,86,400
5.	M/s. Sri Lakshmi Narasimha Private Limited, Distilleries, Maddur, Mandya District	(i) 474 ml and 500 ml of RS per Kg of TRS (April 2012, January 2013 and January 2016) (ii) 1,774 MT, 2,515 MT and 2,511 MT of molasses respectively.	(i) 458 ml to 516 ml of RS per Kg of TRS (ii) 27,011 MT of molasses. (Data available only for 11 months between April 2012 and July 2016)	2,48,438

Sl. No.	Name of the distillery	(i) Highest yield rate(s) - in terms of RS in ml per Kg of TRS in molasses (in the particular month(s) of production) (ii) Quantity of molasses Distilled	(i) Performance below highest yield rate (RS in ml per Kg of TRS in molasses) (ii) Quantity of molasses Distilled	Quantity of RS produced short when compared with highest yield (in BL)
6	M/s. Bannari Amman Sugars Limited (Distillery), Nanjangud, Mysuru District	(i) 502 ml to 523 ml of RS per Kg of TRS (April (5,292 MT), August (6,816 MT) and November (6,533 MT) 2012, March (6,828 MT), July (5,349 MT), August (4,783 MT) and November (6,305 MT) 2015 and June (4,199 MT) and December (5,188 MT) 2016) (ii) 51293 MT of molasses	(i) 485 ml to 500 ml of RS per Kg of TRS (ii) 2,18,774 MT of molasses (Data available for 54 out of 60 months between April 2012 and March 2016)	6,62,133
7.	M/s. Vijayanagar Sugars Private Limited, (Distillery), Yadgir District	(i) 536 ml to 549 ml of RS per Kg of TRS (March 2014 (10,615 MT) and November (10,556 MT) 2015) (ii) 21,171 MT of molasses	(i) 441 ml to 530 ml of RS per Kg of TRS (ii) 2,17,888 MT of molasses (Data available only for 23 months between March 2014 and April 2016)	55,85,251
8.	M/s. J.P. Distilleries, Private Limited, Kunigal, Tumakuru District.	(i) 555 ml of RS per Kg of TRS (June and August 2012) (ii) 695 MT of molasses.	(i) 434 ml to 540 ml of RS per Kg of TRS (ii) 1,17,221 MT of molasses (Data available for 43 months between April 2012 and December 2016)	32,61,871
	Total	**(i) 474 ml to 599 ml of RS per Kg of TRS (ii) 1,08,684 MTs of molasses**	**(i) 434 ml to 554 ml of RS per Kg of TRS (ii) 10,00,778 MTs of molasses**	**2,18,51,910**

As shown in the Table above, the short production in comparison to the highest production levels of the distilleries worked out to 2.19 crore BLs. The details are given in ***Annexure II-(a) to II-(h)***. As mentioned earlier, this shows that the yield per kg of TRS varied significantly to the extent of 2.19 crore BLs within the sample of 15.25 *per cent* of molasses distilled in the State during period from April 2012 to March 2017. This is the margin over which the Excise Department does not have any control because such productions, though short of the highest yield rates, were within the norms prescribed in the Rules.

After this was pointed out, the Government/Department stated that TRS contains both Fermentable Sugars (FS) and Un-Fermentable Sugars (UFS). With the improvements in technology and better processing at sugar factories, the FS content has come down in molasses with more or less the same TRS value and UFS level has increased.

The reply was not justifiable due to the following reasons:

- Department's claim is general in nature and was not supported by the chemical analysis data of the molasses showing the quantities of FS and UFS content in it. As verified by Audit, in none of the cases, levels of FS and UFS were measured by the Department.
- UFS level in TRS is generally expected in the range of four to six *per cent* or on an average five *per cent*[17] and the same had already been factored in arriving at the expected yield of RS; and
- There are technological improvements in the fermentation industries to enhance ethanol yield from molasses by enzymatic reaction which converts UFS into FS.

b. Issues related to production across distilleries in the State

Fermentation being a process carried out in completely enclosed vessels, it is reasonably expected that the production levels should be uniform across the distilleries. Five best performances from the eight distilleries mentioned in **Table 3.6** are tabulated in the **Table 3.7**.

Table 3.7
Best performances[18] achieved by distilleries in production of RS

Sl. No.	Name of the distillery	RS output in BL per Kg of TRS	Month and year in which best performance achieved
1.	M/s. Core Green Sugar and Fuels Private Limited	0.599162	January 2013
2.	M/s. Chamundeshwari Sugars Limited Distillery	0.568507	July 2012
3.	M/s. Renuka Sugars, Havalga	0.566583	May 2012
4.	M/s. Renuka Sugars, Havalga	0.556570	December 2012
5.	M/s. Core Green Sugar and Fuels Private Limited	0.555884	February 2013
Average RS output		**0.569341**	

It may be seen from above that the highest output was achieved in January 2013. Being on the conservative side, average of the above mentioned five highest levels, which were achieved between May 2012 and February 2013, was considered as benchmark for analysis which worked out to 569 ml per Kg of TRS. This means that the optimum level achieved by these distilleries was 13.80 *per cent* more than the maximum output norm of 500 ml prescribed under the Act (i.e. the first row in **Table 3.5**).

[17] Source: National Sugar Institute, Kanpur.

[18] The top five good yields of RS per Kg of TRS was reported by three out of eight distilleries analysed.

Adopting 569 ml per Kg of TRS as the norm, production of RS expected vis-à-vis achieved was tabulated only for the months for which Chemical Analysis Reports (determining TRS) were available. Such an analysis revealed that the distilleries had made a short production of spirit of 4.23 crore BLs (as against the actual production of 31.48 crore BLs produced by these distilleries) in comparison with the adopted norm of 569 ml per kg of TRS, the details of which are given in ***Annexure III-(a) to III-(h)***.

The actual process of production of alcohol is fermentation. Substantial variation in obtaining alcohol present in the fermented sugar through fermentation should be of great concern in regulation of the production and overall monitoring of distilleries. A sample of 15.25 *per cent* data revealed margin of about 2.19 crore (6.96 *per cent* – Para 3.4.9.2 (a)) to 4.23 crore BLs (13.44 *per cent*– Para 3.4.9.2 (b)) of RS over and above the actual production of 31.48 crore BLs of RS declared by the distilleries. The quantity of potable liquor that could have been expected out of short produced RS ranged between 4.46 crore[19] and 8.61 crore[20] BLs. The minimum revenue expected out of the same, ranged between ₹ 633.32 crore[21] and ₹ 1,222.62 crore[22].

Besides, the technological improvements in the fermentation and distillation processes particularly with regard to conversion of UFS in the molasses to FS using enzymes to have extra yield of alcohol have not been taken into consideration by the Department.

Therefore, Audit concludes that the controls exercised by way of norms prescribed and monitoring over production in distilleries need to be re-looked for more effectiveness.

After this was pointed out in July 2017, the Government and the Department stated in October 2017 that the yield rate of RS depends not only on FS and TRS but also on other contents of molasses.

As all the factors stated to influence the production of RS have been taken into consideration in the design of the fermentation and distillation plants, the reply was not found reasonable. Further, technological advancement in the distilleries in terms of converting UFS into FS to improve the yield of RS was also not taken into account for yield computation.

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[19] 2.19 crore BL of RS X 166 (Proof strength of RS) ÷ 75 (Proof strength stipulated for potable liquor) gives expected yield of potable liquor of 4.85 crore BL. After allowing 8 *per cent* wastage under the Excise Act/Rules for wastage during the process of blending and bottling, the net quantity of potable liquor worked out at 4.46 crore BL.

[20] 4.23 crore BL of RS X 166 (Proof strength of RS) ÷ 75 (Proof strength stipulated for potable liquor) gives expected yield of potable liquor of 9.36 crore BL. After allowing 8 *per cent* wastage under the Excise Act/Rules for wastage during the process of blending and bottling, the net quantity of potable liquor worked out at 8.61 crore BL.

[21] ED and AED at the lowest slab rate of ₹ 142 per BL for 4.46 crore BL of potable liquor.

[22] ED and AED at the lowest slab rate of ₹ 142 per BL for 8.61 crore BL of potable liquor.

c. Analysis of production of Rectified Spirit with respect to the designed efficiencies of the plants

The fermentation and distillation plants installed in the distilleries are designed to have a specified efficiency[23] for yield of RS. In this regard, Audit was able to collect information on design and operation efficiencies from eight distilleries and analysed deviations in the operational efficiency from the designed efficiency of the individual plants. The details are given in the **Table 3.8**.

Table 3.8
Efficiencies of fermentation and distillation plants in distilleries

(Efficiency figures in percentages)

Sl. No.	Name of the Distillery	Period of installation	Fermentation efficiency as per plant specification	Distillation efficiency as per plant specification	Overall efficiency of the plant (Column 4 ÷ 100) X Column 5	Corresponding efficiency as computed on the basis of reported production (Lowest to Highest/Average)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	M/s. Sri Chamundeshwari Sugars Limited Distillery, Bharathinagar, Maddur, Mandya	March 2003	88	98.5	86.68	72.13 to 87.29 76.88
2.	M/s. Renuka Sugars Limited, Havalga, Kalaburgi	2009	90	98.0	88.20	76.02 to 86.99 81.68
3.	M/s. Core Green Sugar and Fuels Private Limited, Yadgir	2009	90	98.5	88.65	68.64 to 91.99 76.29
4.	M/s. NSL Sugars Limited, Koppa Maddur, Mandya	November 2007	90	98.5	88.65	70.43 to 79.40 76.58
5.	M/s. Sri Lakshmi Narasimha Distilleries Private Limited, Dharwad	November 1996	87	98.0	85.26	69.18 to 76.87 73.19
6.	M/s. J.P. Distilleries Limited, Kunigal, Tumkuru	2000-01	89	98.0	87.22	66.73 to 85.24 76.31
7.	M/s. Bannari Amman Sugars Limited, Mysuru	March 2005	91	99.0	90.09	74.54 to 80.34 78.44
8.	M/s. Vijayanagar Sugar Private Limited, Yadgir	July 2011	90	99.0	89.10	65.12 to 84.36 75.81

As can be seen, the resultant corresponding efficiencies of plants based on reported productions fall in the range between 65.12 and 91.99 *per cent*. This was far below than the efficiencies of different plants as per specifications during most of the months. This was unusual since the fermentation and distillation are the processes carried out in completely enclosed vessels.

[23] Efficiency of distillery refers to the percentage RS output achievable when a given quantity of TRS is fermented.

Recommendation 1: The Government may consider revising the norms after taking into consideration:

(i) **RS output per kilogram of Total Reducible Sugar; and**
(ii) **The designed efficiencies of the fermentation and distillation plants in the distilleries.**

In the Exit Conference (October 2017), the ACS agreed that technological improvements need to be watched by the Department and norms are to be revised once every two years.

3.4.9.3 Absence of regulation and control over heavy[24] TRS content in molasses supplied by Sugar Factories

The TRS content in the molasses distilled is important as only the TRS content in the molasses is fermented as ethyl alcohol by the yeast added during fermentation process. Hence, as already discussed in the earlier paragraphs, higher content of TRS should normally be converted to a higher output of alcohol. In cases where the sugar factories do not extract the sugar out of the mother syrup to its optimum level, it would yield higher quantity of molasses per MT of sugarcane crushed and it is also expected to contain higher percentage of TRS than in the normal molasses. In general, the molasses is expected to be between 3.5 and 4.5 *per cent* of the sugarcane crushed i.e. 35 to 45 Kgs of molasses per MT of sugarcane crushed. These kinds of molasses are expected to contain TRS between 40 and 55 *per cent*.

In order to examine the possibility of heavy TRS content in the molasses supplied to the distilleries, Audit collected various month-wise details, such as quantity of sugarcane crushed, and quantity of molasses produced and issued in respect of 16 out of 60 sugar factories (25 *per cent*) in the State during five-year period from April 2012 to March 2017. Analysis of this data revealed the following:

- Total quantity of molasses produced by these 16 sugar factories during last five years was 15.31 lakh MT of molasses from 3.28 crore MT of sugarcane crushed;
- Of these, 13 lakh MT (84.91 *per cent*) of molasses obtained was within the expected range of 3.5 to 4.5 *per cent* of the total sugarcane crushed;
- Remaining 2.31 lakh MT (15.09 *per cent*) of molasses by 13 sugar factories were found to be heavy TRS molasses as the molasses obtained per MT of sugarcane ranged between 5.5 and 13.47 *per* cent. This indicated the existence of molasses with heavy TRS content in the industry which obviously would bring in higher yield of RS; and
- Statements relating to supply of such heavy TRS molasses furnished by these sugar factories showed that out of these 2.31 lakh MT of molasses, 15.293 MT were either exported or supplied to animal feed manufacturers in the State, and out of the remaining 2.16 lakh MT (93.50 *per cent*), 1.26 lakh MT (58.53 *per cent*) were used by the five[25]

[24] Molasses with TRS more than 55 *per cent*.

[25] M/s. Core Green Sugars and Fuels (P) Limited, M/s. Renuka Sugars Limited, Athani, M/s. Renuka Sugars Limited, Manoli, M/s. Renuka Sugars Limited, Nippani and M/s. Ugar Sugar Limited, Nippani.

distilleries owned by the respective sugar factories. The remaining 0.90 lakh MT were supplied to Primary Distilleries in the State.

In view of these, the compliance with the mandatory requirement of conducting chemical analysis of molasses each time it is drawn for processing assumes greater importance. Due to absence of regular conduct of chemical tests, higher percentage of TRS in molasses go unnoticed which leads to concealment of higher yield of RS. This shows absence of regulation by the Government/Department in exercising control over production of spirits and its products in the State.

After this was pointed out, the Government and the Department stated that data relating to cane crushed, sugar produced and the percentage of recovery of sugar for the three years from 2011-12 to 2013-14 were obtained from the Authority concerned. Further, information regarding Chemical Analysis Reports pertaining to distilleries were obtained from Central Chemical Laboratory, Department of Excise. These reports clearly indicated that TRS of molasses samples in all the cases were above 50 *per cent* by mass and classified as Grade I Molasses.

It is evident from the reply that the molasses produced by the sugar factories in the State were of Grade I i.e. with TRS content 50 *per cent* or above. In this scenario, possibility of distilleries receiving molasses with heavy TRS content cannot be ruled out. As per the National Sugar Institute, Kanpur the TRS content in heavy molasses range from 50 to 89 *per cent* which could yield higher quantity of RS. However, this aspect remains unregulated as all Grade I molasses are given common production norm of only 240 BL of RS per MT. At least a sample chemical analysis of molasses receipts at the distilleries would reveal the inflow of molasses with heavy TRS content to the distilleries.

3.4.10 Control lapses and loss of revenue due to deficient performance of Distillery Officers

As per Rule 20 of the Karnataka Excise (Distillery and Warehouse) (KEDW) Rules, 1967, a distillery shall be under the direct supervision of the Distillery Officer (DO) who shall be subordinate to the Deputy Commissioner of Excise (DCOE). The DO supervises the compliance to all the provisions of the Karnataka Excise Act and Rules either in person or through his subordinates, as the DCOE may from time to time direct. The DOs are responsible for ensuring that molasses or any other raw materials received at distilleries are in accordance with the allotment made by the Excise Commissioner. The DOs also ensure that issue of spirits for manufacture of potable liquor at the same distillery or by others or for non-potable purposes is in accordance with the prior allotment and with necessary permits issued for transportation.

Audit evaluated performances of the DOs in enforcing the prescribed controls and thereby checking the effectiveness of the controls in aiding the Department to achieve its mission. The evaluation revealed several gaps both in controls devised, as well as in ensuring that the controls put in place have been implemented. The specific control-wise observations and the lapses on the part of DOs under each control are given in succeeding paragraphs.

3.4.10.1 Non-accounting of molasses procured by the Primary Distilleries

Rule 24 (1) of the KEDW Rules, 1967, prescribes that the distiller shall maintain regular accounts in the forms required by the Commissioner from time to time and such accounts shall be open for inspection at all times by the DO.

With a view to ensuring that the Primary Distilleries are accounting for all their procurement of raw materials, invoice-wise supply of molasses from 30 out of 60 sugar factories in the State were obtained and cross-verified with the purchase accounts of the Primary Distilleries.

The cross-verification revealed that three[26] distilleries had not accounted for 19,555 MT of molasses purchased from 10 sugar factories in the State between May 2012 and April 2014. The quantity of RS that was expected as per the norms prescribed under the KE Act from the 19,555 MTs of molasses was 43.22 lakh BLs which could have produced a minimum of 88.01 lakh BLs of potable liquor. The minimum revenue impact of the same worked out to ₹ 124.97 crore[27].

Though the DOs were empowered to inspect the accounts at all times, such short accounting was not detected. Audit points out that lack of a system in the Department to cross-verify the despatch of molasses from the sugar factories to its receipt at the distilleries, results in short accounting of molasses by distillers going unnoticed as well as the possible availability of non-duty paid liquor in the market.

This was brought to the notice of the Department in June 2017 and reported to the Government in September 2017; their reply has not been received (November 2017).

3.4.10.2 Omission to draw samples for Chemical Analysis

Rule 5 of the Karnataka Excise (Regulation of Yield, Production and Wastage of Spirit, Beer, Wine or Liquors) Rules, 1998, stipulates that the DO shall draw three samples of molasses at the time of preparation of wash from molasses and all such samples shall be sealed by him. One sample shall be sent to the Government Chemical Laboratory, the second one shall be handed over to the distillery for analysis in the Laboratory of the distillery and the third one shall be kept with the DO himself. On receipt of the report from the Government Chemical Laboratory, the DO shall calculate the minimum quantity of RS which could have been produced from the molasses processed by the distillery.

The Chemical Analysis Report is important not only for classification of raw material and to keep a watch over the expected yield of RS as per the norms prescribed under the said Rules, but also to provide a database for any technical and administrative analysis, including revising the production norms previously set by the KE Act and Rules.

Information regarding the number of batches processed and number of samples of molasses drawn by the DOs of all the 33 Primary Distilleries in the State

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[26] M/s. Chamundi Distilleries Limited, M/s. J.P. Distilleries Limited and M/s. Vijayanagar Sugars Limited (Distillery Division).

[27] 88.01 lakh BLs of potable liquor X ₹ 142/- per BL (which comprises Excise Duty of ₹ 45/- per BL and Additional Excise Duty at ₹ 97/- per BL applicable for cheapest liquor in the State).

during the period from April 2012 to March 2017 were called for. Information was received only from 24 distilleries[28]. Of the 24 distilleries which furnished the information, only three distilleries furnished the actual number of batches processed and the rest of the DOs did not furnish the actual number of batches drawn[29] but furnished only information on the number of batches where samples were drawn for chemical analysis. The details are given in **Table 3.9**.

Table 3.9
Short fall in chemical analysis of batches of molasses

No. of distilleries	Quantity of molasses processed	Total number of batches drawn for distillation	Number of batches for which chemical analysis was conducted	Short fall in percentage
03 (Distilleries which furnished the total number of batches drawn for distillation)	3.10 lakh MT	4,599	31	99.33
21 (Distilleries which did not furnish total number of batches drawn for distillation)	52.31 lakh MT	80,477[30]	2,640	96.72

Audit observed the following from the analysis of the information collected. The samples drawn for chemical sampling were abysmally low, leave aside conducting their chemical analysis. This deprived the Department of the information regarding chemical composition of the molasses (percentage of TRS). In addition, Chemical Analysis Report was a vital information in identifying heavy grade molasses, considering the possibility of flow of such molasses into the distilleries (as described in paragraph 3.4.9.3). Besides, the jurisdictional DCOEs who had supervisory control over the DOs also failed to take cognisance of omissions to comply with mandatory provisions by the DOs and to take suitable follow-up actions.

Audit points out that the Chemical Analysis of molasses which was a crucial aspect at the start of manufacturing process was not given due importance by the Department. Though the DOs were attached with the responsibility to mandatorily check the potency of molasses, the same was not carried out in adequate measure. The failure to check samples adequately, and as per norms, deters the Department from detecting the actual yield of RS as it is not aware of the potency of the molasses being used. This has wider implications in controlling the possible flow of non-duty paid liquor into the market in the State.

In the Exit Conference, the Department attributed the omissions to the lack of qualified persons and inadequate manpower in the Department.

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[28] Two distilleries did not procure molasses.

[29] Even if these distilleries have established continuous process of fermenting, it is to be noted that continuous process requires more frequent testing to ensure correctness of the parameters concerned.

[30] As the number of batches drawn during the period was not furnished by these distilleries, Audit deduced the batches as 80,477, considering 65 MT (3.10 lakh MT of molasses ÷ 4,599 batches processed by three distilleries) of molasses used per batch, i.e. 52.31 lakh MT of molasses/65 MT per batch= 80,477 batches.

3.4.10.3 Non-reporting of excess storage loss of molasses claimed by distilleries

Rule 8 of Karnataka Excise (Regulation of Yield, Production etc.) Rules, 1998 stipulates maximum limit of one *per cent* for loss of molasses stored in the distilleries. The said Rules also provide that where the Excise Commissioner on examination of the report of the Distillery Officer and after holding such an enquiry as he deems fit is of the opinion that there is no justifiable reason for the licensee to exceed the maximum limit of wastage in the process or production of spirit as specified in Schedule-B, impose the penalty at the rate equivalent to the rate of excise duty leviable on beer, wine or other liquors under the Karnataka Excise (Excise Duties and Fees) Rules, 1968 on such reported excess wastages.

A scrutiny of molasses stock account statements of all the Primary Distilleries in the State for the period from April 2012 to March 2017 revealed that four distilleries had claimed 1380.092 MTs of storage loss of molasses. The permissible loss at one *per cent* in these cases was only 260.851 MTs. Thus the excess storage loss claimed by the distilleries in these cases worked out to 1,119.241 MTs on which penalty of ₹ 7.60 crore was not levied. Also, the DOs did not report these cases to the Commissioner of the Excise to initiate necessary action. Such inaction on the part of the DOs leads to failure of control built into the system to prevent leakage of revenue to the Government.

