

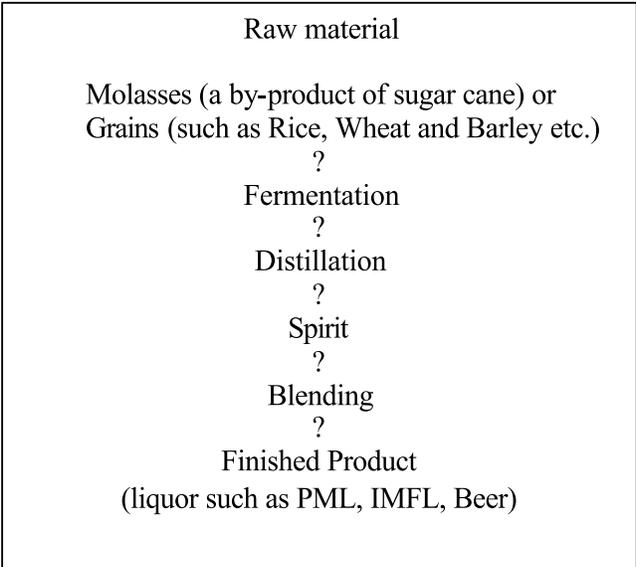


Outer view of Distilleries for grains spirit

CHAPTER-III
Production of Liquor

3.1 Production Process

A flow chart showing the process involved in production of liquor is given below:



3.2 Non-fixation of norms for production of spirit from grains

The Punjab Distillery Rules, 1962 had fixed the minimum norm of 36.61 Proof litres (PL) of spirit to be extracted from one quintal of molasses. However, no norms have been fixed under the rules for production of spirit from grains. The Technical Excise Manual stipulates that 7.7 gallons of alcohol is to be obtained from 220 pounds (one quintal) of rice which is equivalent to 61.2 P L per quintal of rice.

During test check of records in three¹¹ distilleries for the period 2005-06 to 2008-09, we noticed that all the Distilleries, in addition to molasses, were using rice grain as raw material for production of spirit. It was observed that the yield of spirit from grains varied from month to month and from distillery to distillery. In the case of M/s Piccadily Sugar and Allied Industries Limited, Patran, there was a minimum yield of 38 P.L. per quintal of grains in the month

¹¹ M/s Chandigarh Distillers and Bottlers Ltd. Banur, M/s Jagatjit Industries Ltd. Hamira; and M/s A..B Sugar Ltd., Dasuya.

of October 2009 and maximum yield of 72.42 P.L. in the month of September 2009 was observed in the case of M/s. Chandigarh Distillers and Bottlers Limited, Banur.

We further noticed during the review of records for the period 2005-06 to 2008-09 of three distilleries, that the yield of spirit was less than the above mentioned minimum benchmark of 61.2 P.L. of spirit from one quintal of grains as 4,482.48 lakh P.L. of spirit was produced from 78.00 lakh quintals of grains against the normative yield of 4,774.51 lakh P.L. Had the norms been adopted/fixed by the Government, the Department could have gained additional revenue of ₹ 73.01 crore from these three Distilleries.

The Department agreed in principle to fix the norms for production of spirit from grains.

3.3 Excess allowance of wastage/breakage

As per Rule 38(15J) of the Punjab Liquor License Rules 1956, a licensee holding a license in form L-13 for the wholesale vend of country spirit (PML) of any kind shall be allowed wastage allowance due to breakage or leakage in transit of bottles and pouches upto 0.25 *per cent* of the quantity dispatched from the distillery to the premises of the Licensee. The breakage shall be allowed automatically without applying for the same.

Test check of records for the years 2006-07 to 2009-10 in eight out of 12 selected offices of the AETCs¹² revealed that the L-13 licensees were allowed 2.04 lakh P.L. of wastage on 417.14 lakh P.L. of liquor **at the rate of 0.5 *per cent*** towards the breakage and leakage in transit of bottles and pouches against the **permissible wastage of 1.04 lakh P.L. at the rate of 0.25 *per cent***. Thus, there was excess allowance of wastage of one lakh P.L. of PML resulting in loss of excise duty of ₹ 1.39 crore.

We reported the matter to which the Department replied (March 2011) that the concerned quarter had been asked to expedite the reply. Final reply is awaited (September 2011).

3.4 Sub normal yield of spirit from Molasses

The Punjab Distillery Rules 1932 envisage that one quintal of molasses should yield 36.61 proof litre of spirit.

We found (between November 2010 and March 2011) from the records of five¹³ distilleries that 130.40 lakh proof litres of spirit was produced during 2009-2010 from 3.70 lakh quintal of molasses as against the envisaged yield of 135.33 lakh proof litres of spirit. Had the

¹² Faridkot, Nawanshahar, Kapurthala, Mansa, Bathinda, Barnala, Patiala, Ferozepur.

¹³ Chandigarh Distillers and Bottlers Ltd Banur, Piccadilly Sugar and Allied Industries Ltd, Patran, Jagtjit Industries Ltd., Hamira, A.B Sugar Ltd. Dasuya, Patiala Distillers and Manufactures Ltd. Patiala.



Outerview of Distilleries for molasses spirit

prescribed norms for yield of spirit been achieved, the Government would have earned additional excise duty of ₹ 2.07 crore. Similar deficiency of less yield of spirit from molasses had been pointed out in the previous Audit Reports.

The Department replied that the issue was discussed by the Public Accounts Committee on 11 November 2010. On the basis of reply of the Department, the PAC had directed that the Government should issue a notification fixing the revised norms for yield of spirit from molasses. The Department stated that the same has been notified (18 March 2011). According to the new notified norms the output of spirit would depend upon the fermentable sugar present in molasses. Therefore, samples need to be drawn from each distillery to arrive at the fermentable sugar content. The Department further stated that procedure for ensuring the norms of yield of spirit from molasses was under consideration of the Department.

3.5 Deficient excise control mechanism

3.5.1 Issue of No Objection Certificates for import of molasses

The ETC is empowered to issue ‘no objection certificate’ for import of molasses. The excess issue of no objection certificates is fraught with the risk of manufacturing of more liquor than the allotted quota.

During test check of records in the office of the ETO, incharge of Patiala Distillers and Manufacturers Limited. Patiala for the period 2005-06 to 2009-10, it was noticed that against the total production

capacity of 438.00 lakh PL of spirit (requiring 11.96 lakh quintals of molasses calculated at the rate of 36.61 PL spirit per quintal) per year, the ETC issued No Objection Certificate for import of molasses far in excess of the actual requirement by not comparing the actual quantity lifted by the licensee from time to time, as detailed below:-

(Quantity in lakh quintals)

Year	Total capacity of Plant (In lakh Proof Litres)	Quantity of molasses required	NOC granted by the ETC	Quantity lifted by the distillery	Excess issue of NOC	Percentage of excess issue of NOC
2005-06	438.00	11.96	25.00	3.80	21.20	558
2006-07	438.00	11.96	25.00	11.22	13.73	122
2007-08	438.00	11.96	38.50	12.66	25.84	204
2008-09	438.00	11.96	30.50	6.85	23.65	345
2009-10	438.00	11.96	25.50	1.65	23.85	1445

The Department agreed, in the Exit Conference, to keep in view the actual import of molasses made by the distillery during the previous year, while deciding the NOC for the subsequent year.