



PREFACE

This Report of the Comptroller and Auditor General of India contains the results of the observations arising out of performance audit of “Functioning of the Prohibition and Excise Department”. The Report has been prepared for submission to the Governor under Article 151(2) of the Constitution of India.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971. The Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts for the years 2005-06 to 2009-10. For the purpose of comparison of auctions for shops/retail licenses allotted by the Excise Department, records relating to auction cycle 2010-12, were also referred to wherever necessary.





EXECUTIVE SUMMARY

Background

The Prohibition and Excise Department (the Department) plays the dual role of enforcing prohibition of arrack and procuring revenue through regulation of Indian Made Foreign Liquor (IMFL) and Toddy. Duty paid on manufacture and the license fee fetched through auction of liquor sales outlets constituted over 94 *per cent* of the revenue receipts of the Department. Though the recent recession had affected several sectors of the economy, liquor trade in the State was on a rise and revenue on this account became the second largest source of the tax receipts of the State. The Excise Revenues increased from ₹ 2,684.57 crore in 2005-06 to ₹ 5,848.59 crore in 2009-10.

Considering the multifarious activities of the Department and the magnitude of revenues handled, a need was felt to review the functioning of the Department with regard to adequacy of the systems and procedures that govern the entire spectrum of licensing, manufacture and sale of liquor and the monitoring mechanism in place, with a focus on levy, assessment and collection of revenue at various stages of the supply chain.

Our audit conducted between September 2010 and January 2011 for the period 2005-06 to 2009-10 involved verification of the records of selected sugar factories, distilleries, excise districts and administrative offices. These units were statistically selected considering their revenue potential and the risk perceived. While comparing the Department's performance against the stipulated norms and best practices followed within the Department, comparison was also made with the best practices followed in other States of the country to the extent available.

The Report

The Report is spread over five chapters. While the first focuses on the Introductory issues, Audit Methodologies and Analysis of Tax incidence, Trends of Revenue etc., the Chapters II, III and IV deal with the audit findings on Manufacture of IMFL, Licensing and Sale of IMFL and Monitoring and Control mechanism, respectively. Chapter V of the Report narrates the Audit Conclusions with suitable Recommendations.

Audit Findings

The findings are summarised below, focus area wise.

Manufacture of Indian Made Foreign Liquor

Distilleries were licensed to produce liquor by charging license fee. Quantum of Excise duty collected is directly linked to the quantum of liquor produced by them. We noted that two distilleries failed to commence/expand production within the stipulated time period, which was neither monitored nor addressed by the Department. Further, none of the State distilleries were able to utilise their licensed capacities to the maximum for manufacture of RS during the period of audit. Increase in production from domestically produced RS would have increased excise duty on IMFL. Distilleries were to pay





additional license fee for additional production but we noted that in three cases the same was not collected from them. Six distilleries checked by us did not maintain fermentable sugar levels of molasses within the prescribed limit of 95 *per cent* as stipulated in the Act, which led to short yield of alcohol and consequent revenue loss in the form of Excise Duty. We noted that during the period of audit, the IMFL distilleries had exceeded their capacity production in the years 2005-06, 2006-07 and 2009-10 using domestically produced RS/imported RS as raw material.

On completion of production, contrary to the norms, nine distilleries did not affix Holograms for identification of goods produced. Though the Government decided to introduce Holographic EAL in place of paper based labels, we noted that this important internal control measure has not been addressed effectively and implemented.

Licensing and Sale

The sales outlets are auctioned biannually and their number remained fixed over a period of time. Their license fee was fixed by raising the fee fetched in the previous cycle by a fixed *per cent* (say 10 or 15 *per cent*) uniformly throughout the State. We noted significant differences between the price fetched in auctions and the value of liquor lifted by the leaseholders and the margins (111 *per cent*) they maintained suggesting a review of the policy to incorporate the element of their sales potential in the license fee fixed before auctioning them. This is on the principle of 'more sales more license fee' and that the Government also gets increased excise revenue on sales. We noted that there was no system of issuing receipts to the customers. We noted from a sample of 20 bottles that 15 *per cent* cases of sale of bottles were not supplied by the Government depot and 35 *per cent* illegal movement of bottles from one outlet to another outlet, which had ramifications in the form of loss of license fee, besides the social issues attached with unauthorised sales. In this backdrop, red flags like outlets located even in small villages fetching record breaking amounts in the auction pointed towards possible crime in future in the form of loose sales and sale through unlicensed outlets. Bars and sales outlets were granted licenses notwithstanding their proximity to religious/educational institutes/National Highways/ Hospitals in violation of Rules.

Monitoring and Control Mechanism

The crime rate in the State, going by the trend of detection, was clearly on a rise. Sale of liquor through unlicensed shops was the most worrying issue with 351 *per cent* rise in the cases detected over a period of five years. The Enforcement Wing's action was either based on a tip-off received from the public or pursuing those cases detected during their routine patrolling operation. The Department booked 2531 offence cases for MRP violations, loose sales and running of bars (for violation of timings and dilution of liquor) and suspended 60 licenses. There was no system of recording complaints received from the public by post and for monitoring them suitably at an appropriate level. We noted several cases of liquor tragedies, which increased since disbanding *Madya Vimochana Prachara Committee*, a committee constituted in 2007 to educate the masses about evils of drinking. The Committee was quite effective during its tenure but it was not renewed.

To address all these challenges, the Department was ill equipped both in terms of the size and the quality of manpower. While the shortages in certain key cadres was certainly a concern, lack of internal audit, absence of supervision targets for inspection of sub-ordinate offices and untrained work force adds to the woes of Enforcement wing in general and crime prevention and detection in particular.