In the Exit Conference, the Department attributed the omissions to the lack of qualified persons and inadequate manpower in the Department.

3.4.10.4 Other omissions noticed on the part of the Distillery Officers

Apart from the above omissions/lapses noticed on the part of the DOs, several observations were made during the course of local audits on DOs in distilleries and reported to the Excise Commissioner from time to time.

Between April 2012 and March 2017, 35 Distilleries were subjected to the transaction audit, in which 31 observations were raised where DOs failed to take action on issues like under reporting of production, excess claims of loss during manufacture, storage and bottling of spirits, under reporting of liability of Excise Duty and Additional Excise Duty on Indian Made Liquor (IML) and beer, issues relating to grant and renewal of licences of distilleries, etc. The position remains the same despite being pointed out by Audit.

The issues brought out by Audit from the paragraphs 3.4.10.1 to 3.4.10.4 establish laxity on the part of DOs in implementing the controls envisaged in the system to keep the production of alcohol under strict control. Further, the account verification of stock of spirits by the DCOEs as mandated by the Rules also did not throw up any of the issues pointed out in the paragraphs. Hence, Audit points out that the purpose of placing DOs at the distilleries with a view to ensuring hundred *per cent* supervision over them stands compromised and the Department needs to take stringent steps to ensure proper exercise of appropriate controls by the Distillery Officers and supervisory control at the DCOEs.

On these being pointed out, the Government/Department in the Exit Conference accepted that the controls through DOs are not adequate due to shortage of qualified personnel and inadequate manpower in the Department.

3.4.11 Deficiencies in controls devised over potable liquor [31] manufactured and sold

The potable liquor is manufactured at distilleries by reducing the strength of alcohol in RS and Neutral Spirit[32] (NS) to the levels stipulated under the KE Act and Rules made thereunder. The Rules also provide for appropriate loss/wastage during the process of manufacture of potable liquor.

After the manufacturing process, the potable liquor produced are bottled or packed in the permissible containers and supplied to retailers through KSBCL. Channelising the liquor through KSBCL itself acts as a most important control mechanism in prevention of non-duty paid or unauthorised liquor being supplied in the market. Applicable Excise Duty and Additional Excise Duty are paid by the distilleries before dispatch of liquor to KSBCL depots.

Another important control mechanism operated from the stage of bottling/packing of potable liquor to the end point consumer is the Excise Adhesive Labels. Rule 14(4-A) of the Karnataka Excise (Bottling of Liquor) Rules, 1967, stipulates that Excise Adhesive Labels (EAL) shall be affixed on each and every sealed bottle/pack of IML/wine.

EALs are issued through a Government notified agency Marketing Communication and Advertising Limited (MCAL), a Government of Karnataka Undertaking, to the distilleries. The Karnataka Excise Duty Label contains several security features, viz. State Hologram, two dimensional bar code, unique serial number, invisible printing, *guilloche* design[33], *intaglio* printing[34] and signature of the issuing authority on the printed Label, month code, month/year, item code with quantity in millilitre, etc.

Audit test checked the database and other records maintained at selected Excise Divisions and Range Offices, KSBCL and MCAL with a view to ensuring the effectiveness of the aforesaid control mechanism. Audit noticed the following deficiencies:

3.4.11.1 Liquor bottles with invalid Excise Adhesive Labels channelised by the Karnataka State Beverages Corporation Limited

KSBCL is a company formed in June 2003 to substitute all erstwhile whole-sale licensees in the State to channelise liquor and liquor products in the State. However, KSBCL has no power to enforce the Excise Act/Rules or to check any illegal/illicit liquor in the State. It can only receive the spirits and potable liquor of any kind supplied by distilleries and supply the same to the licensed/authorised buyers, whenever indented by them.

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[31] Potable liquor refers to Indian Made Liquor (IML) which contain 42.7 *per cent* alcohol v/v (volume/volume)

[32] RS is 166-degree proof spirit which contain 94.72 *per cent* ethyl alcohol and balance water. Further purified form of this, i.e. increase in quantity of alcohol and reduction in water, is called NS. Usually strength of NS will be 168-degree proof or above. But this term is not defined under the Act.

[33] *Guilloché* is a decorative technique in which a very precise, intricate and repetitive pattern is mechanically engraved into an underlying material.

[34] *Intaglio* is the printing techniques in which the image is incised onto a surface and the incised line or sunken area holds the ink.

The distilleries who supply IML to KSBCL are required to upload online information of each consignment. The consignment details are uploaded in the module "Information of Supplies to KSBCL" provided on KSBCL's website. The information uploaded comprises of various details, such as Order for Supply (OFS) Number, OFS date, Transport Permit Number, Permit Validity Period, Vehicle Number in which delivery given to Depot, the Depot to which Delivery would be given, etc. The most important information uploaded in this screen is the EAL number-wise details of IML bottles/packs of different quantity and of different brands manufactured by that distillery.

Audit verified the database of KSBCL with the database of MCAL to check whether the potable liquor channelised through KSBCL carried EALs issued by MCAL. Audit found instances of potable liquor being channelised through KSBCL with the EALs that were not issued by the MCAL.

A few illustrative cases are given in **Table 3.10**.

Table 3.10
Channelising of liquor through KSBCL without EALs issued by MCAL

Sl. No.	OFS (Order for supply) Number and Date	(i) Item code, (ii) IML brand (iii) Quantity in bottle/pack	(i) Label Prefix (month code in the context of MCAL) (ii) EAL Number 'From' and 'To' (iii) Number of bottles.	Remarks
1.	PUR-141706 3/11/2014	(i) 210100102 (ii) Mysore Lancer Whisky (iii) 375ML	(i) HNK (ii) 2806816849 to 2806838448 **(iii) 21560**	HNK Series EALs not issued by MCAL. Also the serial nos. of EAL running during November 2014 under 375 ml was '190224000' as against '2806816849' to '2806838448'.
2.	YPR-141835 20/11/2014	(i) 206898221 (ii) Black & White Blended Scotch Whisky (iii) 750ML	(i) ANR (ii) 206898221 to 206898940 **(iii) 720**	There was no ANR Series under 750 ml EALs issued by MCAL.
3.	BLG-140883 9/7/2014	(i) 5080100204 (ii) Black Belt Fine Old Whisky (iii) 180ML	(i) EDC (ii) 528483745 to 528488544 **(iii) 4800**	The EDC series was not issued by MCAL. The EAL Nos. falling under the range 524448001 to 530208000 were issued under ANS series to M/s. John Distilleries. Therefore, the series entered under this consignment was incorrect.
4.	KGH-142289 6/1/2015	(i) 90290852 (ii) Amruts Silver Cup Brandy-ASPETIC Pack (iii) 90ML	(i) SGM (ii) 3805430785 to 3805449984 **(iii) 19200**	This series fall under SMG Series, whereas supply details states SGM series.

Hence as mentioned, 46,280 bottles of IML affixed with EALs that were not issued by MCAL were channelised by KSBCL to the retail markets.

Audit points out that this was due to absence of inter-linking of data relating to issue of labels by MCAL with the database of KSBCL. Hence, KSBCL does not validate the EAL information uploaded by the distilleries with reference to labels issued by MCAL to distilleries. Such a validation, and exception reports generated through it, would have prevented such occurrences as pointed out above. Lapses in validation of data by the channelising agency open up opportunities to the traders of illicit liquor and compromise the very objective of establishing the Corporation for prevention of illegal trade of liquor.

In the Exit Conference, the Department stated that the inter-linking of data of MCAL and KSBCL relating to EALs would be done by August 2018.

3.4.11.2 Errors in Excise Adhesive Labels database maintained by Marketing Communication and Advertising Limited

For the controls exercised through EALs to be effective, integrity and accuracy of the database of EALs issued to distilleries in the State shall be maintained by the MCAL.

Audit cross-verified EAL numbers on the liquor bottles/packages confiscated by the Department with the database of MCAL. This revealed three instances where EALs were not issued by MCAL, details of which are given in ***Annexure IV***. On this being pointed as fake EALs by Audit, MCAL stated that those EALs were actually issued to the distilleries concerned but were not recorded in the database. MCAL also admitted that there were errors in their database relating to supply of EALs.

It is evident from the reply furnished by the MCAL that the database which was maintained by them regarding issue of EALs to distilleries was not reliable.

3.4.11.3 Lack of quality assurance on Excise Adhesive Labels produced by Marketing Communication and Advertising Limited

EALs have various security features. It is the responsibility of MCAL to ensure that all the security features are correctly incorporated in the EALs before they are supplied to the distilleries.

Audit noticed that the quality assurance checks exercised by MCAL on EALs were not adequate in view of the omissions and errors in the database as admitted by the company. Audit also noticed issue of defective EALs to the distilleries between June 2011 and August 2015 in two instances mentioned below:

- One of the characteristics of the EAL is its unique serial number along with series. However, six batches involving 2,640 EALs of 180 ml packs of IML, were found to be printed and issued by MCAL to a distillery[35] in August 2015 with only 13 serial numbers instead of 2640 i.e. same serial number were repeated for different EALs; and

[35] M/s. Radico Khaitan Private Limited, Mysuru.

- Five batches involving 1,200 EALs of 90 ml and 180 ml packs of IML were issued by MCAL to another distillery[36] without hologram during June and July 2011.

After this was pointed out, MCAL stated that the above mentioned omissions had occurred due to errors and oversight. Corrective actions have been taken by upgrading the software and the entire process has been automated.

Issue of defective labels from the source indicates lack of quality control checks at the source which provided scope for manipulations. Hence Audit concludes that the erroneous and incomplete database maintained at MCAL had rendered the control mechanism devised to ensure supply of authorised and duty paid liquor to the retail market through EALs ineffective.

3.4.11.4 Lack of information to trace supply of liquor to retailers

The EAL numbers have unique identity for each and every bottle/pack of liquor manufactured in the State. To take advantage of the uniqueness of EAL numbers, KSBCL should maintain details of EAL numbers as affixed on liquor bottles/packages supplied to various retailers which aids in tracking the flow of liquor to the last point of sale and enables detection of cases, if any, of non-duty paid or spurious liquors.

Audit noticed from the database of KSBCL that no such information was getting captured or compiled through their system. This omission rendered the EAL system, less effective, as it was not ascertainable whether any liquor bottle/pack found with a retail licensee was supplied to that particular retailer or not.

Audit points out that maintenance of such database and a mechanism to provide access strengthens the enforcement activities of the State Excise Department. Audit would like to stress the point that though KSBCL, being the sole wholesale distributor of liquor and its products for the entire State, could have played an important, and more active role in assisting the enforcement/intelligence activities of the Department through the more prudent use of information it possessed. Adequate steps were not taken by the KSBCL in this regard.

However, cross-checking of information to the extent available could have been done, i.e. with reference to label series issued by MCAL, extent of information available with the distillery which procured those EAL and the KSBCL Depot to which it was supplied. Audit points out that ensuring accessibility of databases of KSBCL and MCAL would have facilitated the enforcement authorities to perform cross-verification checks.

Recommendation 2: The Government may direct KSBCL and MCAL to:

(a) Interlink KSBCL database with the database of MCAL;

(b) Validate EAL particulars entered online by distilleries in its database on real time basis, so that inconsistencies noticed become inputs for the enforcement authorities of the Excise Department;

(c) Compile EAL-wise information of supply to retailers to track supply of liquor till the last point of sale; and

[36] M/s. United Spirits Limited, Hubbali.

(d) Improve the quality control checks to eliminate issue of defective labels at MCAL.

In the Exit Conference, the Government directed KSBCL to interlink the databases of KSBCL and MCAL. KSBCL agreed to interlink databases of both the companies by August 2018.

3.4.12 Violations of licence conditions by retail licensees and sale of potable liquor by non-licensees

Licences for retail sales of liquors are issued under the Karnataka Excise (Sale of Indian and Foreign Liquors) Rules, 1968. The said Rules stipulate several conditions of licences such as licensees to be bound by the provisions of the Karnataka Excise Act, 1965 and any general or special rules framed thereunder, the kind of liquor that are allowed to be sold, maximum quantity of liquors to be sold to a consumer, Maximum Retail Price (MRP), etc. Further, sale of excisable articles without licence as well as consumption or allowing consumption of liquor in unauthorised public places are prohibited[37].

In case of violation of the licence conditions, the KE Act empowers the Deputy Commissioner of Excise (DCOE) under Section 45(1), to accept from the licensee a sum of money not less than five thousand rupees but which may extend to fifty thousand rupees for compounding the offences which may have been committed. Excise authorities are also empowered[38] to cancel the licence on violation of licence conditions.

Enforcement authorities conduct inspections of licensed premises to ensure compliance with the licence conditions by the licensees. Adequate qualified manpower is essential for the Department to ensure better compliance by the retail licensees. Audit noticed from the statistical information on Human Resource Management and Administration maintained by the Department that during the five years' period from 2012-13 to 2016-17, the Department was operating with only about 57 *per cent* of its sanctioned strength and the remaining 43[39] *per cent* was vacant.

With a view to ensuring the level of compliance with the licence conditions and actions taken by the enforcement authorities to ensure compliance by the licensees, Audit reviewed offence cases booked against the retail licensees of 25 ranges of nine Districts for the period 2012-17. The Audit analysis revealed the following:

- In the test checked Range Offices, 83 to 100 *per cent* of the licensees have violated the licence conditions. Also, more than 80 *per cent* of the licensees had repeated the same offences that were detected and compounded earlier. The licensees had repeated the offences under these Range Offices up to 91 number of times. A list of licensees who repeated the offence for more than 20 times in these Range Offices are given in ***Annexure V***;

[37] Section 15 and 15-A of the KE Act.
[38] Section 29(1) (b) of the KE Act.
[39] As on 31 March 2017 the working strength of the Department was 3,115 against the sanctioned strength of 5,485.

- In seven[40] Districts, cases were booked by the enforcement authorities against 25 shops owned by M/s. Mysore Sales International Limited (MSIL)[41] a Government of Karnataka undertaking for offences such as sale of liquor at prices exceeding the MRP, consumption of liquor in the premises, etc; and
- In the Range Offices under the selected nine DCOEs, 10,784 cases were booked against non-licensees for sale/allowing consumption of liquor during the period from April 2012 to March 2017.

The repeated violation of licence conditions by more than 80 *per cent* of licencees and the Government Company itself shows the lack of seriousness towards adherence to licence conditions. It also indicated that that the penal actions meted out by the Department against the offenders were not deterrent enough to curb the un-lawful activities. In all the cases of violation of licence conditions, the offences were always compounded by levy of penalty between ₹ 5,000 and ₹ 30,000 under Section 45(1) of the KE Act by the jurisdictional DCOEs. In none of the offence cases, maximum penalty of ₹ 50,000 prescribed under the KE Act, was levied by the Department. The Department never took any stringent action like cancellation of licences even in cases of multiple offenders.

3.4.13 Conclusion

Alcohol being a critical and sensitive product both socially and economically, the controls exercised by the State are expected to be stringent but practical. The Government and the Department have built several controls in the chain of events commencing from procurement of raw material at Primary Distilleries to delivery of potable liquor to the consumer. This Performance Audit on "Regulation and Control over Manufacture, Possession, Distribution and Sale of Alcoholic Products in the State of Karnataka" revealed that though the controls built in appeared to be adequate theoretically, the Department can improve the performance in certain areas, especially the design and implementation aspects of the controls. Deficiencies noticed were as below:

- Norms of production of spirit from molasses had been kept considerably below the actual production potential of the distilleries. This, in turn, provided the distilleries considerable margin to play to their advantage which could result in unaccounted/illegal manufacture of spirit;
- Norms based on classification of molasses were not scientific, as the actual raw material in the production of alcohol is the TRS present in it. As per the norms, yield of RS per Kg of TRS for Grade III (lower grade) was higher than yield prescribed for Grade I (higher grade) which leaves considerable scope for distilleries to manipulate the final output of spirit;
- Distillery Officers placed at distilleries failed to draw samples and get the molasses chemically analysed as required under the Act. Non-analysis compromised on the control for detection of molasses with

[40] Dharwad, Gadag, Kalaburgi, Kolar, Mandya, Mysuru and Yadgir.

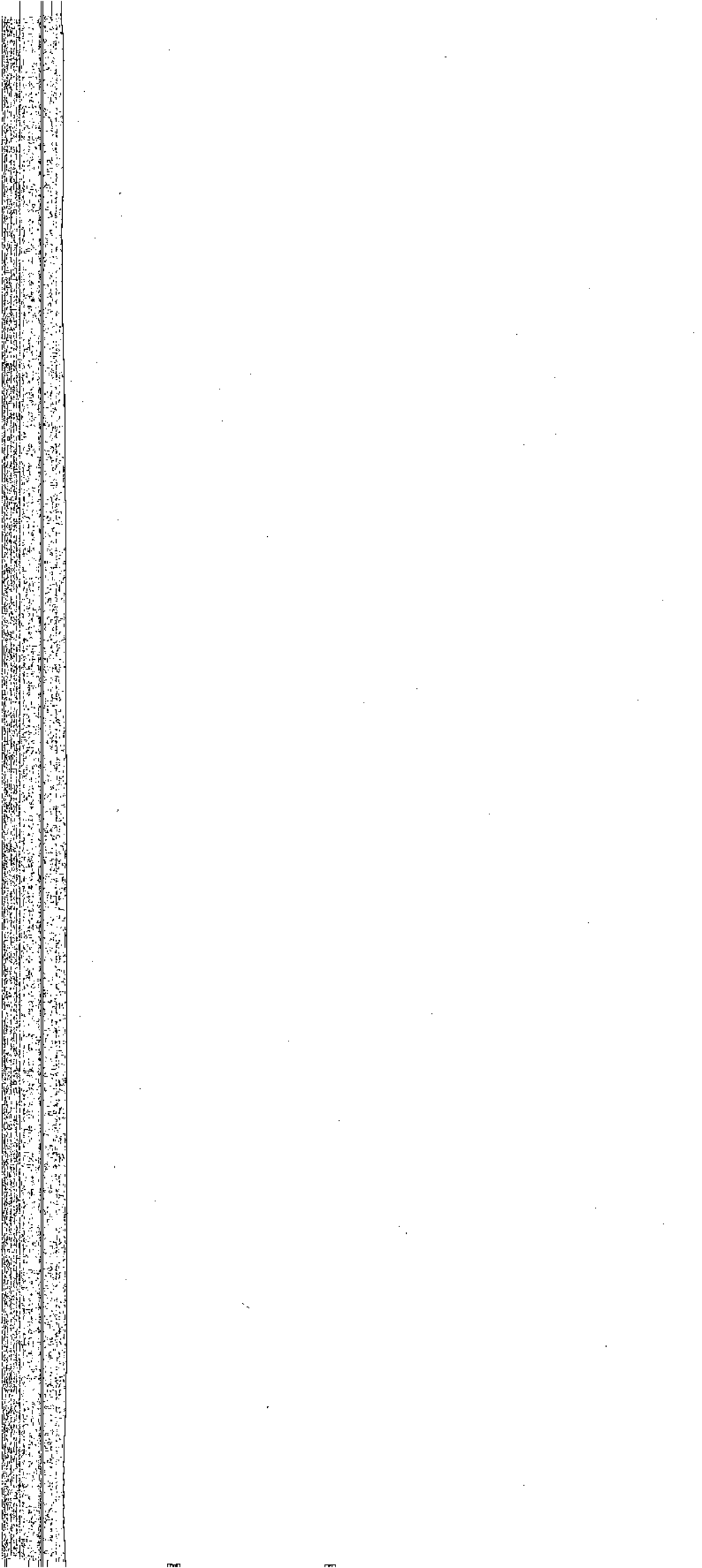
[41] MSIL shops are licenced Government Retail shops who have been sanctioned licences for possession and sale of liquor under Rule 3 (11-C) of the Karnataka Excise (Sale of Indian and Foreign Liquors) Rules, 1968.

sugar content beyond the normal expected level and disabled the Department from determining actual possible yield of spirit;

- No policy was in place to control and regulate the issue of molasses by the sugar factories. Cross-verification of figures between the sugar factories and the distilleries revealed that three distilleries had not accounted for 19,555 MTs of molasses purchased from ten sugar factories in the State;
- Excise Adhesive Labels (EALs), embedded with security features, are affixed on every sealed bottle/pack of IML/wine to uniquely identify each bottle released to the market. However, absence of validation control for the EALs uploaded to its website by distilleries, and absence of a system to keep track of supply of potable liquors till last point of sale, prevented the Department from deriving optimum benefits out of these EALs; and
- In addition, considerable level of non-compliance was noticed with the retail licensees to the conditions attached to their licences. Eighty *per cent* of the retailers were found to be repeated offenders, which indicates the Department's inability to ensure improved compliance.

Also, as discussed in the paragraphs from 3.4.8 to 3.4.10.4, the deficiencies in the controls exercised by the Department were found to have caused loss of revenue to the Government between ₹ 830.73 crore and ₹ 1,420.03 crore during the five-year period from 2012-13 to 2016-17 within the sample (15 *per cent* of the overall transactions in the State) analysed by Audit.

Chapter-IV
Stamp Duty and Registration Fee



Chapter–IV
Stamp Duty and Registration Fee

4.1 Tax Administration

Receipts from Stamp Duty and Registration Fee are regulated by the Indian Stamp Act (IS Act), 1899, the Karnataka Stamp Act (KS Act), 1957, the Registration Act, 1908 and the Rules made thereunder. In Karnataka, the levy and collection of Stamp Duty and Registration Fee is administered at the Government level by the Principal Secretary, Revenue Department. The Department of Stamps and Registration under the administrative control of the Revenue Department regulates the levy and collection of Stamp Duty and Registration Fee.

4.2 Internal Audit

The Department stated that though an Internal Audit Cell was constituted in December 2012, it was still not functional (November 2017). Reasons for non-functioning of Internal Audit cell were not furnished by the Department.

4.3 Results of Audit

In 2016-17, test check of records of 94 units of the Department of Stamps and Registration revealed non/short levy of Stamp Duty, Registration Fee due to under-valuation of properties, suppression of facts and other irregularities amounting to ₹ 34.85 crore raised through 194 paragraphs, which fall under the following categories as given in **Table 4.1**.

Table 4.1
Results of Audit

(₹ in crore)

Sl No.	Category	No. of paragraphs	Amount
1.	Short levy of Stamp Duty and Registration Fee due to under valuation of properties	94	26.01
2.	Short levy of Stamp Duty and Registration Fee due to suppression of facts	46	3.01
3.	Non-levy/collection of interest on belated realisation of Government money	08	0.26
4.	Other irregularities	46	5.57
	Total	**194**	**34.85**

During the course of the year, the Department accepted short/non-levy of ₹ 0.77 crore in 27 paragraphs. In 40 paragraphs, an amount of ₹ 0.69 crore was also recovered as pointed out during earlier years.

A few illustrative cases of non/short realisation of Stamp Duty and Registration Fee involving ₹ 20.36 crore are discussed in the following paragraphs.

4.4 Loss of Stamp Duty and Registration Fee

According to Section 45-B (1) of the KS Act, 1957, the State Government shall, by notification, constitute a Central Valuation Committee (CVC) under the Chairmanship of the Inspector General of Registration and Commissioner for Stamps, for estimation, publication and revision of market value guidelines of

property in any area in the State. Sub-Section (2) of the Section 45-B states that the Central Valuation Committee is the final authority for the formulation of policy, methodology and administration of the market value guidelines in the State.

Rule 8(2)(a) of the Karnataka Stamp (Constitution of Central Valuation Committee for Estimation, Publication and Revision of Market Value Guidelines of Properties) Rules, 2003, states that separate uniform guidelines may be evolved for the calculation of the rates for the buildings of different kinds, lands converted for non-agricultural use or industrial use as applicable to all the sub-districts and appended to the market value guidelines so approved and published. Special Instruction 11 of the CVC Guideline Values stipulates that if no specific rate is prescribed in the guideline for new layout, multi-storied buildings, villas, row houses, etc. then those cases are to be referred to CVC for fixation of market value.

During test check of records in the office of the Sub-Registrar (SR), Shivajinagar in January 2017, Audit noticed that 135 sale deeds were registered in the years 2014-15 and 2015-16 whereby commercial blocks/apartments in the Prestige Tech Park-III were sold by M/s.Valdel Xtent Outsourcing Solutions Private Limited (land owner) and M/s. Prestige Estates Projects Limited (Builder) to various customers. Prestige Tech Park-III is constructed on land measuring 8-07 acres situated in Survey Nos. 110/1, 110/2 and 110/3 of Amane Bellandur Khane Village, Varthur Hobli, Bengaluru East Taluk. On verification of the sale deeds registered, Audit noticed that no specific rates were prescribed in the CVC guidelines for the aforesaid Prestige Tech Park-III and the market value adopted was based on general rate fixed for Amane Bellandur Khane Village which approximately worked out to ₹ 3,000/- per square foot for commercial apartments[1].

Audit found that there were projects named Prestige Tech Park I and Prestige Tech Park II in the same Hobli and the above mentioned Prestige Tech Park-III was adjoining to the Prestige Tech Parks I and II. As per the recitals of the documents registered as Prestige Tech Park III, all the three Tech Parks would be maintained as a single campus with multiple blocks of building commonly connected with internal driveways, entry and exit points, etc. Separate guideline values were fixed for Prestige Tech Parks I and II at ₹ 6,200/- and ₹ 6,000/- per square foot respectively.

Audit noticed that Varthur Hobli had 14 Tech Parks including Prestige Tech Parks I and II with specific market values stipulated against each Tech Park and the lowest rate among the 14 Tech Parks was ₹ 5,900/- per square foot. Absence of separate value for Prestige Tech Park III should have been referred to the CVC as required under Special Instruction 11 of CVC guidelines for drawing up a value comparable to the rates of Tech Parks I and II. However, SR, Shivajinagara failed to refer the matter to CVC leading to non-stipulation of specific rate for Tech Park III. Thus, non-stipulation of specific rate resulted in

[1] As per Special Instruction 7 of the CVC guideline market value, the market value for commercial apartments is to be arrived at by enhancing the rates by 30 *per cent* as fixed for residential apartment.

loss of Stamp Duty and Registration Fee to the Government Exchequer by ₹ 17.25 crore[2].

Audit brought these cases to the notice of the Inspector General of Registration and Commissioner of Stamps and also to the Government during February and May 2017. The Government replied (October 2017) that the District Registrar (Shivajinagar) has taken up these cases under Section 45(A)(3) of KS Act, 1957 and has issued notices.

4.5 Short levy of Stamp Duty and Registration Fee due to suppression of facts

Section 28 (1) of the KS Act, 1957, stipulates that the consideration (if any) and all other facts and circumstances affecting the chargeability of any instrument with duty, or the amount of the duty with which an instrument is chargeable, shall be fully and truly set forth therein. Further, under Section 61(a) of the KS Act, any person, who with the intent to defraud the Government, executes any instrument in which all the facts and circumstances required by Section 28 to be set forth in such instrument are not fully and truly set forth, shall be punishable with fine which may extend up to five times the deficient duty thereof.

During test check of records in fifteen[3] SR Offices between April 2016 and March 2017, Audit noticed that in 24 instruments (21 sale deeds and three sale agreements), facts such as actual consideration received, existence of building, actual usage of property, classification of the property as site and execution of Power of Attorneys were suppressed at the time of registration of these instruments, which resulted in short levy of Stamp Duty and Registration Fee amounting to ₹ 1.60 crore as detailed in the **Table 4.2**.

Table 4.2
Short levy of Stamp Duty and Registration Fee

(₹ in crore)

Nature of instrument and SR Office	Facts suppressed in the instruments	Stamp Duty and Registration Fee leviable	Stamp Duty and Registration Fee levied	Short levy
Sale Deeds (8)/ Attibele, Jigani and Shivajinagar	Existence of building was not disclosed in Sale Deeds	3.89	3.01	0.88
Sale Deeds (9)/ Basavanagudi, Mahadevapura, Bagepalli, Gowribinanur, Mysuru (North), T. Narasipura and Tumakuru	Consideration received in Sale Agreements was not disclosed in Sale Deeds	0.24	0.18	0.06

[2] Loss calculated based on the lowest specified rate (₹ 5,900/- per square feet) among 14 Tech Parks, for an area of 9,63,032 square feet.

[3] Arakalgud, Attibele, Bagepalli, Basavanagudi, Gowribidanur, Jigani, Kengeri, Mahadevapura, Mysuru (North), Periyapatna, Sarjapura, Shanthinagar, Shivajinagar, Tumakuru and T. Narasipura.

(₹ in crore)

Nature of instrument and SR Office	Facts suppressed in the instruments	Stamp Duty and Registration Fee leviable	Stamp Duty and Registration Fee levied	Short levy
Sale Agreements (03)/ Kengeri and Arakalgudu	Execution of General Power of Attorney[4] was not disclosed in Sale Agreements	0.30	0.01	0.29
Sale Deed (04)/ Attibele, Periyapatna, and Shanthinagar	Usage of property for commercial purposes, classification of property as site and location of property were not disclosed in Sale Deeds	1.32	0.95	0.37
Total		**5.75**	**4.15**	**1.60**

There was no mechanism in the Department to ascertain whether the parties were disclosing all the facts pertaining to the property (including consideration) and whether those were correctly set forth in the instruments so as to avoid loss of Stamp Duty and Registration Fee due to suppression of facts.

Fine under Section 61 (a) of KS Act, 1957, up to five times the amount pointed out, was also leviable in all these cases.

Audit brought these cases to the notice of the Inspector General of Registration and Commissioner of Stamps and also to the Government during February and May 2017; the Government replied (August 2017) that ₹ 13.37 lakh was collected in four cases, notices were issued in 12 cases and orders were passed for recovery of deficit Stamp Duty and Registration Fee in six cases by the District Registrars concerned. Reply is awaited in the remaining two cases (November 2017).

4.6 Short levy of Stamp Duty and Registration Fee due to undervaluation

According to Section 3 of the KS Act 1957, Stamp Duty is levied on instruments chargeable with duty as prescribed under various Articles in the schedule of the Act ibid. Under Article 20, for instruments of conveyance, Stamp Duty is charged as a percentage of the consideration or of the market value of the property, whichever is higher. Market value guidelines are prescribed for properties situated in the State by the Central Valuation Committee under Section 45-B of the KS Act. This forms the basis for estimation of market value by the registering officer while registering documents chargeable with Stamp Duty.

[4] According to Article 5(e)(i) and 5(e)(ii) of the Schedule under KS Act, 1957, an agreement for sale is chargeable with Stamp Duty at the rate of 10 paise for every ₹ 100 of the market value of the property if possession of the property is not delivered. On the other hand, if possession of the property is delivered, same duty as conveyance (as per Article 20 (1) – five *per cent* of the market value) is chargeable. Further, even if possession is not delivered, if a reference of a power of attorney granted separately by the seller to the purchaser in respect of the same property is made in the agreement, possession of the property is deemed to have been delivered according to Explanation I under the Article.

Test check of sale deeds registered during 2013-14 to 2015-16 was conducted in eight[5] SR Offices between April 2016 and January 2017, during which, Audit noticed 19 cases of under-valuation of properties due to adoption of incorrect rates of market value guidelines. The resultant short levy of Stamp Duty and Registration Fee amounted to ₹ 1.51 crore as detailed in **Table 4.3**.

Table 4.3
Short levy of Stamp Duty and Registration Fee due to undervaluation
(₹ in crore)

Sl. No.	SR Offices	No. of cases	Stamp Duty and Registration Fee	Leviable	Levied	Short levy
1.	Dharwad Mysore (North)	07	Stamp Duty	1.00	0.56	0.44
			Registration Fee	0.18	0.09	0.09
			Total			0.53
	In six cases, properties conveyed were situated in notified industrial area, hence as per special instructions to the market value guidelines, these properties were to be valued at 90 *per cent* of residential rates, which was not adopted. In one case residential property was valued at agricultural rate (rate/acre) instead of sital rate (rate/square feet).					
2.	Banaswadi, Bommanahalli Mysuru (North)	05	Stamp Duty	1.34	1.03	0.31
			Registration Fee	0.23	0.18	0.05
			Total			0.36
	In four cases, non-residential properties were valued at residential rates instead of enhancing the rates by 40 *per cent*, as applicable to non-residential commercial properties and in one case, land converted for commercial purpose was valued at agricultural rates, instead of enhancing the rates by 75 *per cent*, as per special instructions appended to the market value guidelines.					
3.	Kengeri, J.P.Nagar, Anekal, Bidarahalli	05	Stamp Duty	1.51	1.05	0.46
			Registration Fee	0.27	0.18	0.09
			Total			0.55
	In five cases, there were specific rates/specific instruction prescribed for valuation as per the market value guidelines for the properties conveyed, but the same were not adopted.					
4.	Mysore (North)	02	Stamp Duty	0.49	0.43	0.06
			Registration Fee	0.09	0.08	0.01
			Total			0.07
	In two cases, the properties conveyed were abutting Ring Road, hence the specific rates had to be enhanced by 50 *per cent* as per instructions in the market value guidelines, but the same were not adopted.					
			Stamp Duty	**4.34**	**3.07**	**1.27**
			Registration Fee	**0.77**	**0.53**	**0.24**
	Grand Total	**19**		**5.11**	**3.60**	**1.51**

Audit brought these cases to the notice of the Inspector General of Registration and Commissioner of Stamps and to the Government during March and June 2017. In reply, the Government stated that ₹ 28.99 lakh towards Stamp Duty and

[5] Anekal, Banaswadi, Bommanahalli, Bidarahalli, Dharwad, J.P.Nagar, Kengeri and Mysuru (North).

₹ 5.14 lakh towards Registration Fee have been recovered in six cases. In remaining cases, the District Registrars concerned have issued notices for recovery of deficit Stamp Duty and Registration Fee.

Chapter-V
Mineral Receipts

Chapter–V
Mineral Receipts

5.1 Tax Administration

The responsibility for the management of mineral resources is shared between the Central and State Governments[1]. The Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, enacted by the Central Government, lays down the legal framework for regulation of mines and development of minerals[2]. The Mineral Concession (MC) Rules, 1960, the Mineral Conservation and Development (MCD) Rules, 1988, and the Granite Conservation and Development Rules, 1999, have been framed for conservation and systematic development of minerals and for regulating grant of permits, licences and leases.

Legislations for exploitation of minor minerals have been delegated to the States. Accordingly, Karnataka Minor Mineral Concession (KMMC) Rules, 1994 were framed by the State Government.

5.2 Internal Audit

The Internal Audit Wing (IAW) is functional in the Department of Mines and Geology (DMG) since 1985. It is headed by an Accounts Officer on deputation from the State Accounts Department under the overall control of the Director of Mines and Geology.

As per the information furnished by the Department, out of 33 Offices to be audited during 2016-17, only one Office was audited by IAW. The shortfall in coverage of Offices was attributed to the shortage of staff in the Wing. Year- wise details of the number of objections raised, settled and pending along with tax effect were not furnished by the Department.

5.3 Results of Audit

In 2016-17, test check of the records of 13 Offices of DMG, showed non-levy of penalty for removing minerals without Mineral Despatch Permit, non/short recovery of royalty/dead rent and other irregularities involving ₹ 102.03 crore pointed out through 24 paragraphs, which fall under the following categories as given in **Table 5.1**.

Table 5.1
Results of Audit

(₹ in crore)

Sl. No	Category	Number of paragraphs	Amount
1.	**Thematic Audit on 'Deduction of royalty on minor minerals by works executing departments/agencies'**	1	45.60
2.	Non/short levy of penalty for transportation of minerals without obtaining Mineral Despatch Permits	11	52.17
3.	Non/short levy of royalty and dead rent	5	2.92
4.	Other irregularities	7	1.34
	Total	**24**	**102.03**

[1] Entry 54 of the Union list (list I) and entry 23 and 50 of the State list (list II) of the Seventh Schedule of the Constitution of India.

[2] Other than petroleum and natural gas and atomic minerals.

During the course of the year, the Department accepted under-assessments and other deficiencies of ₹ 18.11 crore in respect of three paragraphs. In nine paragraphs, an amount of ₹ 0.96 crore was also recovered as pointed out during earlier years.

Thematic Audit on 'Deduction of royalty on minor minerals by works executing departments/agencies' involving ₹ 45.60 crore and a few illustrative cases on non-levy of royalty and penalty involving ₹ 54.22 crore are mentioned in the following paragraphs.

5.4 Thematic Audit on Deduction of royalty on minor minerals by works executing departments/agencies

Highlights

Only 21 to 26 *per cent* of the quantity of minor minerals was directly assessed based on pit measurement against which royalty was demanded from the legal quarry lease/licence holders by DMG on minor minerals. Rest of the quantity of minor minerals were transported without Mineral Despatch Permits and royalty in turn was levied by the works executing departments/agencies (WEDAs) without ascertaining the source of quarrying. This indicated high likelihood of illegal quarrying in the State which needs to be investigated by DMG.

(Paragraph 5.4.2)

Out of ten Districts test checked, Nirmithi Kendras of seven Districts and M/s. Karnataka Rural Infrastructure Development Limited (KRIDL) in all the ten Districts were not deducting royalty. Four out of seven Nirmithi Kendras and six out of ten offices of KRIDL were not maintaining any account of minor minerals utilised in the works executed by them. Total non-levy of royalty under Nirmithi Kendras and KRIDL along with seven other defaulting WEDAs worked out to ₹ 3.66 crore.

(Paragraph 5.4.3.1)

Out of 87 WEDAs test checked;

- 19 WEDAs in ten Districts were not deducting royalty on the minor minerals obtained at the work site and utilised in the works (captive consumption) which resulted in non-deduction of royalty amounting to ₹ 39.56 crore;
- Nine WEDAs in seven Districts, had extracted 40.06 lakh cum of murram during the course of execution of works. Usage/removal of the murram extracted attracted a potential royalty of ₹ 12.02 crore, however, usage reports were not available with WEDAs or DMG; and
- 12 WEDAs in seven Districts had collected royalty at pre-revised rates which resulted in short levy of royalty of ₹ 2.38 crore.

(Paragraphs 5.4.3.2 and 5.4.4)

DMG failed to impose the condition of collection of penalty through WEDAs for transportation of minor minerals without the required Mineral Despatch Permits. Sources of minor minerals consumed at WEDAs were also not identified which indicated towards possibilities of illegal quarrying and unrestricted transportation of minor minerals without Mineral Despatch Permits.

(Paragraph 5.4.6)

5.1 Introduction

Government of Karnataka executes various works and projects relating to construction of dams, roads, buildings, etc. through different Departments/ Agencies like Public Works Department, Nirmiti Kendras, Bruhath Bengaluru Mahanagara Palike, Bengaluru Development Authority, Zilla Panchayaths, Bengaluru Metro Rail Corporation Limited, etc. collectively known as Works Executing Departments/Agencies (WEDA). These WEDAs in turn assign the works to various contractors for execution. During the execution, contractors *inter alia* use minor minerals such as sand, size stones[3], jelly[4], murram[5], etc. which are procured from quarry leaseholders or in some cases brought by the contractors from their own quarries.

Minor minerals are classified as specified[6] and non-specified[7]. As per the provisions of Karnataka Minor Mineral Concession (KMMC) Rules, royalty on all minor minerals should be paid in advance at source (quarries) and shall be transported after obtaining Mineral Despatch Permits (MDPs) from the Department of Mines and Geology (DMG). However, the cases of transportation of non-specified minor minerals without MDPs are common in the State. Hence, with a view to collecting royalty on minor minerals utilised in the works executed by various WEDAs, the Commerce and Industries Department issued Circulars (August 2003, May 2004 and December 2007), instructing the WEDAs to deduct royalty from the bills of the contractors executing works on the minor minerals for which no proof of payment of royalty i.e. MDPs was produced by the contractors.

Major part of the income from royalty on minor minerals was coming through WEDAs (deduction at consumption point); hence, any deficiency/lapse in deduction of royalty by the WEDAs would result in major erosion of revenue to the Government. This was the reason for taking up this Audit.

DMG is under the administrative control of the Secretary to the Government of Karnataka, Commerce and Industries Department and is headed by the Director of Mines and Geology. The Director is assisted by two Joint Directors (each in-charge of fields Offices in North and South Zone) and 31 Offices in 30 Districts (one Office in each District except Ballari, in which there are two Offices).

DMG is responsible for levy and collection of royalty on minor minerals from the quarry lease holders on removal of minor minerals from the quarries or through WEDAs who would remit to DMG the royalty deducted by them from the contractors' bills for the minor minerals consumed in the works executed by them.

In this Thematic Audit, the main objective of Audit was to ascertain whether the Department was able to effectively monitor and ensure correctness and timely realisation of royalty on minor minerals by the work executing

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3 Building stone with bigger dimension.

4 Jelly - Crushed Stone.

5 Murram - A form of laterite (clay material) used for road surfaces.

6 Specified minor minerals means minerals specified by the State Government from time to time. Ornamental and Decorative Building stones, such as granite, marble, felsite, quartzite, sandstone and syenites are examples of specified minor minerals.

7 Non-specified minor minerals mean minerals of low value such as building stone, sand, murram, etc.

department/agencies. The Thematic Audit covered a period of five years from 2012-13 to 2016-17.

Out of the 31 Offices of the Deputy Directors/Senior Geologists, 10 District Offices[8] (five District Offices in each Zone) were selected by Random Sampling method. Information regarding payments by WEDAs under the jurisdiction of each selected Office was collected and a sample of such WEDAs were visited to check the correctness of deductions of royalty made by them from the bills of the contractors.

An Entry Meeting was held with Director, Department of Mines and Geology in April 2017 wherein the scope of audit, methodology and audit objectives including sampling were explained to the Department. The draft Audit Report was forwarded to the Government and the Department in August 2017 and was discussed in the Exit Meeting held in August 2017 with the Director, Department of Mines and Geology. Replies of the Department received have been incorporated in the respective paragraphs.

The Indian Audit and Accounts Department acknowledges the co-operation of the Department of Mines and Geology and the WEDAs in providing necessary information and records for Audit.

Audit Findings

5.4.2 Non-deduction of royalty at source is indicative of illegal quarrying in the State

Royalty directly assessed and demanded by DMG on minor minerals from the legal quarry lease/licence holders and the amount of royalty deducted by WEDAs from the bills of the contractors for the years 2012-2013 to 2016-2017 are detailed in **Table 5.2**.

Table 5.2
Percentage of royalty realised on minor minerals from WEDAs vis-à-vis total royalty assessed/demanded by DMG on minor minerals.

(₹ in crore)

Year	Total revenue assessed and demanded by DMG on minor minerals from the quarry lease/licence holders	Royalty through WEDAs	Total of royalty (2 + 3)	Percentage of revenue through WEDA vis-à-vis total royalty assessed on the basis of pit-measurement
1	2	3	4	5
2012-2013	133.66	449.41	583.07	77.08
2013-2014	149.84	433.14	582.98	74.30
2014-2015	204.37	632.32	836.69	75.57
2015-2016	235.01	708.21	943.22	75.08
2016-2017[9]	226.24	843.74	1,069.98	78.86

The above Table depicts that the royalty collected through WEDAs on minor minerals is 74 to 79 *per cent* of the total revenue from royalty.

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[8] North Zone: Bagalkote, Chitradurga, Dharwad, Kalaburgi and Koppal.
South Zone: Madikeri, Mysuru, Shivamogga, Tumakuru and Udupi.

[9] Provisional figure as it was obtained from Management Information System of DMG and Demand, Collection and Balance Statements of all the field Offices are yet to be finalised.