Recommendations

In the last chapter of the report, suitable recommendations are given which would help the Department in generation of additional revenues, prevent leakage of revenue and improve monitoring and control. We recommend that the Government may:

1. monitor closely the manufacture of RS by the State Distilleries commensurate with the licensed capacity.
2. expedite the process of introduction of bar coding system for Excise Adhesive Labels (EALs).
3. consider the factor of sales potential of the sales outlets while determining their upset prices based on the material lifted by them in the previous cycles or alternatively introduce a system of charging additional licence fee for the goods lifted by the outlets beyond specified limits.
4. computerise the entire process of dispatch of liquor bottles from the Distilleries to the marketing depots and to the Sales outlets in order to trace and track their movement using their identification numbers so as to prevent and monitor unauthorised sales.
5. carry out a Statewide review of the liquor shops operating near the Educational/Religious Institutions and hospitals, ignoring the distance limits prescribed in the Act. Enforce condition of grant of license strictly so as to ensure that outlets are not permitted near Educational/Religious Institutions.



CHAPTER

1

GENERAL





1.1 Introduction

The consumption of alcohol is perhaps as old as civilisation itself. Throughout the history of the world, this has been associated with revelry and feasting. India is one of the leading consumers of alcohol in the world. The reality about alcohol consumption is that the developed countries are consuming less and in contrast, consumption in developing countries is increasing (WHO, 2004). The future market for alcohol is in the developing world, particularly in Asia. According to a report published by market research firm International Wine and Spirit Record (IWSR), the total consumption of spirits in the country stood at 200 million cases¹ in 2009 and it was expected to increase by 8 per cent in 2010.

1.2 Legislative provisions

India's Constitution declares that the State shall endeavour to bring about prohibition of the consumption of intoxicating drinks. Conversely, the State Governments, under another constitutional provision, levy Excise Duty on goods like liquors, opium, Indian hemp and other narcotic drugs and countervailing duties on similar goods manufactured elsewhere and brought into the State. Therefore, since independence successive governments have followed different policies on alcohol and the deregulation of this sector is being generally encouraged due to its potential for significant contribution to the exchequer of the State.

1.3 Prohibition

The Directive Principles of State policy spell out the policy of "Prohibition" in the Constitution of India. Article 47 of the Constitution of India says "the State shall regard the raising of the level of nutrition and standard of living of its people as among its primary duties and in particular, the state shall endeavour to bring about prohibition of the use except for medicinal purposes, of intoxicating drinks and of drugs which are injurious to health".

The Andhra Pradesh State had introduced prohibition for the first time in 1948 and it was relaxed subsequently in 1969. It was reintroduced in 1995 and relaxed again in 1997.

1.4 Activities of the Department

The Department deals with regulation, possession, production, manufacture, selling, buying and transport of liquor. Excise Revenue is the second largest source of tax revenue for the State. The Department plays a dual role of enforcing prohibition of arrack and procuring revenue through regulation of Indian Made Foreign Liquor (IMFL) and Toddy. The Department, along with other State and Central Government agencies also enforces the law relating to Narcotics and Psychotropic substances. The Department is responsible for control of Excise related crimes through detection, prevention, investigation, prosecution of offences under the law and prevention of illicit trafficking in Narcotic Drugs and Psychotropic Substances under Narcotic Drugs and Psychotropic Substances Act, 1985.

To handle these functions, the Department has a chain of functionaries both at its Headquarters at Hyderabad and field formation as detailed below.

¹ One case is = 9 liters



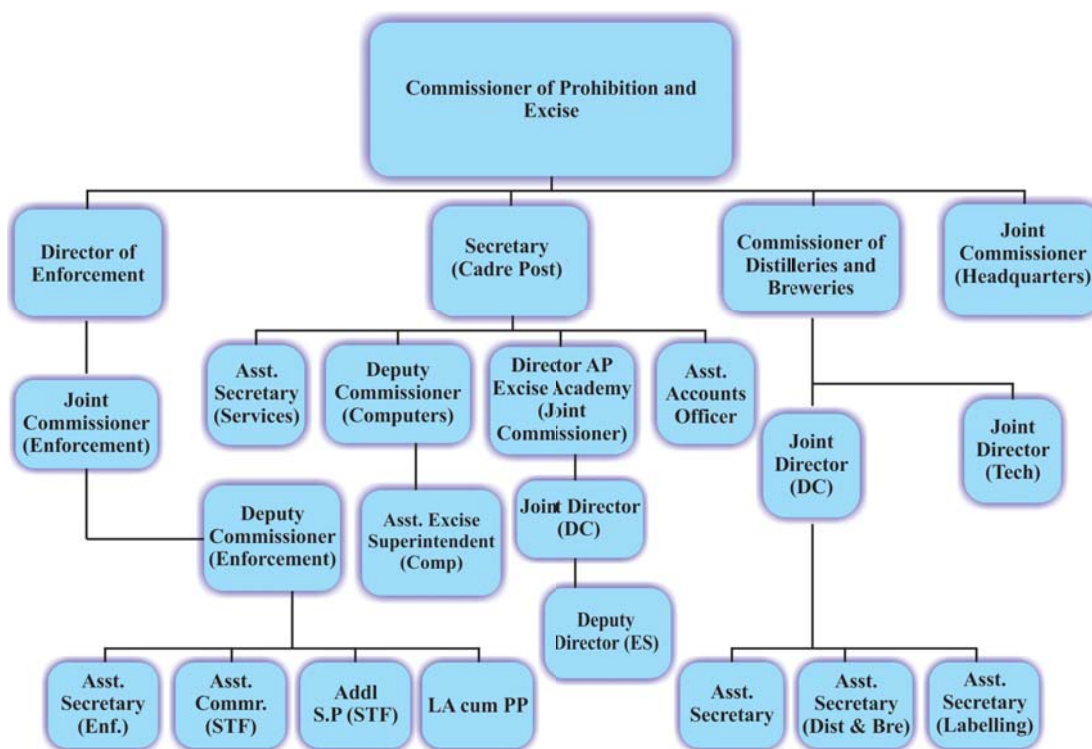
1.5 Organisational set up

1.5.1 Headquarter structure

The Department is headed by the Commissioner of Prohibition and Excise (Commissioner) who is responsible for the overall supervision of the excise revenue management. He is assisted by Commissioner of Distilleries and Breweries, Director of Enforcement, Secretary and Joint Commissioner at Headquarter level. An Assistant Accounts Officer deputed from Treasury and Accounts Department who is also the Drawing Officer assists the Commissioner in financial matters.