According to Rule 36 read with Rule 42 of the KMMC Rules, royalty on minor minerals should be paid before removal/consumption of the mineral and no person shall transport or cause to be transported any minor mineral except under or in accordance with a Mineral Despatch Permit (MDP). Considering that royalty is levied at source based on the pit measurement and minor minerals transported are issued MDP after payment of royalty, significant proportion of minor minerals getting transported to WEDAs without MDPs is contrary to the system in place. As per the statistics, quantity of minor minerals removed from the legal quarries under DMG was far less than the total consumption of minor minerals in the State. This indicated high likelihood of illegal quarrying in the State which needs to be investigated by DMG. It is to be noted that the consumption at the WEDAs is for works undertaken by the Government Departments/agencies and private consumption is totally unaccounted, which indicates that the extent of illegal quarrying is even more than the statistics indicated in the **Table 5.2**.

Furthermore, though DMG was aware that major portion of royalty was being realised through WEDAs, no action was taken to ascertain the reasons for huge amount of royalty not being deducted at source i.e. from quarry lease/licence holders.

Audit brought this to the notice (November 2017) of the Director, Mines and Geology.

It is recommended that DMG may take action to ascertain the reasons for huge portion of royalty not being deducted at source.

5.4.3.6 Non-deduction of royalty

According to Rule 36 read with Rule 42 of the KMMC Rules, royalty on minor minerals should be paid before removal/consumption of the mineral and no person shall transport or cause to be transported any minor mineral except under or in accordance with a Mineral Despatch Permit (MDP). Further, as per the Circular instructions issued (December 2007) by the Department of Commerce and Industries, "*in case of minor minerals purchased from private sources like quarry lease holders or private quarry owners, if the documents/ Mineral Despatch Permits (MDPs) are produced in this regard, then the contractor is not liable to pay the royalty charges. Therefore, the contractor is required to produce the documents to prove that the minor minerals and construction materials, which were used by him, were purchased either from quarry lease holders or private quarry lease owners*".

Besides, as per the Circular (March 2013), DMG had instructed the WEDAs to include an enabling clause in the contract to deduct penalty at five times of royalty, along with royalty, from the bills of the contractors, if MDPs were not furnished. WEDAs were also instructed to furnish details of the contractors who were entrusted with various works, along with the estimated quantity of materials required for such works.

Hence, as per the existing rules and instructions on the issue, wherever MDPs were not produced, royalty and penalty were to have been recovered by the WEDAs. This was to ensure recovery of royalty from minor minerals, on which MDP was not obtained and royalty was not realised. Further, non-production of

MDPs indicated the chances of existence of illegal quarrying and to curb the same, penalty at the rate of five times was instructed to be levied.

Deficiencies noticed by Audit in realisation of royalty through the WEDAs are as mentioned below:

5.4.3.1 Non-deduction of royalty on minor minerals by WEDAs from the bills of the contractors

- On a test check of records of WEDAs in 10 Districts, Audit found that Nirmithi Kendras of seven Districts [10] were not deducting royalty. Furthermore, it was noticed that four out of seven Nirmithi Kendras were not maintaining any account of minor minerals utilised in the works executed by them;
- Similarly, on a test check of records of M/s. Karnataka Rural Infrastructure Development Limited in 10 Districts, it was noticed that no royalty was being deducted. Furthermore, no accounts of minor minerals utilised were maintained in six[11] out of 10 Districts;
- Besides, Audit noticed non-deduction of royalty in seven [12] other WEDAs in five Districts.

The resultant non-deduction of royalty in the aforesaid cases, wherever details of consumption were available, amounted to ₹ 3.66 crore for the period from 2012-13 to 2016-17. Details are given in the **Table 5.3** below:

Table 5.3
Details of non-levy of royalty

(₹ in lakh)

Name of minor minerals	Quantity utilised in cubic metre	Rate of royalty per cubic metre	Non-levy of royalty
2012-13 to February 2014			
Building Stone (size stone)	6,752.11	79	5.33
Building Stone (jelly, aggregates, metal, etc.)	60,223.67	54	32.52
Ordinary Sand.	33,683.88	52	17.52
Murram	76,679.92	15	11.50
March 2014 to March 2017			
Building Stone (size stone)	23,555.82	158	37.20
Building Stone (jelly, aggregates, metal, etc.)	1,56,649.63	108	169.18
Ordinary Sand.	59,968.05	104	61.77
Murram	1,01,607.68	30	30.48
Total			**365.50**

The money value shown in the Table is indicative as accounts of usage of minor minerals were not available with several WEDAs as mentioned above, and hence, the actual non-levy may work out several folds higher than the figures included in **Table 5.3**.

[10] Bagalkote, Dharwad, Kalaburgi, Koppal, Mysuru, Shivamogga and Tumakuru.
[11] Chitradurga, Dharwad, Koppal, Mysuru, Tumakuru, Udupi.
[12] Central Public Works Department - Bengaluru, Bus Rapid Transit System - Dharwad, Panchayath Raj and Rural Development (Dharwad and Kalaburgi), Public Works Department (Kalaburgi, Koppal and Udupi).

Furthermore, in all these cases, penalty at five times of royalty was leviable since the contractor did not produce MDPs. However, this was not enforced by the WEDAs nor did the DMG follow-up the cases which resulted in illegal transportation of minor minerals.

5.4.3.2 Non-deduction of royalty on captive consumption of murram

As per the Circular[13] instructions issued (February 2015) by DMG, based on the judgement of Hon'ble Supreme Court of India in *State of Orissa vs Union of India* (AIR 2001 SC 410 (2001) 1 SCC 429 dated 24 November 2000), royalty is payable on the minor minerals available on the work site/obtained from the site and captively utilised by the contractors in the works executed.

Audit noticed that these instructions were circulated internally in the Department and not issued to any of the WEDAs and the WEDAs were not deducting royalty on the captive usage of minor minerals by the contractors in the works, especially in the embankment works.

During test check of records of 87 WEDAs, Audit noticed that the contractors executing works related to roads and canals for 19 WEDAs[14] in 10 Districts[15], had utilised the available minor minerals such as soil/murram in the same works executed. However, these WEDAs were not deducting royalty on the minor minerals available at the work site and utilised in the works. This resulted in non-deduction of royalty amounting to ₹ 39.56 crore[16].

Further, Audit noticed that from the running account bills of nine WEDAs[17] (out of 87 WEDAs) in seven Districts[18], 40.06 lakh cum of murram was extracted during the course of execution of works. However, it was not forthcoming from the records whether the murram so extracted was utilised in any other works executed or was disposed of in any other manner. As per the Rules, the utilisation/removal of the murram attracted levy of royalty. However, DMG did not obtain such information from the WEDAs concerned and hence the usage of

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[13] Circular No.DMG/DCB/Works-01/2014-15 dated 27 February 2015.

[14] Bagalkote Town Development Authority (BTDA), M/s.Cauvery Neeravari Nigama Limited, Deputy Commissioner, District Urban Development Cell (DUDC) – Bagalkote and Mysuru, Directorate of Urban Land Development (Bus Rapid Transit System), Karnataka Health System Development and Reform Project, M/s. Karnataka Power Corporation Limited, M/s. Karnataka Rural Infrastructure Development Limited, Karnataka Rural Road Development Agency, Karnataka State Highway Development Project, Karnataka State Highway Improvement Project, Karnataka Urban Water Supply and Drainage Board, Minor Irrigation-Kalaburgi, Municipal Corporation (Kalaburgi, Mysuru and Udupi), National Highway Authority of India - Bengaluru, Chitradurga and Kalaburgi, Panchayat Raj Engineering Division, Public Works Department, Rural Development and Panchayat Raj, University of Horticultural Sciences, Bagalkote, Water Resources Department – Hemavathi Project.

[15] Bagalkote, Bengaluru, Chitradurga, Dharwad, Kalaburgi, Koppal, Mysuru, Shivamogga, Tumakuru and Udupi.

[16] Quantity of 8.16 lakh cum at the rate of ₹ 15 per cum from April 2012 to February 2014 and a quantity of 127.77 lakh cum at the rate of ₹ 30 per cum, thereafter till March 2017.

[17] M/s. Cauvery Neeravari Nigam Limited, Deputy Commissioner, Mysuru (District Urban Development Cell), Karnataka Health System Development and Reform Project, M/s. Karnataka Road Development Corporation Limited, Karnataka State Highway Development Project, Karnataka State Highway Improvement Project, Mysuru Urban Development Authority, Public Works Department-Mysuru, Rural Development and Panchayati Raj.

[18] Bengaluru, Chitradurga, Dharwad, Koppal, Mysuru, Shivamogga and Udupi.

such mineral was not being ensured by DMG. Audit points out that the usage/removal of the murram extracted as aforesaid would have fetched a potential royalty of ₹ 12.02 crore.

After this was pointed out in Audit, DMG endorsed circulars/instructions regarding captive consumption of minor minerals to 67 WEDAs.

Audit concludes that the likely reason for non-deduction of royalty mentioned in paragraphs 5.4.3.1 and 5.4.3.2 was absence of a mechanism for collection of information about the utilisation of minor minerals by WEDAs.

5.4.4 Short deduction of royalty due to adoption of pre-revised rates

As per the Notification of the Commerce and Industries Department, the royalty rates for minor minerals were revised with effect from 5 March 2014. The revised rates of royalty for murram, ordinary sand, building stone and size stone per cum were ₹ 30, ₹ 103, ₹ 108 and ₹ 158 respectively. During test check of records of 87 WEDAs in 10 selected Districts, Audit noticed that 12 WEDAs[19] in seven Districts[20] had recovered royalty at pre-revised rates as against the rates prescribed for size stone, jelly, ordinary sand and murram in the Notification issued by Commerce and Industries Department (5 March 2014) from the bills of the contractors in respect of various works executed for the period 2014-2017.

Royalty to be deducted on size stone (0.15 lakh cum), jelly (2.24 lakh cum), ordinary sand (0.45 lakh cum) and murram (4.73 lakh cum) utilised in works at revised rates worked out to ₹ 4.54 crore[21], whereas an amount of ₹ 2.16 crore only was deducted which resulted in short deduction of royalty of ₹ 2.38 crore.

Though DMG had instructed the WEDAs (Circular of 23 March 2013) to furnish information regarding the quantity of various minor minerals utilised in the works executed by them, no mechanism existed to collect such information. Besides, DMG did not take any follow-up action to insist that the WEDAs comply with the instructions. Due to this, DMG could not ascertain the nature and quantity of minor minerals consumed and the rate at which royalty was deducted by the WEDAs. This resulted in short deduction of royalty, which escaped the attention of the DMG.

Furthermore, though penalty at five times was leviable, as per the Circular issued by DMG (March 2013), it was not levied on the contractor for transportation of minor minerals without MDP.

It is recommended that DMG may put in place a mechanism to collect information from WEDAs relating to minor minerals such as types of minor

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[19] District Urban Development Cell, Chitradurga, Executive Engineer–Pancayath Raj Engineering Divison (Madikeri and Kalaburgi), Executive Engineer–Project Division (Chitradurga, Dharwad, Koppal, Tumakuru and Udupi), M/s.Karnataka Power Transmission Control Limited, Hosangdi, Udupi, National Highway Authority of India, Dharwad, Nirmithi Kendra, Chitradurga and Public Works Department and Inland Water Transport Division, Udupi.

[20] Chitradurga, Dharwad, Kalaburgi, Koppal, Madikeri, Tumakuru and Udupi.

[21] Royalty: Size Stone: 14538.75 X ₹ 158/-= ₹ 22,97,123/-, Jelly: 224339.37 X ₹ 108/-=₹ 2,42,28,652/-, Ordinary Sand: 45399.52 X ₹ 103/-= ₹ 46,76,151/- and Murram: 472926.08 X ₹ 30/- = ₹ 1,41,87,782/-.

minerals, consumed/extracted, rate at which royalty has been deducted and source of minor minerals as supplied by different contractors to WEDAs.

5.4.5 Delayed/non-remittance of royalty by the WEDAs to DMG

According to Article 4 of the Karnataka Financial Code (KFC), all transactions to which any Government servant in his official capacity is a party, without any reservation, are to be brought to account, and all moneys received should be paid in full without undue delay, in any case within two days into the Government treasury.

Audit noticed that DMG did not have any monitoring mechanism to ascertain the timeliness of the payment of royalty deducted by the WEDAs. On a review of records of the WEDAs, Audit noticed the following:

- Royalty of ₹ 1.46 crore deducted by Kalaburgi Mahanagara Palike from the bills of the contractors for the period from 2009-10 to 2013-14 was remitted to DMG during January 2015 after delay ranging from 57 months to nine months;
- Royalty of ₹ 2.37 crore deducted by M/s. Karnataka Warehousing Corporation Limited, Bengaluru, during 2006-07 to 2014-15 was remitted to DMG from January 2014 to June 2014 after a delay ranging from 85 months to 15 months;
- Besides, royalty amounting ₹ 6.06 lakh deducted by Town Municipal Council, Wadi, during 2014-15 was not remitted to DMG.

Here also, the present system is not helping DMG in identifying the deduction of royalty by the WEDAs and hence could not ensure its timely payment to the Government Account. As mentioned above, Audit noticed that royalty collected by certain WEDAs were retained by them for long periods and hence, there were chances of utilising this money for other purposes which is tantamount to temporary misappropriation of Government money. Probability of such events was considerable enough as the DMG was not aware of the details of the deductions.

Besides, Audit noticed that there was no penal provision in the KMMC Rules, 1994, to levy interest for delay in remittance of royalty by WEDAs similar to that of the Section 9-A (7) of the Karnataka Value Added Tax Act, 2003, in which interest at the rate of 1.50 *per cent* per month is levied for delay in payment of tax deducted at source on works contracts by various Department/ Agencies.

It is recommended that DMG may take deterrent measures to prevent delay/remittance of royalty.

5.4.6 Failure to identify the sources of minor minerals and transportation of minor minerals without MDP

According to Rule 3 of the KMMC Rules, 1994, no person shall undertake any quarrying operation in respect of any minor mineral in any land without a valid lease/licence granted under the Rules. Besides, Rule 42 of the aforesaid Rules states that no mineral shall be transported without obtaining MDP.

As per clause 5 of a Circular issued during March 2013, DMG had instructed all WEDAs to collect MDPs from the contractors to confirm that royalty was paid

on the minor minerals utilised in the works executed by the contractors. Further, as mentioned in Para 5.4.3, penalty at five times of royalty was recoverable from the bills of the contractors, if MDPs were not furnished.

Audit noticed that WEDAs had not followed the Circulars/instructions of DMG including the aforesaid clause in the contracts. As seen from the records of the WEDAs audited, the contractors were not furnishing MDPs or any other proof, such as invoices from quarry lease holders or other dealers like crushing units, etc. Besides, WEDAs were not maintaining the details regarding the sources of minor minerals utilised in the works executed by them. In addition to this, no follow-up efforts were made by DMG to collect such information from the WEDAs. Due to this, the Department was unable to identify the source of these minerals and to verify whether the sources were legal or not.

Audit points out that identification of sources was important not only in curbing illegal mining but also in mitigating adverse effects of quarrying on the environment and the related eco-systems.

5.4.7 Conclusion

Royalty collected through WEDAs significantly outweighed the direct collection of royalty by DMG leading us to conclude that illegal quarrying thrives in the State in a considerable proportion. There was no system in the Department to identify the incidences of consumption of minerals in the State to ensure the realisation of revenue through royalty deduction. DMG could only receive whatever payments of royalty made by the WEDAs and was not in a position either to identify whether all the WEDAs who deduct royalty were paying the same to the Government or to ensure the correctness of such deductions and/or the timeliness of the payments made by the WEDAs. DMG neither collects any information regarding the various works undertaken in the State nor does it collect any information on the quantities of minor minerals consumed in the State. Besides, the DMG failed in collecting information regarding sources of minor minerals consumed through the WEDAs. This resulted in non-identification of illegal quarrying and consequent failure to curb such illegal activities.

5.5 Non-levy of royalty on minor minerals transported without obtaining Mineral Despatch Permits

Rule 36 of the KMMC Rules, 1994, stipulates that the holder of a quarrying lease or licence shall pay royalty on minor mineral removed or consumed at the rates specified in Schedule-II of the Rules. Rule 42 (1) of the KMMC Rules, 1994, requires that no person shall transport, or cause to be transported, any minor mineral, except under or in accordance with a computerised MDP generated in electronic form (*e-permit or m-permit*). Additionally, as per Part-V, Clause-4 of the quarrying lease deed, the lease holder will be liable for penalty at five times of royalty for transporting minor mineral without obtaining MDP. Further, the Director of Mines and Geology has issued (May 2016) circular[22] instructions to all the Offices of the Department to levy penalty at five times of royalty for transporting minor mineral without obtaining MDP.

During test check of DCB Statements, assessment records relating to production, permit issue registers and e-permits obtained by quarry lease holders in the three[23] DD and one[24] SG Offices of Department of Mines and Geology between November 2016 and March 2017, Audit noticed that 4,52,527.20 metric ton (MT) of building stone and 39,007 square metre of shahabad stone were transported without obtaining MDP during 2015-16 by the quarry lease holders for which penalty at five times of royalty was levied. However, royalty amounting to ₹ 2.77 crore[25] was not levied.

When Audit pointed out these cases during November 2016 and March 2017, DDs-Chitradurga and Hosapete stated that penalty at five times of royalty was levied as per the Circular of Director issued during May 2016 with DD-Hosapete adding that the position of levy of royalty in addition to penalty would be clarified with the Director of Mines and Geology. Audit pointed out that the levy of royalty on any minor minerals before removal/consumption is clear as per Rule 36 of KMMC Rules and the same has been omitted to be levied in all the cases brought out in the paragraph.

DD, Kalaburgi and SG, Haveri stated that the issue would be examined.

Audit brought these cases to the notice of the Director of Mines and Geology and to the Government during April and May 2017. Reply is still awaited (November 2017).

5.6 Non-levy of penalty for unauthorised transportation of minor minerals

As mentioned in paragraph 5.5, no person shall transport, or cause to be transported, any minor mineral, except under or in accordance with a computerised MDP generated in electronic form (*e-permit or m-permit*). Further, as per the conditions of the lease agreement, the lease holder will be liable for penalty at five times of royalty for transporting minor mineral without obtaining MDP.

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[22] Circular No.M&G:DCB/SQL-1/22/DCB Section/2016-2017 dated 3 May 2016.

[23] Chitradurga, Kalaburgi and Hosapete.

[24] Haveri.

[25] Rate of royalty for building stone and shahabad stone is ₹ 60/- per MT and ₹ 15/- per square metre respectively.

During test check of Demand, Collection and Balance (DCB) Statements, assessment records relating to production, permit issue registers and e-permits obtained by quarry lease holders in the two[26] DD and seven[27] SG Offices of Department of Mines and Geology between November 2016 and March 2017, Audit noticed that during the years 2012-13 to 2015-16, 33,87,255 MT, 27,800 MTs and 62,524 MTs of building stone, murram and ordinary clay respectively were transported by the quarry lease holders. The quarry lease holders had, however obtained permits for transportation of only 13,49,909 MTs, 2,500 MTs and 50,370 MTs of building stone, murram and ordinary clay respectively. Therefore, 20,37,346 MT of building stone, 25,300 MT of murram and 12,154 MT of ordinary clay were transported without obtaining MDPs. Though royalty has been levied in all these cases, penalty at five times of royalty amounting to ₹ 58.22 crore was to be levied for transportation without MDPs as per provisions under the lease agreement. However, Audit noticed that six[28] Offices had not levied any penalty while the other three[29] Offices had levied penalty of ₹ 6.77 crore during 2013-14 and 2015-16. This resulted in non/short levy of penalty amounting to ₹ 51.45 crore.

Audit had pointed out similar lapses on earlier occasions[30] too and the Department had consistently maintained that the provisions of Rule 42(1) of KMMC Rules, 1994, are not applicable to non-specified minor minerals. Audit had not accepted the contention and pointed out that the issue of MDP is a regulatory measure which is essential to control the transportation of minerals. Eventually, the Director of Mines and Geology acceded to the view of Audit and issued a Circular (May 2016) emphasising the levy of penalty at five times of royalty for transportation of minerals without MDP.

When Audit pointed out these cases during November 2016 and March 2017, DD, Belagavi and SG, Dharwad replied that penalty at five times of royalty was levied as per the Circular issued (May 2016) by the Director of Mines and Geology. However, penalty was found to be actually levied at four times since the remaining one portion was adjusted towards royalty in the Demand, Collection and Balance Register. The contention is therefore not acceptable since the provisions of the lease agreement and the Circular issued by the Director, required levy of penalty at five times of royalty and according to Rule 36 of KMMC Rules, any mineral has to suffer royalty at the rates specified under schedule II of the Rules.

In all other cases, DD/SGs replied that the matter would be examined.

Audit brought these cases to the notice of the Director of Mines and Geology and to the Government during February and May 2017. Reply is awaited (November 2017).

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[26] Belagavi and Hosapete.

[27] Ballari, Dharwad, Davanagere, Gadag, Koppal, Raichuru and Yadgir.

[28] Ballari, Davanagere, Hosapete, Koppal, Raichur and Yadgir.

[29] Belagavi, Dharwad and Gadag.

[30] Paragraph No.6.6 of the Audit Report 2014-2015 (Report No.3 of 2015) and Paragraph No.6.4 of the Audit Report 2015-2016 (Report No.5 of 2016).

Chapter-VI
Land Revenue

Chapter–VI
Land Revenue

6.1 Tax Administration

The receipts from Land Revenue are regulated under Karnataka Land Revenue (KLR) Act, 1964, and the Rules made thereunder and administered at the Government level by the Principal Secretary, Revenue Department. The Principal Secretary is assisted by four Regional Commissioners, 30 Deputy Commissioners (DCs), 44 Assistant Commissioners and 179 Tahsildars.

6.2 Internal Audit

The objective of an Internal Audit Wing (IAW) is to have a deterrent and reforming effect by pointing out mistakes and ensuring remedies without loss of time.

IAW has not been constituted under the Department, which leaves it vulnerable to the risk of control failure.

Audit recommends setting up of IAW in the Department to examine and evaluate the level of compliance with the rules and procedures so as to provide a reasonable assurance on the adequacy of the internal controls.

6.3 Results of Audit

In 2016-17, test check of the records of 46 units of Land Revenue Department revealed short/non-levy of cost of land, lease rent, conversion fine, compounding amount and other irregularities amounting to ₹ 5.23 crore raised through 38 paragraphs, which fall under the following categories as given in **Table 6.1**.

Table 6.1
Results of Audit

(₹ in crore)

Sl No.	Category	No. of paragraphs	Amount
1.	Short /non levy of cost of land and lease rent	9	3.00
2.	Short/non levy of conversion fine and compounding amount	20	1.28
3.	Other irregularities	9	0.95
	Total	**38**	**5.23**

During the course of the year, the Department accepted under assessments worth ₹ 6.41 lakh in four paragraphs. In 31 paragraphs, an amount of ₹ 1.53 crore was also recovered as pointed out during earlier years.

An illustrative case relating to non/short realisation of compounding amount involving ₹ 1.11 crore is discussed in the following paragraph.

6.4 Non/short levy of compounding amount

Section 95(2) of the KLR Act, 1964, provides for diversion of agricultural land for non-agricultural purposes with the permission of the DC. Further, as per Section 96(4) of KLR Act, 1964, in case of diversions without permission, the DC may compound such diversion on payment of a compounding amount. The rates of compounding amount are prescribed under Rule 107-A of the Karnataka Land Revenue Rules, 1966.

During test check of records of three Tahsildars and six DCs between August 2015 and December 2016, Audit noticed that in 13 cases permission was granted by the DC for diversion of agricultural land for non-agricultural purposes during the years 2012-13 to 2015-16. On scrutiny of the land inspection reports of the Tahsildars' concerned, it was, however, noticed that these were agricultural lands and were diverted for non-agricultural purposes by constructing structures, carrying on mining and other industrial activities, etc. before obtaining permission of DC for diversion. Since these cases were diversion of agricultural land for non-agricultural purposes without permission of DC, compounding amount at prescribed rates should have been levied in all these cases, as per Section 96(4) of KLR Act, 1964. Out of the above, in six cases, compounding amount of ₹ 61.88 lakh was not levied and in the remaining seven cases, it was levied short by ₹ 48.81 lakh.

The total non/short levy of compounding amount works out to ₹ 1.11 crore as given in **Table 6.2**.

Table 6.2
Details showing non/short levy of compounding amount

(₹ in lakh)

Name of the Office	Number of cases	Compounding amount leviable	Compounding amount levied	Non/short levy of compounding amount
Tahsildar, Bengaluru North Taluk	02	9.06	1.81	7.25
Compounding amount was levied at rates prescribed for residential purposes instead of non-residential purposes.				
Tahsildar, Bengaluru East Taluk, K.R.Puram	01	14.62	1.12	13.50
Compounding amount was levied for 1,955 square feet instead of 25,434 square feet.				
DC, Bengaluru Urban.	02	8.32	1.14	7.18
In one case, compounding amount was levied for 1,980 square feet instead of 13,068 square feet. In another case, compounding amount was not levied for 1,406 square feet (₹ 0.81 lakh).				
DC, Bidar	02	50.53	Nil	50.53
Compounding amount was not levied for diversion of agricultural land for stone crushing purposes.				
DC, Chamarajanagara	01	1.16	Nil	1.16
Compounding amount was not levied for diversion of agricultural land for quarrying of granite.				
DC, Davanagere	02	12.73	4.84	7.89
Compounding amount was levied at rates prescribed for residential instead of non-residential rates.				
Tahsildar, Hassan	01	7.38	Nil	7.38
Compounding amount was not levied for diversion of agricultural land for quarrying activities.				
DC, Hassan	01	2.00	Nil	2.00
Compounding amount was not levied for diversion of agricultural land for quarrying activities.				

Name of the Office	Number of cases	Compounding amount leviable	Compounding amount levied	Non/short levy of compounding amount
DC, Tumakuru	01	17.40	3.60	13.80
Compounding amount was levied at rates prescribed for residential purposes instead of non-residential purposes.				
Total	**13**	**123.20**	**12.51**	**110.69**

After these cases were brought to the notice of the Department and the Government between February and March 2017, DC, Tumakuru, stated that compounding amount was levied at the rate applicable for residential purposes as land was diverted for construction of residential houses. Reply of DC, Tumakuru, is not acceptable since the land was diverted for non-agricultural (industrial) purposes and not for residential purposes. Reply in respect of remaining cases is awaited (November 2017).

(Bijit Kumar Mukherjee)
Accountant General
(Economic and Revenue Sector Audit)
Karnataka

Bengaluru
The 24 JAN 2018

Countersigned

(Rajiv Mehrishi)
Comptroller and Auditor General of India

New Delhi
The 1 FEB 2018

Annexures

Annexure-I (Paragraph 3.4.8)

Statement showing details of potential loss of revenue due to delay in revision of norms of RS production

Sl. No.	Name of the Distillery	Period of production	Quantity of molasses used in MTs	RS output rate per MT of molasses shown in the production accounts	Shortfall when compared to revised norm of 240 BL of RS per MT of molasses	Total short production of RS for the month with reference to revised norms (in BL)
1.	Chamundi Distilleries Mysuru	Aug-12	127.000	220.20	19.80	2,514.600
		Sep-12	1,219.000	222.37	17.63	21,490.970
		Oct-12	2,256.000	224.30	15.70	35,419.200
		Nov-12	2,337.000	236.66	3.34	7,805.580
		Mar-14	2,085.000	236.3	3.70	7,714.500
2.	Core Green, Yadgiri	Aug-12	2,074.830	237.62	2.38	4,938.095
		Apr-13	4,960.589	232.05	7.95	39,436.683
		May-13	1,722.000	235.28	4.72	8,127.840
		Sep-13	2,710.000	229.62	10.38	28,129.800
		Oct-13	3,902.000	222.12	17.88	69,767.760
		Jan-14	5,412.000	238.89	1.11	6,007.320
		Feb-14	5,748.000	238.55	1.45	8,334.600
		Mar-14	5,990.000	237.59	2.41	14,435.900
		Jul-14	1,866.000	228.07	11.93	22,261.380
		Aug-14	3,958.000	227.04	12.96	51,295.680
3.	EID Parry	Nov-12	3,648.230	221.02	18.98	69,248.690
4.	Indian Sugar Manufacturing Co. Limited	Jul-14	2,021.000	237.86	2.14	4,324.000
5.	JP Distilleries	Apr-12	2,829.000	226.422	13.58	38,412.162
		May-12	3,034.000	236.034	3.97	12,032.844
		Jul-13	3,936.000	239.718	0.28	1,109.952
		Aug-13	3,825.000	239.719	0.28	1,074.825
		Sep-13	2,614.000	236.48	3.52	9,201.280
		Oct-13	4,008.000	233.44	6.56	26,292.480
		Nov-13	1,773.000	234.517	5.48	9,721.359
6.	Malaprabha SSKN	Apr-12	1,977.000	222.71	17.29	34,182.330
		Feb-14	2,847.880	225.14	14.86	42,319.497
		Jan-15	2,642.640	238.02	1.98	5,232.427
		Mar-15	2,341.140	218.39	21.61	50,592.035
7.	NSL Sugars Mandya	Sep-12	2,947.000	236.57	3.43	10,108.210
8.	Samson Distilleries	2011-12	28,462.000	235.62	4.38	1,24,623.000
		Apr-13	1,053.000	235.90	4.10	4,314.000
		Feb-14	5,732.000	239.87	0.13	770.000
		Mar-14	6,449.000	237.07	2.93	18,897.000
		2014-15	47,861.000	234.27	5.73	2,74,397.000
9.	SLN Distilleries	May-12	2,215.000	234.50	5.50	12,173.820
		Jun-12	2,530.000	229.61	10.39	26,287.860

Annexure-I (Paragraph 3.4.8)

Statement showing details of potential loss of revenue due to delay in revision of norms of RS production

Sl. No.	Name of the Distillery	Period of production	Quantity of molasses used in MTs	RS output rate per MT of molasses shown in the production accounts	Shortfall when compared to revised norm of 240 BL of RS per MT of molasses	Total short production of for the month reference to re norms (in B
		Aug-12	1,774.000	234.38	5.62	9,97
		Sep-12	749.000	234.64	5.36	4,01
		Oct-12	1,716.000	233.54	6.46	11,07
		Jun-13	2,070.000	239.27	0.73	1,50
		Jul-13	1,836.000	234.48	5.52	10,13
		Aug-13	2,325.000	232.71	7.29	16,94
		Sep-13	1,418.000	232.48	7.52	10,65
		May-14	2,324.000	233.16	6.84	15,90
		Jun-14	1,822.000	233.64	6.36	11,58
		Jul-14	1,530.000	234.90	5.10	7,79
		Aug-14	2,348.000	235.68	4.32	10,14
		Sep-14	734.000	236.30	3.70	2,71
		Oct-14	1,101.000	233.11	6.89	7,58
		Nov-14	1,876.000	235.83	4.17	7,82
		Dec-14	2,595.000	238.87	1.13	2,93
10.	Vijayanagar Sugar Pvt Limited.	Apr-12	8,170.290	237.79	2.21	18,05
		May-12	9,926.800	230.93	9.07	90,0
		Jun-12	1,158.310	213.00	27.00	31,27
		May-13	4,154.000	230.48	9.52	39,5
		Jun-13	8,162.300	238.26	1.74	14,20
		Jul-13	7,742.000	236.91	3.09	23,92
		Jun-14	13,941.000	238.04	1.96	27,32
		Sep-14	12,442.000	237.25	2.75	34,2
		Oct-14	10,263.000	227.07	12.93	1,32,7
		Nov-14	877.000	218.19	21.81	19,12
		May-15	11,158.000	231.05	8.95	99,8
		Jun-15	13,266.000	239.87	0.13	1,7
11.	Sri Renuka Sugars Limited Manoli	May-13	5,383.070	235.54	4.46	24,0
		Jun-13	12,408.250	233.27	6.73	83,5
		Jul-13	5,871.450	237.18	2.82	16,5
		Dec-13	9,017.470	236.87	3.13	28,2
		Jan-14	13,743.990	237.07	2.93	40,2
		Feb-14	11,653.390	238.16	1.84	21,4
		Mar-14	14,216.230	236.00	4.00	56,8
		Apr-14	13,176.930	237.16	2.84	37,4
12.	Ugar Sugars Works Limited	Aug-13	5,525.000	228.15	11.85	65,4
		Sep-13	737.000	223.60	16.40	12,0

Annexure-I (Paragraph 3.4.8)						
Statement showing details of potential loss of revenue due to delay in revision of norms of RS production						
Sl. No.	**Name of the Distillery**	**Period of production**	**Quantity of molasses used in MTs**	**RS output rate per MT of molasses shown in the production accounts**	**Shortfall when compared to revised norm of 240 BL of RS per MT of molasses**	**Total short production of RS for the month with reference to revised norms (in BL)**
		Oct-13	1,347.000	223.51	16.49	222,12.030
		Nov-13	836.000	223.95	16.05	13,417.800
		Sep-14	3,974.000	235.60	4.40	17,485.600
		Oct-14	4,544.000	236.29	3.71	16,858.240
		Nov-14	3,147.000	236.11	3.89	12,241.830
		Sep-15	5,251.000	238.38	1.62	8,506.620
	Total		**4,19,423.789**			**22,42,373.053**
	Quantity of Potable Liquor expected from the above RS					**45,66,069.501**
	Minimum Revenue by way of Excise Duty and Additional Excise duty due on the above					**64,83,81,869.2**

Annexure II (a) (Paragraph 3.4.9.2 (a))

M/s Sri Chamundeshwari Sugars Limited, Distillery, Bharathi Nagar, Maddur

Sl. No.	Month of production	Percentage of TRS as per Chemical Analysis Report	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
1.	Jul-12	51.44	5171	292.44	2659962.4	0.568507	0.568506998	0	0
2.	Aug-12	51.89	5388	267.82	2795725.44	0.5161502	0.568506998	0.052356829	146375.3184
3.	Sep-12	51.52	5372	247.25	2767761.84	0.4798921	0.568506998	0.088614914	245264.9761
4.	Oct-12	51.31	6214	250.71	3188403.4	0.4886182	0.568506998	0.079888795	254717.7068
5.	Nov-12	51.77	5002	243.21	2589410.35	0.4698121	0.568506998	0.098694858	255561.4858
6.	Dec-12	51.57	5633	250.33	2904938.1	0.4854179	0.568506998	0.08308912	241368.7499
7.	Jan-13	51.57	5238	269.01	2701236.6	0.5216405	0.568506998	0.04686651	126597.5316
8.	Feb-13	50.64	2643	260.66	1338415.2	0.5147314	0.568506998	0.053775561	71974.02802
9.	Mar-13	51.31	5552	257.08	2848731.2	0.5010329	0.568506998	0.067474061	192215.4639
10.	Apr-13	51.57	5735	253.24	2957539.5	0.4910607	0.568506998	0.077446304	229050.5039
11.	Jun-13	52.37	5403	250.08	2829551.1	0.4775253	0.568506998	0.090981698	257437.3628
12.	Jul-13	51.05	5702	249.76	2910871	0.4892458	0.568506998	0.079261161	230719.0151
14.	Oct-13	51.31	5876	251.10	3014975.6	0.4893783	0.568506998	0.07912871	238571.1287
15.	Nov-13	51.05	5138	267.06	2622949.0	0.5231342	0.568506998	0.045372816	119010.5831
16.	Dec-13	51.05	5864	255.23	2993572.0	0.4999608	0.568506998	0.068546176	205197.9123
17.	Jan-14	51.05	6313	241.48	3222786.5	0.4730264	0.568506998	0.095480554	307713.4397
18.	Feb-14	51.31	5143	260.82	2638873.3	0.508322	0.568506998	0.060185034	158820.6791
19.	Mar-14	51.05	5995	260.11	3060447.5	0.5095201	0.568506998	0.05898692	180526.3721
20.	Jul-14	51.57	5648	254.89	2912673.6	0.4942602	0.568506998	0.07424677	216256.6058
21.	Oct-14	51.57	4520	247.26	2330964	0.4794648	0.568506998	0.089042193	207554.1471
22.	Nov-14	50.05	1053	240.18	527026.5	0.4798801	0.568506998	0.088626879	46708.71362
23.	Dec-14	51.57	6435	240.18	3318529.5	0.4657359	0.568506998	0.102771105	341048.9453
24.	Jan-15	51.05	6466	263.28	3300893	0.5157297	0.568506998	0.052777322	174212.2916
25.	Feb-15	51.05	5450	272.38	2782225	0.5335553	0.568506998	0.034951661	97243.38375

Annexure II (a) (Paragraph 3.4.9.2 (a))									
M/s Sri Chamundeshwari Sugars Limited, Distillery, Bharathi Nagar, Maddur									
Sl. No.	**Month of production**	**Percentage of TRS as per Chemical Analysis Report**	**Molasses utilised for spirit production in MTs**	**Recovery rate per MT of molasses (RS in BL)**	**Total Reducible Sugar in Kgs**	**Spirit Output per KG of TRS in BL**	**Previously obtained good yield of RS per Kg of Reducing Sugar**	**Short production per Kg of reducible sugar w.r.t previous goods yield in BL**	**Short production of RS in BL**
26.	Mar-15	51.31	5344	276.4	2742006.4	0.5386864	0.568506998	0.029820583	81768.22818
27.	May-15	51.31	6038	264.91	3098097.8	0.5162931	0.568506998	0.052213878	161763.7012
28.	Jul-15	51.31	6045	247.94	3101689.5	0.4832196	0.568506998	0.085287353	264534.8878
29.	Aug-15	51.05	5840	260.2	2981320	0.5096964	0.568506998	0.058810622	175333.2846
30.	Sep-15	51.31	2815	267.22	1444376.5	0.5207952	0.568506998	0.047711832	68913.84864
31.	Mar-16	50.53	5593	255.03	2826142.9	0.5047101	0.568506998	0.063796925	180299.2273
32.	May-16	50.56	5319	260.04	2689286.4	0.5143196	0.568506998	0.054187378	145725.3792
33.	Jul-16	50.56	5494	257.7	2777766.4	0.5096915	0.568506998	0.058815543	163375.8384
34.	Oct-16	51.47	4716	246.36	2427325.2	0.4786478	0.568506998	0.089859242	218117.6037
35.	Dec-16	51.68	4287	244.72	2215521.6	0.4735294	0.568506998	0.094977587	210424.8948
		Total	**178445**		**91521994.33**				**6214403.23831**

Annexure II (b) (Paragraph 3.4.9.2 (a))

M/s Renuka Sugars Limited., Havalga, Afzalpur, Kalaburgi

Sl. No.	Month of production	TRS 1	TRS2	AVG TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
1.	May-12	51.83	52.1	51.965	12957	295.19	6733105.05	0.56658349	0.566583493	0	0
2.	Nov-12	51.57	51.83	51.7	11202	263.9	5791434	0.50916458	0.566583493	0.057418917	332537.8669
3.	Dec-12	51.57	51.83	51.7	14780	288.47	7641260	0.55656955	0.566583493	0.010013939	76519.11129
4.	Feb-13	51.31	51.57	51.44	11599	283.32	5966525.6	0.54938918	0.566583493	0.017194314	102590.3118
5.	Apr-13	51.83	52.1	51.965	10870	288.66	5648595.5	0.5540499	0.566583493	0.012533589	70797.17584
6.	May-13	51.57	51.83	51.7	12486	273.29	6455262	0.5272815	0.566583493	0.039301996	253704.6818
7.	Jun-13	51.31	51.57	51.44	7872	270.1	4049356.8	0.52375412	0.566583493	0.042829373	173431.4115
8.	Jan-14	51.31	51.57	51.44	14912	266.71	7670732.8	0.51718053	0.566583493	0.049402962	378956.9208
9.	Feb-14	51.31	51.57	51.44	15191	270.01	7814250.4	0.5235796	0.566583493	0.043003893	336043.186
10.	Mar-14	51.57	51.83	51.7	10948	270.19	5660116	0.52130041	0.566583493	0.045283088	256307.5315
11.	May-14	51.31	51.57	51.44	10369	278.19	5333813.6	0.53944154	0.566583493	0.027141958	144770.1421
12.	Jun-14	51.83	52.1	51.965	10110	257.98	5253661.5	0.49516315	0.566583493	0.071420345	375218.3194
			Total		**143296**		**74018113.25**				**2500876.66**

Annexure II (c) (Paragraph 3.4.9.2 (a))

M/s Core Green Sugar and Fuels Private Limited, Shahapura, Yadgir

Sl. No.	Month of production	TRS 1	TRS 2	AVG TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
1.	Sep-12	51.05	51.57	51.31	1794	248.13	920501.4	0.4835899	0.483589943	0	0
2	Dec-12	51.05	51.57	51.31	4220	307.43	2165282	0.599162	0.599161957	0	0
3.	Feb-13	51.31	52.10	51.71	4564	287.42	2359816.2	0.5558843	0.599161957	0.043277613	102127.21
4.	Mar-13	51.31	51.83	51.57	5536	268.78	2854915.2	0.5211945	0.599161957	0.077967464	222590.5
5.	May-13	51.57	51.83	51.7	1722	235.28	890274	0.455087	0.599161957	0.144074916	128266.15
6.	Dec-13	51.31	51.31	51.31	2260	248.54	1159606	0.484389	0.599161957	0.114772949	133091.4
7.	Mar-14	51.57	51.57	51.57	5990	238.55	3089043	0.4625751	0.599161957	0.136586816	421922.55
8.	May-14	51.05	51.31	51.18	1462	241.32	748251.6	0.4715123	0.599161957	0.127649647	95514.053
9.	Oct-14	51.31	51.57	51.44	3554	229.95	1828177.6	0.4470257	0.599161957	0.152136296	278132.17
10.	Nov-14	51.57	51.83	51.70	1275	250.31	659175	0.4841586	0.599161957	0.115003349	75807.333
11.	Jan-15	50.50	51.57	51.04	5113	251.74	2609419.55	0.4932693	0.599161957	0.105892632	276318.3
12.	Feb-15	50.30	50.05	50.18	5336	250.32	2677338	0.4988939	0.599161957	0.100268085	268451.55
13.	Mar-15	51.57	51.57	51.57	5342	252	2754869.4	0.4886562	0.599161957	0.110505761	304428.94
14.	May-15	51.05	51.05	51.05	1274	249.69	650377	0.4891087	0.599161957	0.11005324	71576.096
15.	Oct-15	51.05	51.05	51.05	5246	265.02	2678083	0.5191381	0.599161957	0.080023857	214310.53
			Total		**54688**		**28045128.95**				**2592536.79**

Annexure II (d) (Paragraph 3.4.9.2 (a))