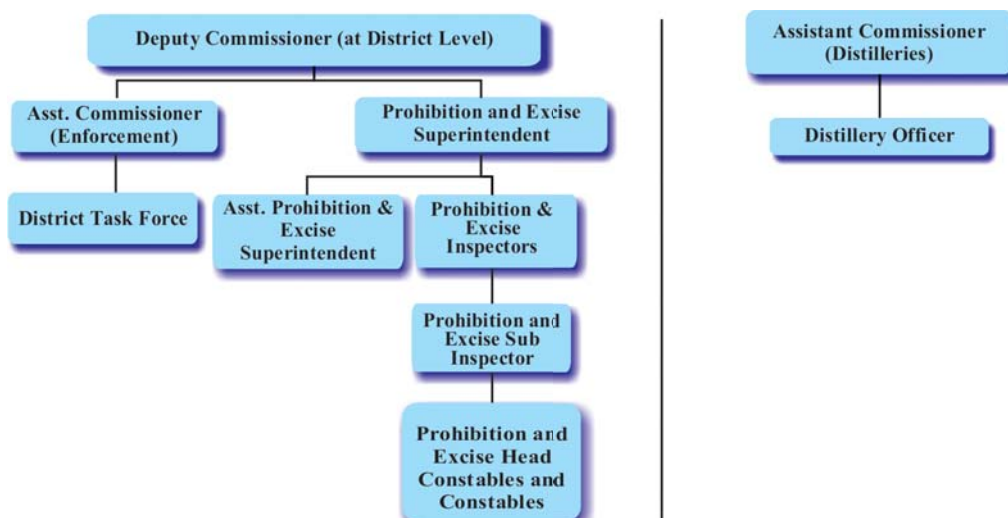
The Principal Secretary, Revenue is the overall in charge of Excise Department at the Government level.

The organisational structure at the Headquarters level is given below:



1.5.2 Field formation structure

For the purpose of effective administration, all the 23 districts of the State are divided into 53 excise districts. Each of the excise districts is under the charge of Prohibition and Excise Superintendent (P&ES) who is assisted by Assistant Excise Superintendent and other staff. Prohibition and Excise Inspectors are incharge of Excise Stations and Check Posts. 23 Deputy Commissioners (DC) and Assistant Commissioners supervise the overall functioning of the Excise Superintendents' offices. There are eight Regional Chemical Laboratories spread out throughout the State under the control of the respective DC.



1.6 Audit Methodology and Scope of Audit

Our audit involved verification of various regulatory requirements of the core activity of the Department, which relate to quantities and values of ‘excisable goods’ procured, processed, transported and sold principally within the chain, commencing with the raw material i.e. molasses and ending with IMFL. We conducted audit on the basis of records/information to the extent made available by the selected auditee units.

We scrutinised the records of the selected sugar factories, distilleries and the Commissioners’ offices at Headquarter and field formations for the period 2005-06 to 2009-10 between September 2009 and January 2011 using various sampling/selection criteria as detailed below. For the purpose of comparison of auctions, records relating to auction cycle 2010-12 were also referred to in certain cases.

Sl. No.	Audit unit	Population	Sample size	Per cent	Method of sampling/ Selection criteria
1.	District	23	17	74	Stratified sampling on the basis of revenue consideration
2.	Sugar factories	35	6	17	Production consideration and risk perception
3.	Primary Distilleries	26	6	23	
4.	IMFL Distilleries	29	11	38	Revenue consideration and risk perception
5.	Prohibition & Excise Superintendent offices	53	19	36	
6.	Assistant Commissioner (Enforcement)	23	2	9	Random selection
7.	Assistant Commissioner (Distilleries)	5	1	20	
8.	Deputy Commissioner	23	5	22	
9.	Apex offices	3	3	100	

Source: As per stratified sampling.



1.7 Audit objectives

The audit was taken up with the objectives of ascertaining as to;

- Whether the Department could perform its dual role of enforcing prohibition and procuring revenue through regulation of liquor efficiently and effectively;
- Whether the provisions and the system of regulating levy and collection of excise duty and other applicable taxes in manufacture of raw material (molasses and rectified spirit) for manufacturing liquor were adequate and they were complied with;
- Whether the provisions and the system of regulating levy and collection of excise duty and other applicable taxes in manufacture of liquor and allotment of licenses for sale of liquor were adequate and they were complied with; and
- Whether there was an adequate monitoring and control mechanism for preventing and detecting revenue leakage and associated crime.

1.8 Audit Criteria

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

Acts

1. The AP Excise Act, 1968
2. The AP Prohibition Act, 1995
3. The Narcotic Drugs and Psychotropic Substances Act, 1985
4. The Medical & Toilet Preparation (ED) Act, 1955 is a Central Act governing alcohol used in medicines and toilet preparations and receipts are collected by the State.

Rules

1. AP Excise (Grant of License of Selling by Bar and Conditions of License) Rules, 2005
2. AP Excise (Lease of Right of Selling by Shop and Conditions of License) Rules, 2005
3. AP Excise (Grant of license of selling by in-house and conditions of license) Rules, 2005
4. AP Distillery (Manufacture of IMFL other than Beer and Wine) Rules, 2006
5. AP Distilleries (Manufacture of Spirits) Rules, 2006
6. AP Winery Rules, 2006
7. AP Excise (Possession, Import, Export, Transport of Molasses- Conditions of License) Rules 2008.