M/s NSL Sugars. Limited., Distillery Division Koppa, Mandya District

SL. No.	Month of production	TRS (%)	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
1.	Apr-12	51.83	4211	250.42	2182561.3	0.483156473	0.483156473	0	0
2.	Jun-12	51.57	4261	252.4	2197397.7	0.48943184	0.489431840	0	0
3.	Aug-12	52.37	3728	259.01	1952353.6	0.494577048	0.494577048	0	0
4.	Sep-12	51.57	2947	236.57	1519767.9	0.458735699	0.494577048	0.035841349	54470.53163
5.	Nov-12	51.57	2584	261.24	1332568.8	0.506573589	0.506573589	0	0
6.	Jan-13	51.57	5238	263.6	2701236.6	0.511149893	0.511149893	0	0
7.	Mar-13	52.1	4256	258.88	2217376	0.496890595	0.511149893	0.014259298	31618.22514
8	Apr-13	51.31	872	256.94	447423.2	0.500760086	0.511149893	0.010389807	4648.640806
9.	Jun-13	51.82	3048	259.84	1579473.6	0.50142802	0.511149893	0.009721873	15355.44164
10.	Jul-13	51.57	1089	260.26	561597.3	0.50467326	0.511149893	0.006476633	3637.259804
11.	Oct-13	51.31	2649	265.37	1359201.9	0.517189632	0.517189632	0	0
12	Dec-13	51.05	5151	260.24	2629585.5	0.509774731	0.517189632	0.007414901	19498.11706
13.	Mar-14	51.05	5245	252.84	2677572.5	0.495279138	0.517189632	0.021910494	58666.93593
14.	Apr-14	51.31	5276	256.28	2707115.6	0.499473787	0.517189632	0.017715845	47958.84095
15.	May-14	51.31	5243	250.63	2690183.3	0.488462288	0.517189632	0.028727344	77281.82094
16.	Jul-14	51.31	4946	243.47	2537792.6	0.474507893	0.517189632	0.042681739	108317.4009
17.	Sep-14	51.31	3661	253.5	1878459.1	0.49405574	0.517189632	0.023133892	43456.07066
18.	Oct-14	51.31	2131	256.99	1093416.1	0.500857533	0.517189632	0.016332099	17857.78038
19	Dec-14	51.57	6139	256.67	3165882.3	0.497711848	0.517189632	0.019477784	61664.37169
20.	Jan-15	51.31	6880	258.57	3530128	0.503936854	0.517189632	0.013252778	46784.00123
21.	Apr-15	51.05	6558	261.95	3347859	0.513124388	0.517189632	0.004065244	13609.8642
22.	Jul-15	51.31	6990	257.51	3586569	0.50187098	0.517189632	0.015318652	54941.40125
23.	Jun-16	47	7704	230.57	3620880	0.490574468	0.517189632	0.026615164	96370.31472
24	Jul-16	45	3699	226.5	1664550	0.503333333	0.517189632	0.013856299	23064.50195
25.	Dec-16	50.03	5294	258.3	2648588.2	0.516290226	0.517189632	0.000899406	2382.156478

Annexure II (d) (Paragraph 3.4.9.2 (a))									
M/s NSL Sugars. Limited., Distillery Division Koppa, Mandya District									
SL. No.	**Month of production**	**TRS (%)**	**Molasses utilised for spirit production in MTs**	**Recovery rate per MT of molasses (RS in BL)**	**Total Reducible Sugar in Kgs**	**Spirit Output per KG of TRS in BL**	**Previously obtained good yield of RS per Kg of Reducing Sugar**	**Short production per Kg of reducible sugar w.r.t previous goods yield in BL**	**Short production of RS in BL**
26.	Jan-17	50.58	3139	260.06	1587706.2	0.514155793	0.517189632	0.003033839	4816.845302
		Total	**112939**		**57417245**				**786400.5226**

Annexure II (e) (Paragraph 3.4.9.2 (a))

M/s Shri Lakshmi Narasimha Distilleries Private Limited

Sl. No.	Month of production	TRS 1	TRS 2	Avg. TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
1.	Apr-12	51.83		51.83	1774	245.78	919464.2	0.474204129	0.474204129	0	0
2.	Jul-12	52.1		52.1	2774	241.48	1445254	0.463493282	0.474204129	0.010710847	15479.89408
4.	Sep-12	51.31	51.57	51.44	749	234.64	385285.6	0.456143079	0.474204129	0.01806105	6958.662319
3.	Oct-12	51.83		51.83	1716	233.54	889402.8	0.450588462	0.474204129	0.023615667	21003.84
5	Nov-12	52.1		52.1	2194	241.31	1143074	0.463166987	0.474204129	0.011037142	12616.27042
6.	Jan-13	51.05	51.31	51.18	2515	255.98	1287177	0.500156311	0.500156311	0	0
7.	Jul-13	50.1		50.1	1836	234.48	919836	0.468023952	0.500156311	0.032132359	29556.50054
8.	Jan-14	50.09	51.05	50.57	2436	245.38	1231885.2	0.485228396	0.500156311	0.014927915	18389.47728
9.	Feb-14	51.83		51.83	1961	249.56	1016386.3	0.481497202	0.500156311	0.018659109	18964.86242
10.	Oct-14	51.05		51.05	1101	233.11	562060.5	0.456630754	0.500156311	0.043525557	24463.99627
11.	Nov-14	51.05	51.31	51.18	1876	235.83	960136.8	0.460785463	0.500156311	0.039370848	37801.4
12.	Feb-15	51.05		51.05	2293	248.62	1170576.5	0.487012733	0.500156311	0.013143578	15385.56405
13	Apr-15	51.57		51.57	1860	247.98	959202	0.480860966	0.500156311	0.019295345	18508.13388
14.	Feb-16	50.02	50.18	50.1	2511	250.85	1258011	0.500698603	0.500698603	0	0
15.	Mar-16	51	51.5	51.25	2455	251.35	1258187.5	0.490439024	0.500698603	0.010259578	12908.4733
16.	Apr-16	51.02		51.02	1790	252.31	913258	0.494531556	0.500698603	0.006167047	5632.104591
17.	Jul-16	51		51	1970	249.89	1004700	0.489980392	0.500698603	0.010718211	10768.58623
		Total			**33811**		**17323897**				**248437.7654**

Annexure II (f) (paragraph 3.4.9.2 (a))											
M/s Bannari Amman Sugars Limited, Alaganchi Village, Nanjangud Taluk											
Sl. No.	Month of production	TRS 1	TRS 2	AVG TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
1.	Apr-12	51.57	52.1	51.835	5292	260.31	2743108.2	0.50218964	0.50218964	0	0
2.	May-12	51.57	52.1	51.835	2888	260.08	1496994.8	0.501747902	0.50218964	0.000441738	661.28
3.	Jun-12	51.83	52.37	52.1	4548	259.11	2369508	0.497334468	0.50218964	0.004855172	11504.36998
4.	Jul-12	51.05	51.57	51.31	5076	259.58	2604495.6	0.50590026	0.50590026	0	0
5.	Aug-12	51.05	51.83	51.44	6816	262.36	3506150.4	0.510025183	0.510025183	0	0
6.	Sep-12	51.57	52.1	51.835	6281	263.90	3255756.35	0.50910935	0.510025183	0.000915833	2981.728783
7.	Oct-12	51.31	51.83	51.57	4850	262.63	2501145	0.509269155	0.510025183	0.000756028	1890.936773
8.	Nov-12	51.57	52.1	51.835	6533	266.79	3386380.55	0.514700275	0.514700275	0	0
9.	Dec-12	51.57	52.1	51.835	5402	265.31	2800126.7	0.511840768	0.514700275	0.002859507	8006.982244
10	Jan-13	51.31	51.83	51.57	5879	262.09	3031800.3	0.508213222	0.514700275	0.006487053	19667.44785
11.	Mar-13	51.31	51.83	51.57	5504	259.77	2838412.8	0.503720953	0.514700275	0.010979322	31163.84844
12.	Apr-13	51.31	51.57	51.44	5755	260.19	2960372	0.505815485	0.514700275	0.00888479	26302.28221
13.	May-13	51.31	51.57	51.44	3743	260.35	1925399.2	0.506121536	0.514700275	0.008578739	16517.49753
14.	Jun-13	51.31	51.83	51.57	5039	259.95	2598612.3	0.504067113	0.514700275	0.010633162	27631.46517
15.	Jul-13	51.31	51.57	51.44	6943	261.39	3571479.2	0.508153876	0.514700275	0.006546398	23380.32604
16.	Aug-13	51.31	51.83	51.57	5406	259.32	2787874.2	0.502854828	0.514700275	0.011845447	33023.61713
17.	Sep-13	51.57	51.83	51.7	6712	260.57	3470104	0.504005644	0.514700275	0.010694631	37111.48273
18.	Oct-13	51.57	51.83	51.7	5129	258.47	2651693	0.499939096	0.514700275	0.014761179	39142.11605
19.	Nov-13	51.31	51.83	51.57	5277	262.53	2721348.9	0.509080625	0.514700275	0.005619649	15293.02693
20.	Dec-13	51.05	51.57	51.31	5529	261.05	2836929.9	0.508764422	0.514700275	0.005935853	16839.5994
21.	Jan-14	51.83	52.1	51.965	6901	261.59	3586104.65	0.503390496	0.514700275	0.011309778	40558.04917
22.	Mar-14	51.31	51.57	51.44	5933	262.59	3051935.2	0.510480694	0.514700275	0.004219581	12877.88642
23.	Apr-14	51.05	51.31	51.18	4611	259.69	2359909.8	0.507402868	0.514700275	0.007297407	17221.2228
24.	May-14	51.31	51.57	51.44	5769	262.00	2967573.6	0.509322498	0.514700275	0.005377777	15958.94771
25.	Jun-14	51.31	51.57	51.44	3576	261.01	1839494.4	0.507411711	0.514700275	0.007288564	13407.27336
26	Jul-14	51.05	51.35	51.2	4317	262.21	2210304	0.512135887	0.514700275	0.002564388	5668.076412

Annexure II (f) (paragraph 3.4.9.2 (a))

M/s Bannari Amman Sugars Limited, Alaganchi Village, Nanjangud Taluk

Sl. No.	Month of production	TRS 1	TRS 2	AVG TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
27.	Aug-14	51.31	51.57	51.44	3602	262.67	1852868.8	0.510638422	0.514700275	0.004061853	7526.080713
28.	Sep-14	51.05	57.35	54.2	5203	263.11	2820026	0.485451907	0.514700275	0.029248368	82481.15742
29.	Oct-14	51.05	51.31	51.18	5284	261.43	2704351.2	0.510810874	0.514700275	0.003889401	10518.30607
30.	Nov-14	51.31	51.57	51.44	4894	261.15	2517473.6	0.507671659	0.514700275	0.007028616	17694.35397
31.	Dec-14	51.57	51.83	51.7	5801	264.11	2999117	0.510854028	0.514700275	0.003846247	11535.34436
32.	Jan-15	51.31	51.57	51.44	5713	263.59	2938767.2	0.512414185	0.514700275	0.00228609	6718.285706
33.	Feb-15	51.31	51.57	51.44	3430	263.04	1764392	0.511355753	0.514700275	0.003344522	5901.047431
34.	Mar-15	51.05	51.31	51.18	6828	263.58	3494570.4	0.515006365	0.515006365	0	0
35.	Apr-15	51.05	51.31	51.18	5352	262.99	2739153.6	0.513855448	0.515006365	0.001150917	3152.539543
36.	May-15	51.31	51.37	51.34	5959	262.58	3059350.6	0.511450371	0.515006365	0.003555994	10879.03269
37.	Jun-15	51.37	51.57	51.47	4262	262.61	2193651.4	0.510229201	0.515006365	0.004777165	10479.43426
38.	Jul-15	51.05	51.31	51.18	5349	263.86	2737618.2	0.515546689	0.515546689	0	0
39.	Aug-15	50.39	51.05	50.72	4783	263.09	2425937.6	0.518711199	0.518711199	0	0
40.	Oct-15	50.56	51.06	50.81	4037	263.12	2051199.7	0.517842802	0.518711199	0.000868397	1781.254765
41.	Nov-15	50.13	51.19	50.66	6305	264.17	3194113	0.521448991	0.521448991	0	0
42.	Dec-15	50.39	51.16	50.775	5206	264.08	2643346.5	0.520105858	0.521448991	0.001343132	3550.364469
43.	Jan-16	50.39	51.16	50.775	5487	264.09	2786024.25	0.520119665	0.521448991	0.001329326	3703.533201
44.	Feb-16	50.45	51.12	50.785	3048	263.81	1547926.8	0.519462548	0.521448991	0.001986442	3074.867522
45.	Mar-16	50.47	51.13	50.8	6671	264.23	3388868	0.520129436	0.521448991	0.001319555	4471.798182
46.	Apr-16	50.48	51.12	50.8	5679	264.05	2884932	0.519783135	0.521448991	0.001665855	4805.879609
47.	May-16	50.5	51.76	51.13	2465	262.60	1260354.5	0.513588042	0.521448991	0.007860949	9907.581937
48.	Jun-16	50.44	51.22	50.83	4199	265.06	2134351.7	0.521458108	0.521458108	0	0
49.	Jul-16	50.49	51.05	50.77	4158	262.94	2111016.6	0.517910186	0.521458108	0.003547922	7489.722896
50.	Aug-16	50.39	51.32	50.855	4535	263.45	2306274.25	0.518044634	0.521458108	0.003413474	7872.407703
51.	Sep-16	50.17	51.76	50.965	5689	263.52	2899398.85	0.517056493	0.521458108	0.004401616	12762.03962
52.	Oct-16	51.39	52.06	51.725	2627	265.52	1358815.75	0.513333761	0.521458108	0.008124347	11039.49057
53.	Nov-16	51.39	52.06	51.725	3385	267.37	1750891.25	0.51690075	0.521458108	0.004557359	7979.439122

Annexure II (f) (paragraph 3.4.9.2 (a))											
M/s Bannari Amman Sugars Limited, Alaganchi Village, Nanjangud Taluk											
Sl. No.	**Month of production**	**TRS 1**	**TRS 2**	**AVG TRS**	**Molasses utilised for spirit production in MTs**	**Recovery rate per MT of molasses (RS in BL)**	**Total Reducible Sugar in Kgs**	**Spirit Output per KG of TRS in BL**	**Previously obtained good yield of RS per Kg of Reducing Sugar**	**Short production per Kg of reducible sugar w.r.t previous goods yield in BL**	**Short production of RS in BL**
54.	Dec-16	50.68	52.34	51.51	5128	269.53	2641432.8	0.523253516	0.523253516	0	0
		Total			**274788**		**141279236.6**				**662133.425**

Annexure II (g) (Paragraph 3.4.9.2 (a))

M/s Vijayanagar Sugars Private Limited (Distillery Unit)

Sl. No.	Month	TRS 1	TRS 2	AVG TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
1.	Mar-14	51.31	51.57	51.44	10615.000	275.84	5460356	0.536230287			
2.	Apr-14	51.57		51.57	10889.000	268.50	5615457.3	0.520646444	0.536230287	0.015583842	87510.40202
3.	May-14	51.57		51.57	12100.000	242.09	6239970	0.469439986	0.536230287	0.066790301	416769.4731
4.	Jun-14	51.57		51.57	13941.000	238.04	7189373.7	0.461592008	0.536230287	0.074638279	536602.4785
5.	Jul-14	51.31	51.57	51.44	11792.000	242.17	6065804.8	0.470774163	0.536230287	0.065456124	397044.0683
6	Aug-14	51.31	51.57	51.44	10871.000	249.99	5592042.4	0.485989886	0.536230287	0.0502404	280946.4485
7.	Sep-14	51.31	51.83	51.57	12442.000	237.25	6416339.4	0.460052140	0.536230287	0.076178147	488784.8473
8.	Oct-14	51.31	51.57	51.44	10263.000	227.07	5279287.2	0.441423599	0.536230287	0.094806688	500511.734
9.	Nov-14	51.05	51.83	51.44	877.000	218.19	451128.8	0.424157390	0.536230287	0.112072897	50559.31141
10.	Dec-14	51.05	51.31	51.18	12446.000	242.61	6369862.8	0.474034274	0.536230287	0.062196013	396180.0707
11.	Jan-15	50.8	51.05	50.925	11471.000	252.79	5841606.8	0.496398272	0.536230287	0.039832015	232682.9682
12.	Feb-15	51.05	51.31	51.18	11080.000	260.39	5670744	0.508779846	0.536230287	0.027450441	155664.4209
13.	Mar-15	51.05	51.57	51.31	11605.000	260.39	5954525.5	0.507490792	0.536230287	0.028739495	171130.0552
14.	Apr-15	51.31	51.57	51.44	10017.000	267.95	5152744.8	0.520905221	0.536230287	0.015325066	78966.15455
15.	May-15	50.14	51.57	50.855	11158.000	231.05	5674400.9	0.454325455	0.536230287	0.081904832	464760.853
16.	Jun-15	50.64	51.05	50.845	13266.000	239.87	6745097.7	0.471762976	0.536230287	0.064467311	434838.3078
17.	Jul-15	51.05	51.31	51.18	5853.000	242.71	2995565.4	0.474218751	0.536230287	0.062011536	185759.6116
18.	Sep-15	51.05	51.31	51.18	10960.000	277.25	5609328	0.541715349	0.541715349	0	0
19.	Nov-15	51	51.00	51	10556.000	280.24	5383560	0.549486397	0.549486397	0	0
20.	Jan-16	51	51.20	51.1	11549.000	279.83	5901539	0.547608566	0.549486397	0.001877831	11082.09099
21.	Feb-16	51	51.50	51.25	11298.000	271.66	5790225	0.530067794	0.549486397	0.019418602	112438.0773
22.	Mar-16	51.5	51.50	51.5	13201.000	258.22	6798515	0.501403434	0.549486397	0.048082962	326892.7413
23.	Apr-16	51.5	51.5	51.5	11769.000	261.22	6061035	0.507228482	0.549486397	0.042257915	256126.7033
		Total			**250019.000**						**5585250.818**

Annexure II (h) (Paragraph 3.4.9.2 (a))											
M/s J P Distilleries Private Limited											
Sl. No.	MONTH of Production	TRS 1	TRS 2	Avg TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
1.	Apr-12	51.83	52.37	52.1	2829	226.422	1473909	0.434591171	0.434591171	0	0
2.	May-12	51.83	52.37	52.1	3034	236.034	1580714	0.453040307	0.453040307	0	0
3.	Jun-12	52.1	52.64	52.37	4050	249.564	2120985	0.476540004	0.476540004	0	0
4.	Jul-12	51.57	52.37	51.97	3496	241.341	1816871.2	0.464385222	0.476540004	0.012154782	22083.67259
5.	Aug-12	51.57	52.37	51.97	695	288.53	361191.5	0.555185684	0.555185684	0	0
6.	Sep-12	51.31	51.57	51.44	2825	275.388	1453180	0.535357698	0.555185684	0.019827986	28813.63235
7.	Oct-12	50.64	51.83	51.235	2904	273.987	1487864.4	0.534765297	0.555185684	0.020420387	30382.76669
8.	Nov-12	51.31	51.57	51.44	2894	264.512	1488673.6	0.514214619	0.555185684	0.040971065	60992.54294
9.	Dec-12	51.31	51.57	51.44	2734	272.855	1406369.6	0.530433515	0.555185684	0.024752169	34810.6984
10.	Jan-13	51.31	51.83	51.57	2634	268.854	1358353.8	0.521337987	0.555185684	0.033847697	45977.14763
11.	Feb-13	51.87	52.1	51.985	2641	262.621	1372923.85	0.505186111	0.555185684	0.049999573	68645.60581
12.	Mar-13	51.31	51.83	51.57	2723	258.163	1404251.1	0.500606942	0.555185684	0.054578742	76642.25853
13.	Apr-13	51.31	51.83	51.57	2786	251.717	1436740.2	0.488107427	0.555185684	0.067078257	96374.02874
14.	May-13	51.57	52.1	51.835	3276	249.224	1698114.6	0.480802547	0.555185684	0.074383138	126311.0918
15.	Jun-13	51.57	52.1	51.835	3060	241.341	1586151	0.465594675	0.555185684	0.089591009	142104.8679
16.	Jul-13	51.57	52.1	51.835	3936	239.718	2040225.6	0.462463586	0.555185684	0.092722098	189173.9973
17.	Aug-13	51.31	51.83	51.57	3825	239.719	1972552.5	0.464841962	0.555185684	0.090343722	178207.734
18.	Sep-13	51.31	51.83	51.57	2614	236.48	1348039.8	0.458561179	0.555185684	0.096624505	130253.6785
19.	Nov-13	51.05	51.57	51.31	1773	234.517	909726.3	0.457059053	0.555185684	0.098126631	89268.37716
20.	Dec-13	51.31	51.57	51.44	2846	243.612	1463982.4	0.473584759	0.555185684	0.081600925	119462.3182
21.	Jan-14	51.31	51.57	51.44	1599	240.874	822525.6	0.468262053	0.555185684	0.086923631	71496.91188
22.	Apr-14	51.31	51.57	51.44	2163	277.745	1112647.2	0.539939736	0.555185684	0.015245948	16963.36184
23.	May-14	51.31	51.83	51.57	3487	268.537	1798245.9	0.520723289	0.555185684	0.034462395	61971.86108
24.	Jun-14	51.31	52.57	51.94	2697	258.728	1400821.8	0.49812861	0.555185684	0.057057074	79926.79326
25.	Jul-14	51.57	51.83	51.7	2658	259.721	1374186	0.502361702	0.555185684	0.052823982	72589.97642
26.	Aug-14	51.57	51.83	51.7	1857	250.891	960069	0.485282398	0.555185684	0.069903286	67111.9775
27.	Oct-14	51.31	51.57	51.44	3850	263.317	1980440	0.511891524	0.555185684	0.043294160	85741.48612

Annexure II (h) (Paragraph 3.4.9.2 (a))

M/s J P Distilleries Private Limited

Sl. No.	MONTH of Production	TRS 1	TRS 2	Avg TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
28.	Nov-14	50.8	51.05	50.925	2837	282.702	1444742.25	0.555134021	0.555185684	5.16634E-05	74.64034
29.	Jan-15	51.05	51.31	51.18	3896	281.534	1993972.8	0.550085971	0.555185684	0.005099713	10168.68894
30.	Feb-15	51.57	51.57	51.57	3355	260.964	1730173.5	0.506038394	0.555185684	0.049147290	85033.33812
31.	Mar-15	51.31	51.57	51.44	4054	255.587	2085377.6	0.496864308	0.555185684	0.058321376	121622.0914
32.	Apr-15	51.31	51.57	51.44	2494	258.817	1282913.6	0.503143468	0.555185684	0.052042216	66765.66659
33.	May-15	50.8	51.05	50.925	3918	261.264	1995241.5	0.513036819	0.555185684	0.042148865	84097.16502
34.	Jul-15	51.05	51.31	51.18	3971	252.877	2032357.8	0.494093396	0.555185684	0.061092288	124161.3884
35.	Sep-15	51.31	51.57	51.44	1681	252.806	864706.4	0.491458009	0.555185684	0.063727675	55105.72819
36.	Nov-15	50.08	51.39	50.735	2615	253.671	1326720.25	0.499992116	0.555185684	0.055193568	73226.42454
37.	Dec-15	50.03	51.31	50.67	4022	253.525	2037947.4	0.500345372	0.555185684	0.054840312	111761.6713
38.	Jan-16	50.02	51.28	50.65	3492	261.084	1768698	0.515466930	0.555185684	0.039718754	70250.48101
39.	Feb-16	51.18	51.18	51.18	3766	254.418	1927438.8	0.497104338	0.555185684	0.058081346	111948.2406
40.	Mar-16	51.38	51.41	51.395	3440	249.964	1767988	0.486358595	0.555185684	0.068827089	121685.4672
41.	May-16	56.37	54.03	55.2	3406	248.015	1880112	0.449302536	0.555185684	0.105883148	199072.1768
42.	Nov-16	50.89	51.03	50.96	634	258.506	323086.4	0.507272370	0.555185684	0.047913314	15480.13999
43.	Dec-16	50.04	51.04	50.54	4362	253.972	2204554.8	0.502516818	0.555185684	0.052668866	116111.4007
		Total			**127829**		**65895786.1**				**3261871.5**

Annexure III (a) (Paragraph 3.4.9.2 (b))									
M/s Sri Chamundeshwari Sugars Limited Distillery, Bharathi Nagar, Maddur									
SL. No.	Month of production	AVG TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
1.	Jul-12	51.44	5171	292.44	2659962.4	0.568507	0.569341	0.000834002	2218.412778
2.	Aug-12	51.89	5388	267.82	2795725.44	0.5161502	0.569341	0.05319083	148706.9577
3.	Sep-12	51.52	5372	247.25	2767761.84	0.4798921	0.569341	0.089448915	247573.2937
4.	Oct-12	51.31	6214	250.71	3188403.4	0.4886182	0.569341	0.080722797	257376.8402
5.	Nov-12	51.77	5002	243.21	2589410.35	0.4698121	0.569341	0.099528859	257721.0581
6.	Dec-12	51.57	5633	250.33	2904938.1	0.4854179	0.569341	0.083923121	243791.4728
7.	Jan-13	51.57	5238	269.01	2701236.6	0.5216405	0.569341	0.047700511	128850.3671
8.	Feb-13	50.64	2643	260.66	1338415.2	0.5147314	0.569341	0.054609562	73090.26838
9.	Mar-13	51.31	5552	257.08	2848731.2	0.5010329	0.569341	0.068308063	194591.3101
10.	Apr-13	51.57	5735	253.24	2957539.5	0.4910607	0.569341	0.078280306	231517.0965
11.	Jun-13	52.37	5403	250.08	2829551.1	0.4775253	0.569341	0.091815699	259797.2128
12.	Jul-13	51.05	5702	249.76	2910871	0.4892458	0.569341	0.080095163	233146.686
13.	Oct-13	51.31	5876	251.1	3014975.6	0.4893783	0.569341	0.079962711	241085.6231
14.	Nov-13	51.05	5138	267.06	2622949	0.5231342	0.569341	0.046206818	121198.1266
15.	Dec-13	51.05	5864	255.23	2993572	0.4999608	0.569341	0.069380177	207694.5561
16.	Jan-14	51.05	6313	241.48	3222786.5	0.4730264	0.569341	0.096314555	310401.2487
17.	Feb-14	51.31	5143	260.82	2638873.3	0.508322	0.569341	0.061019035	161021.5035
18.	Mar-14	51.05	5995	260.11	3060447.5	0.5095201	0.569341	0.059820922	183078.7901
19.	Jul-14	51.57	5648	254.89	2912673.6	0.4942602	0.569341	0.075080771	218685.7801
20.	Oct-14	51.57	4520	247.26	2330964	0.4794648	0.569341	0.089876195	209498.1747
21.	Nov-14	50.05	1053	240.18	527026.5	0.4798801	0.569341	0.08946088	47148.25454
22.	Dec-14	51.57	6435	240.18	3318529.5	0.4657359	0.569341	0.103605107	343816.6041
23.	Jan-15	51.05	6466	263.28	3300893	0.5157297	0.569341	0.053611323	176965.2415
24.	Feb-15	51.05	5450	272.38	2782225	0.5335553	0.569341	0.035785662	99563.76373
25.	Mar-15	51.31	5344	276.4	2742006.4	0.5386864	0.569341	0.030654584	84055.06578
26.	May-15	51.31	6038	264.91	3098097.8	0.5162931	0.569341	0.05304788	164347.5195
27.	Jul-15	51.31	6045	247.94	3101689.5	0.4832196	0.569341	0.086121355	267121.7016
28.	Aug-15	51.31	2815	267.22	1444376.5	0.5207952	0.569341	0.048545833	70118.46089

Annexure III (a) (Paragraph 3.4.9.2 (b))									
M/s Sri Chamundeshwari Sugars Limited Distillery, Bharathi Nagar, Maddur									
SL. No.	**Month of production**	**AVG TRS**	**Molasses utilised for spirit production in MTs**	**Recovery rate per MT of molasses (RS in BL)**	**Total Reducible Sugar in Kgs**	**Spirit Output per KG of TRS in BL**	**Previously obtained good yield of RS per Kg of Reducing Sugar**	**Short production per Kg of reducible sugar w.r.t previous goods yield in BL**	**Short production of RS in BL**
29.	Sep-15	51.05	5840	260.2	2981320	0.5096964	0.569341	0.059644624	177819.7101
30.	Mar-16	50.53	5593	255.03	2826142.9	0.5047101	0.569341	0.064630927	182656.2348
31.	May-16	50.56	5319	260.04	2689286.4	0.5143196	0.569341	0.05502138	147968.2483
32.	Jul-16	50.56	5494	257.7	2777766.4	0.5096915	0.569341	0.059649544	165692.4999
33.	Oct-16	51.47	4716	246.36	2427325.2	0.4786478	0.569341	0.090693244	220141.9967
34.	Dec-16	51.68	4287	244.72	2215521.6	0.4735294	0.569341	0.095811588	212272.6433
		Total	**178445**		**91521994.33**				**6290732.723798**

Annexure III (b) (Paragraph 3.4.9.2 (b))											
M/s Renuka Sugars Limited., Havalga, Afzalpur, Kalaburgi											
Sl. No.	Month of production	TRS 1	TRS 2	AVG TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
1.	May-12	51.83	52.1	51.965	12957	295.19	6733105.05	0.56658349	0.569341	0.00275751	18566.58241
2.	Nov-12	51.57	51.83	51.7	11202	263.9	5791434	0.50916458	0.569341	0.06017642	348507.7851
3.	Dec-12	51.57	51.83	51.7	14780	288.47	7641260	0.55656955	0.569341	0.01277145	97589.93708
4.	Feb-13	51.31	51.57	51.44	11599	283.32	5966525.6	0.54938918	0.569341	0.01995182	119043.0463
5.	Apr-13	51.83	52.1	51.965	10870	288.66	5648595.5	0.5540499	0.569341	0.0152911	86373.21588
6.	May-13	51.57	51.83	51.7	12486	273.29	6455262	0.5272815	0.569341	0.0420595	271505.1101
7.	Jun-13	51.31	51.57	51.44	7872	270.1	4049356.8	0.52375412	0.569341	0.04558688	184597.54
8.	Jan-14	51.31	51.57	51.44	14912	266.71	7670732.8	0.51718053	0.569341	0.05216047	400109.018
9.	Feb-14	51.31	51.57	51.44	15191	270.01	7814250.4	0.5235796	0.569341	0.0457614	357591.034
10.	Mar-14	51.57	51.83	51.7	10948	270.19	5660116	0.52130041	0.569341	0.04804059	271915.3394
11.	May-14	51.31	51.57	51.44	10369	278.19	5333813.6	0.53944154	0.569341	0.02989946	159478.1689
12.	Jun-14	51.83	52.1	51.965	10110	257.98	5253661.5	0.49516315	0.569341	0.07417785	389705.3263
		Total			**143296**		**74018113.25**				**2704982.1**

Annexure III (c) (Paragraph 3.4.9.2 (b))

M/s Core Green Sugar and Fuels Private Limited, Shahapura, Yadgir

Sl. No.	Month of production	TRS 1	TRS 2	AVG TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
1.	Sep-12	51.05	51.57	51.31	1794	248.13	920501.4	0.4835899	0.569341	0.085751057	78933.968
2.	Dec-12	51.05	51.57	51.31	4220	307.43	2165282	0.599162	0.569341	0	0
3.	Feb-13	51.31	52.1	51.705	4564	287.42	2359816.2	0.5558843	0.569341	0.013456656	31755.235
4.	Mar-13	51.31	51.83	51.57	5536	268.78	2854915.2	0.5211945	0.569341	0.048146507	137454.19
5.	May-13	51.57	51.83	51.7	1722	235.28	890274	0.455087	0.569341	0.114253959	101717.33
6.	Dec-13	51.31	51.31	51.31	2260	248.54	1159606	0.484389	0.569341	0.084951992	98510.84
7.	Mar-14	51.57	51.57	51.57	5990	238.55	3089043	0.4625751	0.569341	0.106765859	329804.33
8.	May-14	51.05	51.31	51.18	1462	241.32	748251.6	0.4715123	0.569341	0.097828691	73200.475
9.	Oct-14	51.31	51.57	51.44	3554	229.95	1828177.6	0.4470257	0.569341	0.122315339	223614.16
10.	Nov-14	51.57	51.83	51.7	1275	250.31	659175	0.4841586	0.569341	0.085182393	56150.104
11.	Jan-15	50.5	51.57	51.035	5113	251.74	2609419.55	0.4932693	0.569341	0.076071675	198502.92
12.	Feb-15	50.3	50.05	50.175	5336	250.32	2677338	0.4988939	0.569341	0.070447129	188610.78
13.	Mar-15	51.57	51.57	51.57	5342	252	2754869.4	0.4886562	0.569341	0.080684805	222276.1
14.	May-15	51.05	51.05	51.05	1274	249.69	650377	0.4891087	0.569341	0.080232283	52181.232
15.	Oct-15	51.05	51.05	51.05	5246	265.02	2678083	0.5191381	0.569341	0.0502029	134447.53
	Total				**54688**		**28045128.95**				**1927159.194**

Annexure III (d) (Paragraph 3.4.9.2 (b))									
M/s NSL Sugars. Limited, Distillery, Koppa, Maddur, Mandya Dist.									
SL. No.	Month of production	TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	TRS in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of TRS	Short production per Kg of TRS w.r.t previous goods yield in BL	Short production of RS in BL
1.	Apr-12	51.83	4211	250.42	2182561.3	0.483156473	0.569341	0.086184527	188103
2.	Jun-12	51.57	4261	252.4	2197397.7	0.48943184	0.569341	0.07990916	175592
3.	Aug-12	52.37	3728	259.01	1952353.6	0.494577048	0.569341	0.074763952	145966
4.	Sep-12	51.57	2947	236.57	1519767.9	0.458735699	0.569341	0.110605301	168094
5.	Nov-12	51.57	2584	261.24	1332568.8	0.506573589	0.569341	0.062767411	83642
6.	Jan-13	51.57	5238	263.6	2701236.6	0.511149893	0.569341	0.058191107	157188
7.	Mar-13	52.1	4256	258.88	2217376	0.496890595	0.569341	0.072450405	160650
8.	Apr-13	51.31	872	256.94	447423.2	0.500760086	0.569341	0.068580914	30685
9.	Jun-13	51.82	3048	259.84	1579473.6	0.50142802	0.569341	0.06791298	107267
10.	Jul-13	51.57	1089	260.26	561597.3	0.50467326	0.569341	0.06466774	36317
11.	Oct-13	51.31	2649	265.37	1359201.9	0.517189632	0.569341	0.052151368	70884
12.	Dec-13	51.05	5151	260.24	2629585.5	0.509774731	0.569341	0.059566269	156635
13.	Mar-14	51.05	5245	252.84	2677572.5	0.495279138	0.569341	0.074061862	198306
14.	Apr-14	51.31	5276	256.28	2707115.6	0.499473787	0.569341	0.069867213	189139
15.	May-14	51.31	5243	250.63	2690183.3	0.488462288	0.569341	0.080878712	217579
16.	Jul-14	51.31	4946	243.47	2537792.6	0.474507893	0.569341	0.094833107	240667
17.	Sep-14	51.31	3661	253.5	1878459.1	0.49405574	0.569341	0.07528526	141420
18.	Oct-14	51.31	2131	256.99	1093416.1	0.500857533	0.569341	0.068483467	74881
19.	Dec-14	51.57	6139	256.67	3165882.3	0.497711848	0.569341	0.071629152	226769
20.	Jan-15	51.31	6880	258.57	3530128	0.503936854	0.569341	0.065404146	230885
21.	Apr-15	51.05	6558	261.95	3347859	0.513124388	0.569341	0.056216612	188205
22.	Jul-15	51.31	6990	257.51	3586569	0.50187098	0.569341	0.06747002	241986
23.	Jun-16	47	7704	230.57	3620880	0.490574468	0.569341	0.078766532	285204
24.	Jul-16	45	3699	226.5	1664550	0.503333333	0.569341	0.066007667	109873

Annexure III (d) (Paragraph 3.4.9.2 (b))

M/s NSL Sugars. Limited, Distillery, Koppa, Maddur, Mandya Dist.

SL. No.	Month of production	TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	TRS in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of TRS	Short production per Kg of TRS w.r.t previous goods yield in BL	Short production of RS in BL
25.	Dec-16	50.03	5294	258.3	2648588.2	0.516290226	0.569341	0.053050774	140510
26.	Jan-17	50.58	3139	260.06	1587706.2	0.514155793	0.569341	0.055185207	87618
	Total		**112939**		**57417245**				**4054064**

Annexure III (e) (Paragraph 3.4.9.2 (b))											
M/s Sri Lakshmi Narasimha Distilleries											
Sl. No.	Month of production	TRS 1	TRS 2	Avg. TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Previously obtained good yield of RS per Kg of Reducing Sugar	Short production per Kg of reducible sugar w.r.t previous goods yield in BL	Short production of RS in BL
1.	Apr-12	51.83		51.83	1774	245.78	919464.2	0.474204129	0.569341	0.095136871	87475
2.	Jul-12	52.1		52.1	2774	241.48	1445254	0.463493282	0.569341	0.105847718	152977
3.	Sep-12	51.83		51.83	1716	233.54	889402.8	0.450588462	0.569341	0.118752538	105619
4.	Oct-12	51.31	51.57	51.44	749	234.64	385285.6	0.456143079	0.569341	0.113197921	43614
5.	Nov-12	52.1		52.1	2194	241.31	1143074	0.463166987	0.569341	0.106174013	121365
6.	Jan-13	51.05	51.31	51.18	2515	255.98	1287177	0.500156311	0.569341	0.069184689	89053
7.	Jul-13	50.1		50.1	1836	234.48	919836	0.468023952	0.569341	0.101317048	93195
8.	Jan-14	50.09	51.05	50.57	2436	245.38	1231885.2	0.485228396	0.569341	0.084112604	103617
9.	Feb-14	51.83		51.83	1961	249.56	1016386.3	0.481497202	0.569341	0.087843798	89283
10.	Oct-14	51.05		51.05	1101	233.11	562060.5	0.456630754	0.569341	0.112710246	63350
11.	Nov-14	51.05	51.31	51.18	1876	235.83	960136.8	0.460785463	0.569341	0.108555537	104228
12.	Feb-15	51.05		51.05	2293	248.62	1170576.5	0.487012733	0.569341	0.082328267	96372
13.	Apr-15	51.57		51.57	1860	247.98	959202	0.480860966	0.569341	0.088480034	84870
14.	Feb-16	50.02	50.18	50.1	2511	250.85	1258011	0.500698603	0.569341	0.068642397	86353
15.	Mar-16	51	51.5	51.25	2455	251.35	1258187.5	0.490439024	0.569341	0.078901976	99273
16.	Apr-16	51.02		51.02	1790	252.31	913258	0.494531556	0.569341	0.074809444	68320
17.	Jul-16	51		51	1970	249.89	1004700	0.489980392	0.569341	0.079360608	79734
	Total				**33811**		**17323897**				**1568697**

Annexure III(f) (Paragraph 3.4.9.2 (b))

M/s Bannari Amman Sugars Limited, Alaganchi Village, Nanjangud Taluk.

Sl No	Month of production	TRS 1	TRS 2	AVG TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Expected yield based on Average best yields RS in BLs	Short production per Kg of reducible sugar w.r.t expected yield in BL	Short production of RS in BL
1.	Apr-12	51.57	52.1	51.835	5292	260.31	2743108.2	0.5021896	0.569341	0.06715136	184203.45
2.	May-12	51.57	52.1	51.835	2888	260.08	1496994.8	0.5017479	0.569341	0.067593098	101186.52
3.	Jun-12	51.83	52.37	52.1	4548	259.11	2369508	0.4973345	0.569341	0.072006532	170620.05
4.	Jul-12	51.05	51.57	51.31	5076	259.58	2604495.6	0.5059003	0.569341	0.06344074	165231.13
5.	Aug-12	51.05	51.83	51.44	6816	262.36	3506150.4	0.5100252	0.569341	0.059315817	207970.17
6.	Sep-12	51.57	52.1	51.835	6281	263.90	3255756.35	0.5091094	0.569341	0.06023165	196099.58
7.	Oct-12	51.31	51.83	51.57	4850	262.63	2501145	0.5092692	0.569341	0.060071845	150248.4
8.	Nov-12	51.57	52.1	51.835	6533	266.79	3386380.55	0.5147003	0.569341	0.054640725	185034.29
9.	Dec-12	51.57	52.1	51.835	5402	265.31	2800126.7	0.5118408	0.569341	0.057500232	161007.94
10.	Jan-13	51.31	51.83	51.57	5879	262.09	3031800.3	0.5082132	0.569341	0.061127778	185327.21
11.	Mar-13	51.31	51.83	51.57	5504	259.77	2838412.8	0.503721	0.569341	0.065620047	186256.78
12.	Apr-13	51.31	51.57	51.44	5755	260.19	2960372	0.5058155	0.569341	0.063525515	188059.15
13.	May-13	51.31	51.57	51.44	3743	260.35	1925399.2	0.5061215	0.569341	0.063219464	121722.71
14.	Jun-13	51.31	51.83	51.57	5039	259.95	2598612.3	0.5040671	0.569341	0.065273887	169621.53
15.	Jul-13	51.31	51.57	51.44	6943	261.39	3571479.2	0.5081539	0.569341	0.061187124	218528.54
16.	Aug-13	51.31	51.83	51.57	5406	259.32	2787874.2	0.5028548	0.569341	0.066486172	185355.08
17.	Sep-13	51.57	51.83	51.7	6712	260.57	3470104	0.5040056	0.569341	0.065335356	226720.48
18.	Oct-13	51.57	51.83	51.7	5129	258.47	2651693	0.4999391	0.569341	0.069401904	184032.54
19.	Nov-13	51.31	51.83	51.57	5277	262.53	2721348.9	0.5090806	0.569341	0.060260375	163989.5
20.	Dec-13	51.05	51.57	51.31	5529	261.05	2836929.9	0.5087644	0.569341	0.060576578	171851.51
21.	Jan-14	51.83	52.1	51.965	6901	261.59	3586104.65	0.5033905	0.569341	0.065950504	236505.41
22.	Mar-14	51.31	51.57	51.44	5933	262.59	3051935.2	0.5104807	0.569341	0.058860306	179637.84
23.	Apr-14	51.05	51.31	51.18	4611	259.69	2359909.8	0.5074029	0.569341	0.061938132	146168.41
24.	May-14	51.31	51.57	51.44	5769	262.00	2967573.6	0.5093225	0.569341	0.060018502	178109.32

Annexure III(f) (Paragraph 3.4.9.2 (b))											
M/s Bannari Amman Sugars Limited, Alaganchi Village, Nanjangud Taluk.											
Sl No	Month of production	TRS 1	TRS 2	AVG TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Expected yield based on Average best yields RS in BLs	Short production per Kg of reducible sugar w.r.t expected yield in BL	Short production of RS in BL
25.	Jun-14	51.31	51.57	51.44	3576	261.01	1839494.4	0.5074117	0.569341	0.061929289	113918.58
26.	Jul-14	51.05	51.35	51.2	4317	262.21	2210304	0.5121359	0.569341	0.057205113	126440.69
27.	Aug-14	51.31	51.57	51.44	3602	262.67	1852868.8	0.5106384	0.569341	0.058702578	108768.18
28.	Sep-14	51.05	57.35	54.2	5203	263.11	2820026	0.4854519	0.569341	0.083889093	236569.42
29.	Oct-14	51.05	51.31	51.18	5284	261.43	2704351.2	0.5108109	0.569341	0.058530126	158286.02
30.	Nov-14	51.31	51.57	51.44	4894	261.15	2517473.6	0.5076717	0.569341	0.061669341	155250.94
31.	Dec-14	51.57	51.83	51.7	5801	264.11	2999117	0.510854	0.569341	0.058486972	175409.27
32.	Jan-15	51.31	51.57	51.44	5713	263.59	2938767.2	0.5124142	0.569341	0.056926815	167294.66
33.	Feb-15	51.31	51.57	51.44	3430	263.04	1764392	0	0.569341	0.569341	1004540.7
34.	Mar-15	51.05	51.31	51.18	6828	263.58	3494570.4	0.5150064	0.569341	0.054334635	189876.21
35.	Apr-15	51.05	51.31	51.18	5352	262.99	2739153.6	0.5138554	0.569341	0.055485552	151983.45
36.	May-15	51.31	51.37	51.34	5959	262.58	3059350.6	0.5114504	0.569341	0.057890629	177107.73
37.	Jun-15	51.37	51.57	51.47	4262	262.61	2193651.4	0.5102292	0.569341	0.059111799	129670.68
38.	Jul-15	51.05	51.31	51.18	5349	263.86	2737618.2	0.5155467	0.569341	0.053794311	147268.28
39.	Aug-15	50.39	51.05	50.72	4783	263.09	2425937.6	0.5187112	0.569341	0.050629801	122824.74
40.	Oct-15	50.56	51.06	50.81	4037	263.12	2051199.7	0.5178428	0.569341	0.051498198	105633.09
41.	Nov-15	50.13	51.19	50.66	6305	264.17	3194113	0.521449	0.569341	0.047892009	152972.49
42.	Dec-15	50.39	51.16	50.775	5206	264.08	2643346.5	0.5201059	0.569341	0.049235142	130145.54
43.	Jan-16	50.39	51.16	50.775	5487	264.09	2786024.25	0.5201197	0.569341	0.049221335	137131.83
44.	Feb-16	50.45	51.12	50.785	3048	263.81	1547926.8	0	0.569341	0.569341	881298.19
45.	Mar-16	50.47	51.13	50.8	6671	264.23	3388868	0.5201294	0.569341	0.049211564	166771.5
46.	Apr-16	50.48	51.12	50.8	5679	264.05	2884932	0.5197831	0.569341	0.049557865	142971.07
47	May-16	50.5	51.76	51.13	2465	262.60	1260354.5	0.513588	0.569341	0.055752958	70268.491

Annexure III(f) (Paragraph 3.4.9.2 (b))

M/s Bannari Amman Sugars Limited, Alaganchi Village, Nanjangud Taluk.