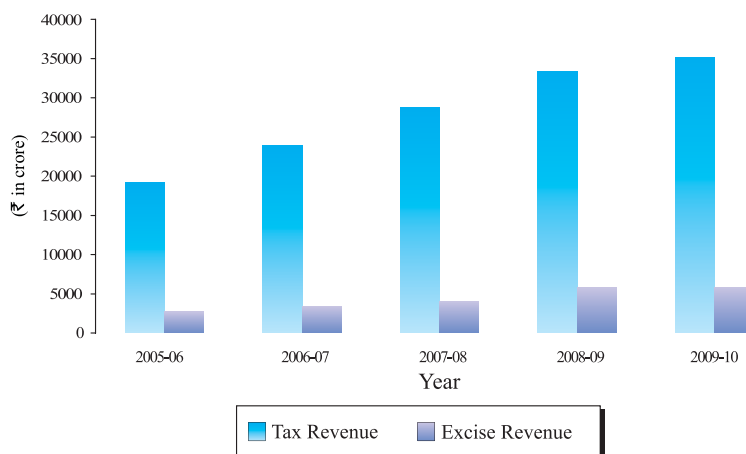
1.9 Trends of revenue

The total tax revenue and State Excise Revenue raised by the Government of Andhra Pradesh during the years 2005-06 to 2009-10 and percentage of State excise revenue to that of the total tax revenue is as mentioned below:

(₹ in crore)						
Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Total Tax revenue of the State	19,207.41	23,926.20	28,794.05	33,358.29	35,176.68
2.	State Excise Revenue	2,684.57	3,436.63	4,040.69	5,752.61	5,848.59
3.	Percentage of increase over previous year	28.28	28.01	17.58	42.37	1.67
4.	Percentage of State Excise as part of total tax revenues	13.97	14.36	14.03	17.24	16.62

Source: Figures taken from AP Budget.

The following chart depicts the share of excise revenue in the total tax revenue of the State.



It can be seen from the above table that during 2007-08 there was a decline in excise revenue by 17.58 per cent as compared to 28.01 per cent in 2006-07 but it increased to 42.37 per cent in 2008-09. However, in 2009-10 the revenue declined by 1.67 per cent.

1.9.1 Analysis of tax structure

The key challenge in taking a decision for the Department to prohibit liquor consumption or otherwise is striking a balance between the responsible vending of liquor and maintaining sustained revenue earnings. These intimately related objectives are to be kept in mind while determining the tax incidence on potable alcohol in any State.



Considering the potential for its contribution to the exchequer, the State had levied a series of fee/taxes/duties at various stages of the manufacture and sale of Rectified Spirit (RS) and IMFL.

Various taxes levied on the industry in the State and the changing pattern during the period of audit is listed below.

Sl. No.	Fee/Tax/Duty levied		% Change (+/-) from 2005-06 to 2009-10
a) At the manufacturing stage			
1.	License fee (₹)		
	RS Distilleries (upto 20 lakh BLs ²)		(+) 6.66
	IMFL Distilleries (up to 20 lakh PLs ³)		(+) 33.33
2.	Additional license fee (₹) IMFL(per PL)		(+) 200.00
3.	Label approval fee (₹)		Nil
4.	Excise duty (₹) (Basic Price per case up to ₹ 400/450)		(+) 4.44
	(Basic Price per case from ₹ 401 to 700/451 to 600)		(+) 8.57
	(Basic Price per case from ₹ 701 to 1000/601 to 850)		(+) 3.75
	(Basic Price per case above ₹ 1000/850)		(+) 19.73
b) At the vending stage			
1.	License fee (₹)	(For Shops) ⁴	(+) 90.00
		(For Bars)	
		(For population upto 10000)	(+) 174.36
		(10001 to 50000)	
		(50001 to 300000)	(+) 140.32
		(300001 to 700000)	(+) 123.78
		(above 700000)	(+) 105.93
4.	Margin and special privilege fee of APBCL (%) (2005-06 Basic price ₹<=400) (2009-10 Basic price ₹<=300)		(+) 18.75
	(Basic price ₹>700 <=1000)		(-) 4.54

Source: Figures obtained from Notifications and GOs issued by the Government from time to time.

Apart from the above taxes and duties VAT @ 70 per cent was levied.

² Bulk litre refers to any liquor with a particular proof strength which may be either underproof or overproof.

³ Proof litres corresponds to any quantity of liquor with a strength of 100° proof which is the base standard for determining and expressing one strength of liquors of above 100° or below 100° corresponding to overproof and underproof respectively.

⁴ Biennium system of auction was introduced since the lease year 2006-08.





1.10 Budgeting

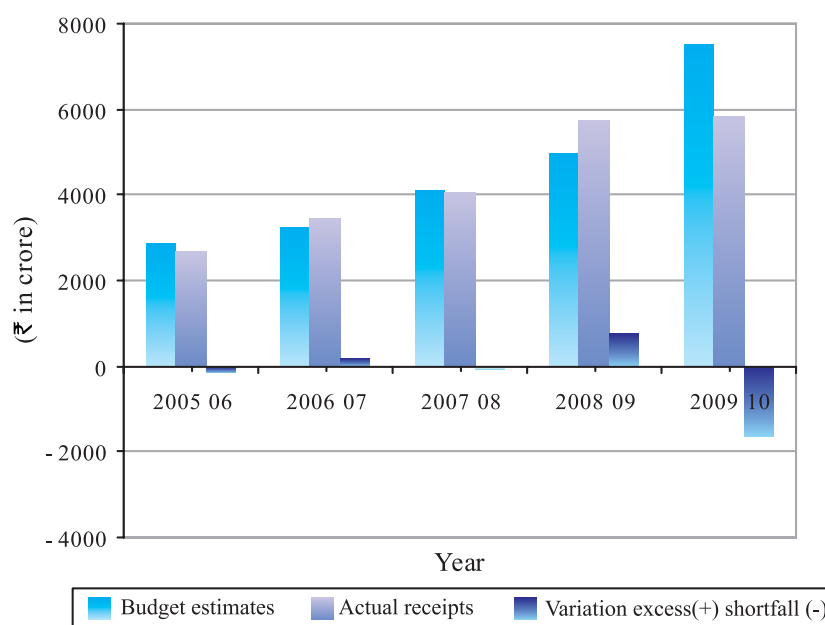
As indicated in the succeeding para 1.12, most of the revenue is received from the licensing of IMFL outlets. Since 2006-07, the Department had switched over to biennial auction of IMFL sales outlets. While there is no separate budgeting exercise, the Department revises (upward) the license fee of the outlets by certain percentage over the revenue received during the previous budget year(s).

The Andhra Pradesh Budget Manual stipulates that the estimates should take into account only such receipts including arrears, which are expected to be actually realised during the budget year.

The variations between the budget estimates and actuals of revenue receipts for the years 2005-06 to 2009-10 is as under:

(₹ in crore)				
Year	Budget estimates	Actual receipts	Variation excess (+) shortfall (-)	Percentage of variation
2005-06	2,851.18	2,684.57	(-) 166.61	(-) 5.84
2006-07	3,250.00	3,436.63	(+) 186.63	(+) 5.74
2007-08	4,125.00	4,040.69	(-) 84.31	(-) 2.04
2008-09	4,991.25	5,752.61	(+) 761.36	(+) 15.25
2009-10	6,260.00	5,848.59	(-) 411.41	(-) 6.57

Source: Figures taken from AP Budget.





Though the Department did not give reply, we infer that the (+) 15.25 variation in 2008-09 was due to increase in actual receipts on account of license fee fetched from the sales outlets consequent on implementation of biannual policy of auctioning.

1.11 Per capita consumption of liquor in the State

The Andhra Pradesh Beverages Corporation Limited (APBCL), a wholly owned Company of the Government of Andhra Pradesh, is conferred with the exclusive privilege of conducting wholesale trade in IMFL. Andhra Pradesh is one of the leading consumers of liquor in the country. The per capita consumption of liquor in the State calculated based on the statistics relating to quantity consumed as furnished by APBCL for the last five years is as follows:

Year	Per capita consumption per annum ⁵	
	Quantity (in litres)	Value (₹)
2005-06	3.77	700.31
2006-07	3.87	722.81
2007-08	1.37	289.15
2008-09	5.09	1,256.43
2009-10	4.47	1,199.31

Source: Figures obtained from APBCL and Directorate of Economics and Statistics.

It may be seen from the above that while there were fluctuations in the quantum of consumption, there had been 71 per cent rise in terms of money spent per head by the consumers on liquor during the last five years.

1.12 Sources of Revenue

Excise revenue is the second largest source of tax revenue for the State which consists mainly of shop rentals, fee for licenses issued to distilleries/breweries and liquor dealers, duty on liquor, taxes and rent on trees and fines and penalties, etc.

Revenue realised by the Department for the last five years from various sources is as follows:

(₹ in crore)						
Year	Rentals on country fermented liquor shops/Tree Tax	Duty on		Fines & Confiscation	Other Receipts ⁷	Total
		Beer	IMFL ⁶			
2005-06	23.35	98.55	2,490.67	7.54	64.46	2,684.57
2006-07	26.04	132.41	3,207.37	1.43	69.38	3,436.63
2007-08	34.20	186.88	3,740.11	1.34	78.16	4,040.69
2008-09	23.56	143.66	5,503.84	3.02	78.53	5,752.61
2009-10	22.93	154.58	5,578.14	13.01	79.93	5,848.59
Total	130.08	716.08	20,520.13	26.34	370.46	21,763.09

Source: Figures taken from AP Budget.

⁵ Calculated as per the population figures furnished by Directorate of Economics and Statistics.

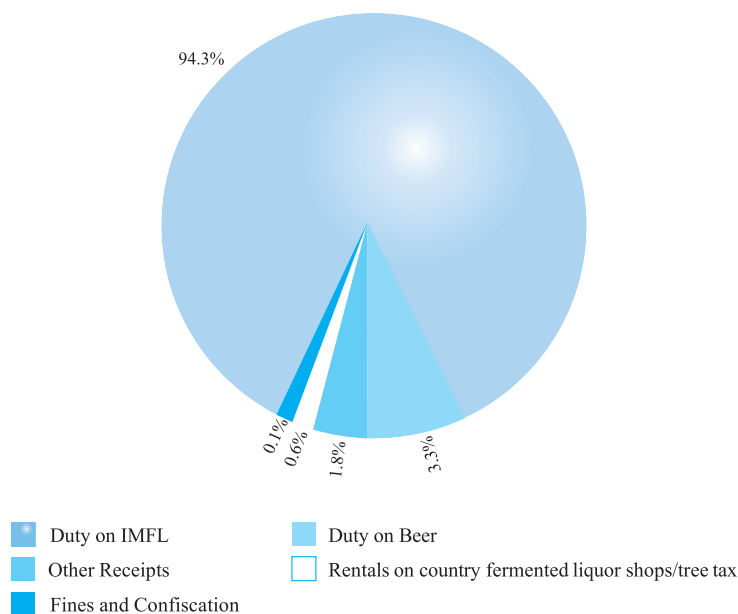
⁶ Includes license fee collected from IMFL sales outlets.

⁷ Includes receipts of commercial denatured spirit, Medicated Wines, Toilet preparation containing alcohol, etc.





The above position is depicted in the following pie chart.



It may be seen from the above that over 94 *per cent* of the excise revenue is received from excise duty and license fee on sale of IMFL outlets during the five year period. During 2007-08 increase of revenue receipt on account of duty on Beer was probably due to drinking pattern and decline in rentals during 2008-09 was due to reduction of number of toddy shops. Further, continuous declining trend of revenue under the head fines and confiscation during all the years except 2008-09 points to lack of monitoring and control which is discussed in Chapter IV.

1.13 Arrears of revenue

The arrears of excise revenue arise mainly due to default of payment of license fee by the licensees of liquor retail outlets, bars and arrears of earlier years relating to toddy.

The arrears of revenue as on 31 March 2010, amounted to ₹ 50.68 crore (3968 cases) of which ₹ 43.76 crore related to arrears more than five years old. Out of ₹ 50.68 crore, ₹ 0.29 crore (134 cases) only was collected to the end of November 2010 leaving a balance of ₹ 50.39 crore (3834 cases) yet to be collected which include ₹ 1.70 crore (98 cases) collectable in other States. Arrears of ₹ 5.37 crore (138 cases) covered had been stayed by the Honorable Courts and the Government. Demand of ₹ 9.29 crore (1753 cases) was likely to be written off.