Sl No	Month of production	TRS 1	TRS 2	AVG TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Expected yield based on Average best yields RS in BLs	Short production per Kg of reducible sugar w.r.t expected yield in BL	Short production of RS in BL
48.	Jun-16	50.44	51.22	50.83	4199	265.06	2134351.7	0.5214581	0.569341	0.047882892	102198.93
49.	Jul-16	50.49	51.05	50.77	4158	262.94	2111016.6	0.5179102	0.569341	0.051430814	108571.3
50.	Aug-16	50.39	51.32	50.855	4535	263.45	2306274.25	0.5180446	0.569341	0.051296366	118303.49
51.	Sep-16	50.17	51.76	50.965	5689	263.52	2899398.85	0	0.569341	0.569341	1650746.6
52.	Oct-16	51.39	52.06	51.725	2627	265.52	1358815.75	0.5133338	0.569341	0.056007239	76103.518
53.	Nov-16	51.39	52.06	51.725	3385	267.37	1750891.25	0.5169007	0.569341	0.05244025	91817.175
54.	Dec-16	50.68	52.34	51.51	5128	269.53	2641432.8	0.5232535	0.569341	0.046087484	121736.99
	Total				**274788**		**141279237**				**11485367**

Annexure III (g) (Paragraph 3.4.9.2 (b))											
M/s Vijayanagar Sugars Distillery											
Sl.No.	Month	TRS 1	TRS 2	AVG TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Expected yield based on Average best yields RS in BLs	Short production per Kg of TRS w.r.t expected yield in BL	Short production of RS in BL
1.	Mar-14	51.31	51.57	51.44	10615.000	275.84	5460356	0.53623029	0.569341	0.033110713	180796.2819
2.	Apr-14	51.57		51.57	10889.000	268.50	5615457.3	0.52064644	0.569341	0.048694556	273442.1986
3.	May-14	51.57		51.57	12100.000	242.09	6239970	0.46943999	0.569341	0.099901014	623379.3307
4.	Jun-14	51.57		51.57	13941.000	238.04	7189373.7	0.46159201	0.569341	0.107748992	774647.7697
5.	Jul-14	51.31	51.57	51.44	11792.000	242.17	6065804.8	0.47077416	0.569341	0.098566837	597887.1918
6.	Aug-14	51.31	51.57	51.44	10871.000	249.99	5592042.4	0.48598989	0.569341	0.083351114	466102.9611
7.	Sep-14	51.31	51.83	51.57	12442.000	237.25	6416339.4	0.46005214	0.569341	0.10928886	701234.4215
8.	Oct-14	51.31	51.57	51.44	10263.000	227.07	5279287.2	0.4414236	0.569341	0.127917401	675312.6989
9.	Nov-14	51.05	51.83	51.44	877.000	218.19	451128.8	0.42415739	0.569341	0.14518361	65496.50776
10.	Dec-14	51.05	51.31	51.18	12446.000	242.61	6369862.8	0.47403427	0.569341	0.095306726	607090.7715
11.	Jan-15	50.8	51.05	50.925	11471.000	252.79	5841606.75	0.49639827	0.569341	0.072942728	426102.7344
12.	Feb-15	51.05	51.31	51.18	11080.000	260.39	5670744	0.50877985	0.569341	0.060561154	343426.7996
13.	Mar-15	51.05	51.57	51.31	11605.000	260.39	5954525.5	0.50749079	0.569341	0.061850208	368288.6418
14.	Apr-15	51.31	51.57	51.44	10017.000	267.95	5152744.8	0.52090522	0.569341	0.048435779	249577.2102
15.	May-15	50.14	51.57	50.855	11158.000	231.05	5674400.9	0.45432545	0.569341	0.115015545	652644.3142
16.	Jun-15	50.64	51.05	50.845	13266.000	239.87	6745097.7	0.47176298	0.569341	0.097578024	658173.3038
17.	Jul-15	51.05	51.31	51.18	5853.000	242.71	2995565.4	0.47421875	0.569341	0.095122249	284944.9186
18.	Sep-15	51.05	51.31	51.18	10960.000	277.25	5609328	0.54171535	0.569341	0.027625651	154961.3365
19.	Nov-15	51	51.00	51	10556.000	280.24	5383560	0.5494864	0.569341	0.019854603	106888.4473
20.	Jan-16	51	51.20	51.1	11549.000	279.83	5901539	0.54760857	0.569341	0.021732434	128254.8058
21.	Feb-16	51	51.50	51.25	11298.000	271.66	5790225	0.53006779	0.569341	0.039273206	227400.6968
22.	Mar-16	51.5	51.50	51.5	13201.000	258.22	6798515	0.50140343	0.569341	0.067937566	461874.5586
23.	Apr-16	51.5	51.5	51.5	11769.000	261.22	6061035	0.50722848	0.569341	0.062112518	376466.1479
		Total			**250019.000**						**9404394.049**

Annexure III(h) (Paragraph 3.4.9.2 (b))

M/s J P Distilleries Private Limited,

Sl.No.	MONTH	Despatch No/Date of Molasses sent for Chemical Analysis	TRS 1	TRS 2	Avg TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Expected yield based on Average best yields RS in BLs	Short production per Kg of reducible sugar w.r.t expected yield in BL	Short production of RS in BL
1.	Apr-12	17-05-2012	51.83	52.37	52.1	2829	226.422	1473909	0.434591171	0.569341	0.134749829	198608.986
2.	May-12	17-05-2012	51.83	52.37	52.1	3034	236.034	1580714	0.453040307	0.569341	0.116300693	183838.1335
3.	Jun-12	18-06-2012	52.1	52.64	52.37	4050	249.564	2120985	0.476540004	0.569341	0.092800996	196829.5209
4.	Jul-12	20-07-2012	51.57	52.37	51.97	3496	241.341	1816871.2	0.464385222	0.569341	0.104955778	190691.1299
5.	Aug-12	13-08-2012	51.57	52.37	51.97	695	288.53	361191.5	0.555185684	0.569341	0.014155316	5112.779802
6.	Sep-12	10-09-2012	51.31	51.57	51.44	2825	275.388	1453180	0.535357698	0.569341	0.033983302	49383.85438
7.	Oct-12	09-10-2012	50.64	51.83	51.235	2904	273.987	1487864.4	0.534765297	0.569341	0.034575703	51443.95736
8.	Nov-12	19-11-2012	51.31	51.57	51.44	2894	264.512	1488673.6	0.514214619	0.569341	0.055126381	82065.1881
9.	Dec-12	15-12-2012	51.31	51.57	51.44	2734	272.855	1406369.6	0.530433515	0.569341	0.038907485	54718.30443
10.	Jan-13	07-01-2013	51.31	51.83	51.57	2634	268.854	1358353.8	0.521337987	0.569341	0.048003013	65205.07485
11.	Feb-13	16-02-2013	51.87	52.1	51.985	2641	262.621	1372923.85	0.505186111	0.569341	0.064154889	88079.77668
12.	Mar-13	25-03-2013	51.31	51.83	51.57	2723	258.163	1404251.1	0.500606942	0.569341	0.068734058	96519.87653
13.	Apr-13	17-04-2013	51.31	51.83	51.57	2786	251.717	1436740.2	0.488107427	0.569341	0.081233573	116711.5402
14.	May-13	15-05-2013	51.57	52.1	51.835	3276	249.224	1698114.6	0.480802547	0.569341	0.088538453	150348.4405
15.	Jun-13	11-06-2013	51.57	52.1	51.835	3060	241.341	1586151	0.465594675	0.569341	0.103746325	164557.3365
16.	Jul-13	20-07-2013	51.57	52.1	51.835	3936	239.718	2040225.6	0.462463586	0.569341	0.106877414	218054.0353
17.	Aug-13	29-08-2013	51.31	51.83	51.57	3825	239.719	1972552.5	0.464841962	0.569341	0.104499038	206129.8379
18.	Sep-13	29-08-2013	51.31	51.83	51.57	2614	236.48	1348039.8	0.458561179	0.569341	0.110779821	149335.6078
19.	Nov-13	12-11-2013	51.05	51.57	51.31	1773	234.517	909726.3	0.457059053	0.569341	0.112281947	102145.8404
20.	Dec-13	28-12-2013	51.31	51.57	51.44	2846	243.612	1463982.4	0.473584759	0.569341	0.095756241	140185.4516
21.	Jan-14	10-01-2014	51.31	51.57	51.44	1599	240.874	822525.6	0.468262053	0.569341	0.101078947	83140.02163
22.	Apr-14	05-04-2014	51.31	51.57	51.44	2163	277.745	1112647.2	0.539939736	0.569341	0.029401264	32713.2345
23.	May-14	09-05-2014	51.31	51.83	51.57	3487	268.537	1798245.9	0.520723289	0.569341	0.048617711	87426.59995
24.	Jun-14	12-06-2014	51.31	52.57	51.94	2697	258.728	1400821.8	0.49812861	0.569341	0.071212390	99755.86843
25.	Jul-14	22-07-2014	51.57	51.83	51.7	2658	259.721	1374186	0.502361702	0.569341	0.066979298	92042.01343
26.	Aug-14	26-08-2014	51.57	51.83	51.7	1857	250.891	960069	0.485282398	0.569341	0.084058602	80702.05753
27.	Oct-14	30-10-2014	51.31	51.57	51.44	3850	263.317	1980440	0.511891524	0.569341	0.057449476	113775.24

Annexure III(h) (Paragraph 3.4.9.2 (b))												
M/s J P Distilleries Private Limited,												
Sl.No.	MONTH	Despatch No/Date of Molasses sent for Chemical Analysis	TRS 1	TRS 2	Avg TRS	Molasses utilised for spirit production in MTs	Recovery rate per MT of molasses (RS in BL)	Total Reducible Sugar in Kgs	Spirit Output per KG of TRS in BL	Expected yield based on Average best yields RS in BLs	Short production per Kg of reducible sugar w.r.t expected yield in BL	Short production of RS in BL
28.	Nov-14	29-11-2014	50.8	51.05	50.925	2837	282.702	1444742.25	0.555134021	0.569341	0.014206979	20525.42336
29.	Jan-15	08-01-2015	51.05	51.31	51.18	3896	281.534	1993972.8	0.550085971	0.569341	0.019255029	38394.00392
30.	Feb-15	16-02-2015	51.57	51.57	51.57	3355	260.964	1730173.5	0.506038394	0.569341	0.063302606	109524.4907
31.	Mar-15	09-03-2015	51.31	51.57	51.44	4054	255.587	2085377.6	0.496864308	0.569341	0.072476692	151141.2702
32.	Apr-15	29-04-2015	51.31	51.57	51.44	2494	258.817	1282913.6	0.503143468	0.569341	0.066197532	84925.71394
33.	May-15	26-06-2015	50.8	51.05	50.925	3918	261.264	1995241.5	0.513036819	0.569341	0.056304181	112340.4389
34.	Jul-15	21-07-2015	51.05	51.31	51.18	3971	252.877	2032357.8	0.494093396	0.569341	0.075247604	152930.0552
35.	Sep-15	04-09-2015	51.31	51.57	51.44	1681	252.806	864706.4	0.491458009	0.569341	0.077882991	67345.92048
36.	Nov-15	23-11-2015	50.08	51.39	50.735	2615	253.671	1326720.25	0.499992116	0.569341	0.069348884	92006.56886
37.	Dec-15	11-12-2015	50.03	51.31	50.67	4022	253.525	2037947.4	0.500345372	0.569341	0.068995628	140609.4607
38.	Jan-16	21-01-2016	50.02	51.28	50.65	3492	261.084	1768698	0.51546693	0.569341	0.05387407	95286.96002
39.	Feb-16	17-02-2016	51.18	51.18	51.18	3766	254.418	1927438.8	0.497104338	0.569341	0.072236662	139231.7458
40.	Mar-16	24-03-2016	51.38	51.41	51.395	3440	249.964	1767988	0.486358595	0.569341	0.082982405	146711.8959
41.	May-16	11-05-2016	56.37	54.03	55.2	3406	248.015	1880112	0.449302536	0.569341	0.120038464	225685.7562
42.	Nov-16	21-11-2016	50.89	51.03	50.96	634	258.506	323086.4	0.50727237	0.569341	0.06206863	20053.53006
43.	Dec-16	03-12-2016	50.04	51.04	50.54	4362	253.972	2204554.8	0.502516818	0.569341	0.066824182	147317.5704
		Total				**127829**		**65895786.1**				**4843550.512**

Annexure IV

Details of EALs not issued from MCA (Paragraph 3.4.11.2)

Place of recovery of the bottle	Bottle/pack size	(i) Month code, (ii) Month & Year and (iii) No. on the EAL (iv) No. of bottles	Remarks on verification with M/s MCA database relating to issue of labels
Mangaluru Range II	375 ml	(i) "ANK" (ii)"09/14" (iii) "0182490098", "0182490101" and 0182490111" (iv) **3 bottles**	EAL No. "0182490098", "0182490101" and "0182490111" were part of the EAL numbers "179760001" to "182256000" with month code "KMT" and Month-Year "08/14".
Udupi Range	180 ml	(i) "HNR", (ii) "07/14" (iii) "2555610726" and "2555595074" (iv) **2 bottles**	EAL Nos. found on the bottles were part of the EAL numbers. "2541888001" to "2558496000" with month code "KMT" and Month-Year "08/14".
Periyapatna Range	180 ml	(i) "GLX", (ii) "10/13" (iii) from "1232018355" to "1232018389" (iv) **35 bottles**	EAL Nos. found on the bottles were part of the EAL numbers "1208736001" to "1243296000" with month code "PNR" and Month-Year "11/14".

ANNEXURE V

Violations of license conditions by retail licensees (Paragraph 3.4.12)

Sl. No.	Name of the licencee	Business name	Location of business	Range	Class	2012-13	2013-14	2014-15	2015-16	2016-17	No. of offences committe in each licence	Total no. of offences committed by a single licencee
1.	G Dayanand	Balaji Bar and Restaurant	R K Puram	Subashnagar	CL-9	1	5	2	2	2	12	91
	G Dayanand	GD Bar and Restaurant	Dhanwantri Road	Subashnagar	CL -9	2	3	2	2	3	12	
	G Dayanand	Rajini Bar and Restaurant	R K Puram	Subashnagar	CL-9	2	4	4	2	4	16	
	G Dayanand	Shobha Wines	WoC Road	Rajajinagar	CL-2	4	4	2	1	3	14	
	G Dayanand	GD Bar and Restaurant	WoC Road	Rajajinagar	CL-9	0	1	1	2	1	5	
	G Dayanand	Santhosh Bar and Restaurant	Manjunathanagar	Rajajinagar	CL-9	1	2	1	1	1	6	
	G Dayanand	Swekar Bar and Restaurant	2nd Block	Rajajinagar	CL-9	4	6	0	0	0	10	
	G Dayanand	Chandrashekar Bar and Restaurant	WoC Road	Rajajinagar	CL-9	4	5	0	3	4	16	
2.	K NandaKumar	Samrath Wines		Mandya	CL-2	2	2	6	3	3	16	69
	K NandaKumar	Raghavendra Wines		Mandya	CL-2	2	2	4	3	2	13	
	K NandaKumar	Anuradha Bar and Restaurant		Mandya	CL-9	1	0	0	0	3	4	
	K NandaKumar	Quality Bar and Restaurant		Mandya	CL-9	2	1	7	3	3	16	
	K Nandakumar	Mahalakshmi Bar and Restaurant		Mysuru-2	CL-9	1	1	1	1	2	6	
	K Nandakumar and Partners	Swathi Enterprises (Gokul wines)		Mandya	CL-2	3	2	4	2	3	14	
3.	MK Potaraju	Kabani Wines		H.D.Kote	CL-2	0	0	0	1	0	1	53
	MK Potaraju	AdiBairaveshwara Wines		Mysuru-2	CL-2	0	0	1	2	2	5	
	MK Potaraju	MKP Wines		Periyapatna	CL-2	0	0	1	2	3	6	
	MK Potaraju	Balaji Wines	Kampalapura	Periyapatna	CL-2	0	1	2	1	0	4	
	MK Potaraju	Shiva Wines		Periyapatna	CL-2	0	0	2	2	2	6	
	MK Potaraju	Chamundeshwari Wines		Periyapatna	CL-2	0	1	2	3	2	8	
	MK Potaraju	Balaji Wines	Bylukoppa	Periyapatna	CL-2	0	1	1	2	1	5	
	MK Potaraju	Balaji Wines	Kangalu	Periyapatna	CL-2	0	2	2	1	2	7	
	MK Potaraju	Balaji Bar and Restaurant		Periyapatna	CL-9	0	2	1	2	2	7	
	MK Potaraju	Renuka Bar and Restaurant		Periyapatna	CL-9	0	0	1	1	2	4	

Sl. No.	Name of the licencee	Business name	Location of business	Range	Class	2012-13	2013-14	2014-15	2015-16	2016-17	No. of offences committe in each licence	Total no. of offences committed by a single licencee
4.	S N Subba Reddy	Bhagini Grand Bar and Restaurant	Hunsamaranahalli	Yelahanka	CL-9	3	0	0	2	0	5	52
	SN Subba Reddy	House of Spirit	Marathalli	Viveknagar	CL-2	0	1	0	0	2	3	
	SN Subba Reddy	Srinivasa Wines	Marathalli	Viveknagar	CL-2	1	1	1	0	4	7	
	SN Subba Reddy	Mayuri Wines	Varthur	Viveknagar	CL-2	1	1	1	1	2	6	
	SN Subba Reddy	Bhagini Palace	Varthur	Viveknagar	CL-9	2	2		2	1	7	
	SN Subba Reddy	Ganguras Bar and Restaurant	Murgeshpalya	Viveknagar	CL-9	2	1	2	2	2	9	
	SN Subba Reddy	Bhagini Bellandur Bar and Restaurant	Bellandur	Viveknagar	CL-9	2	1	1	0	2	6	
	SN Subba Reddy	Bhaginig Enterprises Bar and Restaurant	Kadubeesanahalli	Viveknagar	CL-9	0	1	0	0	1	2	
	SN Subba Reddy	Lemongrass Bar and Restaurant	Koramangala	Viveknagar	CL-9	3	2	1		1	7	
5.	N Leelakumar	Bheema Wines		K.R.Pet	CL-2	1	1	2	1	1	6	37
	N Leelakumar	Guru Wines		K.R.Pet	CL-2	1	1	1	1	2	6	
	N Leelakumar	Kruthika Wines		K.R.Pet	CL-2		1	1	1	1	4	
	N Leelakumar	Kruthika Bar		Mandya	CL-9	1	1	1	1	2	6	
	N Leelakumar	Kruthika Bar and Restaurant	Chikk Mandya	Mandya	CL-9	3	1	2	2	2	10	
	N Leelakumar/ B Nagendra Kumar	L N Traders/Samruddi Wines		K.R.Pet	CL-2	0	1	1	2	1	5	
6.	Sachin Narayan	Bhyrava Wines		K.R.Pet	CL-2	0	1	1	1	2	5	28
	Sachin Narayan	Srinidhi Wines		K.R.Pet	CL-2	0	1	1	2	2	6	
	Sachin Narayan	Vinayaka Wines		K.R.Pet	CL-2	1	1	1	2	1	6	
	Sachin Narayan	Sachin wines		Mandya	CL-2	2	2	2	2	3	11	
7.	Sowbhaya/ H.P.Narayan	Brindavana Bar and Restaurant		Mandya	CL-9	0	1	2	3	3	9	27
	Sowbhaya/ Nandakishore	Rajalakshmi Wines		Mandya	CL-2	2	3	3	2	2	12	
	Sowbhaya/ H.P.Narayan	Mayura Bar and Restaurant		Mandya	CL-9	0	1	1	2	2	6	

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8.	K Shylaja	Chakra Wines		Mandya	CL-2	2	3	2	2	3	12	24
	K Shylaja / Chandrashekar	Usha wines		Mandya	CL-2	1	2	2	3	4	12	
9.	N Jayaram	Guru Wines	Sarakki Thotta	JP Nagar	CL-9	3	2	2	1	2	10	22
	N Jayaram	Guru Wines	Vidyanagar	Yelahanka	CL-2	1	3	1	0	0	5	
	N Jayaram	Rekha Wines	Jala	Yelahanka	CL-2	1	2	3	1	0	7	
10.	NV Krishnappa	Ragavendra Wines	DB Kuppe Village	H.D.Kote	CL-2	0	0	0	0	2	2	23
	NV Krishnappa	J.K. Bar		H.D.Kote	CL-9	1	0	1	3	1	6	
	NV Krishnappa	Guru Wines		H.D.Kote	CL-2	2	0	2	2	2	8	
	NV Krisnappa	Ragavendra Wines		H.D.Kote	CL-2	1	1	3	1	1	7	