The Department had not made any concerted efforts to recover the arrears as only ₹ 0.29 crore were collected against the arrears of ₹ 50.68 crore.



1.14 Organisation of Audit Findings

The audit findings have been organised in four chapters.

- Chapter II deals with the issues pertaining to production of liquor.
- Chapter III points out the issues noted in the processes of licensing and sale of liquor.
- Chapter IV brings out the crucial issues of monitoring and control in tax administration and crime prevention and detection.
- Chapter V gives conclusion of the audit findings and the recommendations.

1.15 Acknowledgement

We place on record our sincere appreciation for co-operation by the Prohibition and Excise Department of the Government of Andhra Pradesh in facilitating our audit. At the outset, an entry conference was held in November 2010 with the Commissioner of Prohibition and Excise and the Commissioner of Distilleries and Breweries and other Departmental officers in which the objectives of the review, audit methodology etc., were explained. The draft review report was forwarded to the Government and Department in April 2011 and discussed in the Exit conference held in July 2011. The Principal Secretary (Revenue) represented the Government, while the Commissioner of Prohibition and Excise represented the Department. Views of the Government/ Department have been suitably incorporated in the report.



CHAPTER

2

PRODUCTION OF INDIAN MADE FOREIGN LIQUOR



2.1 Introduction

2.1.1 The Sugar Industry

Manufactory is a unit where spirits are compounded, blended, processed, fortified and/or diluted to produce IMFL. The Government notifies for establishment of new manufactory or expansion of existing manufactories. On issue of such notification prospective distillers apply for grant of Letter of Intent (LOI) on payment of requisite refundable and non-refundable fee. Distillers shall obtain license within six months from the grant of LOI. They shall commence the production within two years from the grant of LOI. The license shall be renewed before the commencement of the license year⁸.

Molasses is used in manufacture of alcohol. Molasses is uncrystallised syrup obtained as an important by-product in the process of manufacture of sugar. The fermentable sugar content present in the molasses produced by sugar factories is ascertained by chemical analysis and generally ranges between 40 and 50 per cent of molasses. The regulation of molasses is governed by the Andhra Pradesh Excise (Possession, Import, Export, Transport of Molasses – Conditions of License and Permits) Rules, 2008.

There were 35 sugar factories in AP as at the end of 31 March 2010, of which eight were in the co-operative sector, three in the public sector and 24 in private sector. The Commissioner of Sugar & Cane Commissioner regulates the sugar factories in the State. The total quantity of sugarcane crushed and obtainable molasses yield from the cane crushed during the period of audit is given below:

Year	Number of sugar factories	Sugar cane crushed (in lakh MT)	Obtainable molasses yield @ 4.5 per cent (in lakh MT)
2005-06	38	123.07	5.56
2006-07	38	173.20	7.79
2007-08	38	131.93	5.93
2008-09	35	59.92	2.69
2009-10	35	55.49	2.49

Source: Figures obtained from Commissioner of Sugar & Cane Commissioner.

The effective functioning of a sugar factory depends on assured availability of sugarcane of good quality, optimum utilisation of machinery, capacity utilisation of mills, besides prudent marketing and financial arrangements. It may be seen from the above table that the quantum of sugarcane crushed in the State had declined sharply since 2006-07. While attributing the decline to shifting by the farmers to short duration remunerative crops, extreme scarcity of labour and non-remunerative cane price, the Commissioner, Sugar opined that a bumper sugarcane and sugar production is likely in 2010-11 as farmers planted sugarcane in more area due to better cane price paid during 2009-10.

Decline in sugarcane production in the State had a direct bearing on production of molasses which in turn adversely affects the domestic production of Rectified Spirit (RS). This, however, did not affect the total production of IMFL as the IMFL distilleries import RS from outside the State besides, using the locally available RS. Issues concerning this area are discussed in detail at para 2.2.1.

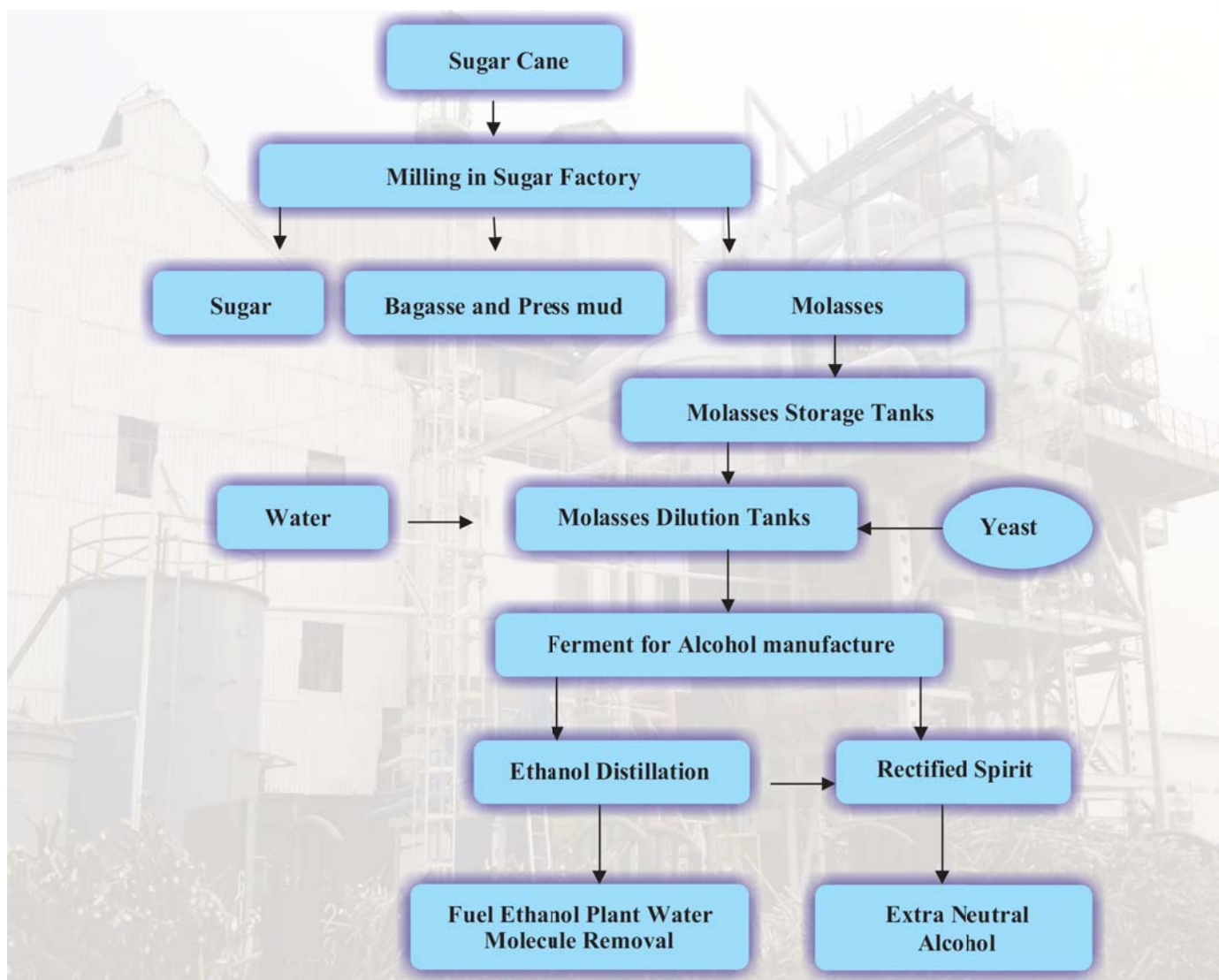
⁸ License year starts from April to March of next year.



Rectified Spirit (RS) is used in producing IMFL. RS means liquor containing undenatured alcohol of strength not less than 50 *per cent* over proof and includes absolute alcohol in other forms and Extra Neutral Alcohol (ENA) but does not include arrack issued in varying degrees of concentration for potable purposes. Various stages involved in manufacture of IMFL using molasses as the raw material is depicted in the following charts.

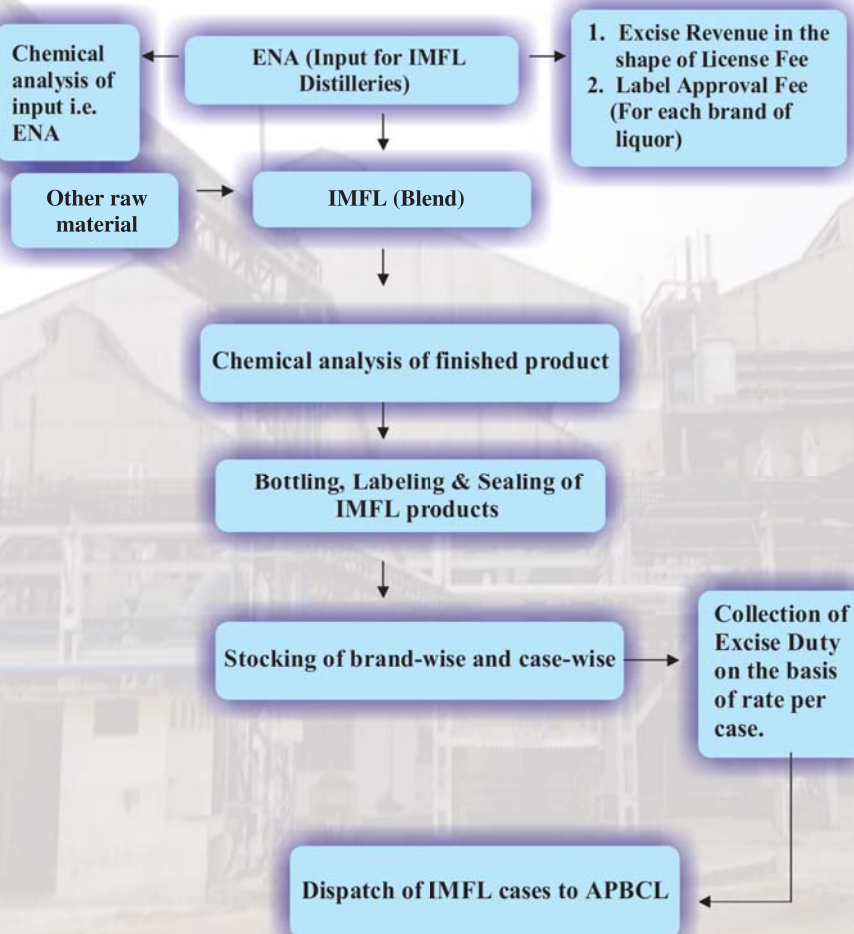
2.1.2 The Process

2.1.2.1 Flow Chart showing production of Rectified Spirit from Molasses





2.1.2.2 Flow chart showing production of IMFL from ENA



We noted the following shortcomings during the verification of the records of the selected RS/IMFL distilleries with regard to capacity utilisation, issue of new licenses/expansion of the existing units as detailed below:

2.2 Under/non-utilisation of licensed capacity

2.2.1 RS/ENA distilleries

There are 26 distilleries in the State that manufacture RS/ENA. License fee has to be paid annually by all the license holders for manufacturing RS/ENA. In the event of a need, distilleries send a request for molasses allotment to the Distillery Officer (DO) posted in the distillery with information regarding molasses allotments and lifting during that year and an assurance of supply from the sugar factory. Based on the recommendation of the DO, the Commissioner issues an allotment order based on which the transport permit is issued by the DO. When the molasses are to be imported from another State, the



transport permit is issued by the concerned DC. The AC (Distilleries) is responsible for monitoring the functioning of the Distilleries under his jurisdiction. For this purpose, Distilleries are required to furnish various returns to the AC (Distilleries). The AC (Distilleries) also is required to conduct periodical inspections to ascertain the proper functioning of the Distilleries.

The licensed capacity and actual production of RS/ENA⁹ by the State distilleries is furnished below.

Sl. No.	Year	No. of RS/ENA Distilleries	Total licensed capacity* (in lakh BLs)	Actual production (in lakh BLs)		Capacity utilisation %
				RS	ENA	
1.	2006-07	24	1,858.05	609.86	672.64	69.02
2.	2007-08	26	2,732.64	769.01	1,017.06	65.36
3.	2008-09	26	2,732.64	547.23	1,061.71	58.87
4.	2009-10	26	2,732.64	349.79	1,450.50	65.88

Note: *Includes licensed capacity of M/s. Tern Distilleries, Kasimkota whose RS plant was not functioning for want of pollution clearance and Sagar Sugars, Chittoor whose production during the period 2006-07 to 2009-10 was almost nil.

Source: Figures obtained from Commissioner of Distilleries and Breweries.

It can be seen from the above data that the capacity utilisation was hovering between 59 *per cent* and 69 *per cent*.

We further noted in the test checked distilleries, that the licensed capacity was never utilised fully during 2005-06 to 2009-10. The actual utilisation was as low as zero per cent in case of M/s Sagar Sugars, Chittoor. M/s KCP Sugar, Vuyyuru had recorded the maximum utilisation i.e. 77.78 *per cent*.

RS is the key input for manufacture of IMFL and we are aware that the entire quantum of RS produced is not put into use for IMFL production as some RS is used in pharmaceutical, industrial and toilet preparations. But the fact remains that majority of RS produced in the State is used for production of IMFL and there was a ban on export of RS. In this backdrop, production of lesser quantity of RS than the sanctioned capacity for whatever the reasons be, had an impact on the revenue that would have accrued in the form of excise duty on IMFL that would have been produced using locally produced RS. While any attempt to calculate the revenue forgone could only be an approximation, we are of the view that the State had certainly forgone some revenue which could be calculated vis-à-vis the capacity under utilised by the distilleries as detailed below:

Year	Percentage of under utilisation		
	KCP, Vuyyuru	SPY Agro, Nandyal	Sagar Sugars, Chittoor
2005-06	19.66	0.00	0.00
2006-07	0.00	0.00	99.64
2007-08	20.11	96.51	99.64
2008-09	32.54	9.18	100.00
2009-10	60.93	0.00	99.64

Source: Figures obtained during test check of above units.

⁹ Licensed capacity and actual production were taken from 2006-07 i.e. after introduction of AP Distilleries (Manufacture of Spirits) Rules, 2006.



Based on the discussion with the Department and analysis of records, we are of the opinion that the decline in capacity utilisation of the above distilleries is possibly due to lack of modern machinery and poor quality of RS produced. **Though the data on actual production of the above mentioned distilleries was available to the Department, they had not analysed the decline in actual production and capacity utilisation for possible remedial action. There is a case for examining this matter specifically for those distilleries who had initially a good track record of production but had subsequently declined.**

The Government replied (July 2011) that the Government can not compel the distilleries to produce more RS and added that the revenue was linked to IMFL produced and not RS since the distilleries import RS depending on quality and lower rates. While conceding the fact that there is no control on the import of RS by distilleries from outside the State, it is equally true that domestically produced RS contributes a significant portion (72 per cent) of the total RS production in the State. Since there was a ban on the export of RS from the State, the Government/Department could monitor the RS production of distilleries to ensure maximum production commensurate with their licensed capacity which would enable more production of IMFL from domestically produced RS and resultant accrual of enhanced excise revenue to the State. Based on the above deliberations, the Government, however, assured to analyse and examine the matter for suitable action.

2.2.2 IMFL distilleries

As mentioned above RS is used for production of IMFL by the license holders. The number of IMFL distilleries, their production capacities and actual production of IMFL during the period of audit is as follows:

Sl. No.	Year	No. of IMFL distilleries	Total licensed capacity (in lakh PLs)	Actual production (in lakh PLs)	Capacity utilisation %
1.	2005-06	27	2,083.96	2,996.15	143.77
2.	2006-07	25	2,083.96	2,164.03	103.84
3.	2007-08	28	2,579.91	2,159.58	83.70
4.	2008-09	28	2,579.91	2,432.84	94.29
5.	2009-10	29	2,580.18	2,607.21	101.04

Source: Figures obtained from Commissioner of Distilleries and Breweries.

It can be seen that in most of the years, the distillers had exceeded their licensed capacities. When a distillery exceeds the permitted licensed capacity, additional license fee is payable by the licensee. Issues concerning this aspect are discussed later in this chapter. The top five producers of IMFL in the State for the year 2009-10 are as follows. They contribute nearly 41 per cent of the total IMFL produced in the State during this period and they continue to maintain this position for the last five years.



IMFL Distillery at Hyderabad



Sl. No.	Name of the distillery	Production (In Lakh PLs)
1.	Shaw Wallace & Co. Ltd.	330.00
2.	Pearl Distillery	241.06
3.	McDowell & Co. Ltd.	209.95
4.	Srikrishna Enterprises	149.69
5.	Bagga Distilleries Pvt. Ltd.	132.19
Total		1,062.89

Source: Figures obtained from Commissioner of Distilleries and Breweries.

Performance trends of IMFL manufactories indicate that they can perform beyond their licensed capacity. Obviously, this presupposes abundant supply of RS. As already stated above, domestic supply is the major contributor up to 72 *per cent*. This underscores the point that enhancing domestic supply of RS will contribute for higher production of IMFL and higher excise duty.

Therefore, we believe that there is a need for reviewing the under performing RS distilleries in the State for their revival and ensuring seamless supply of RS to the IMFL manufactories in the State.

2.3 Manufacturing by Distilleries

Government issues notification from time to time for grant of Letter of Intent (LOI) for establishment of a new manufactory or expansion of existing RS/IMFL manufactories. The prospective distillers apply to the Government for obtaining LOI along with the requisite documents and special fee of ₹ 20 lakh. The validity period of LOI for new manufactory and expansion of existing distilleries of IMFL is three and two years respectively. In case of RS distilleries, the validity period of LOI is two years for new as well as expansion of existing distilleries. No compensation for damage or loss shall be payable when a LOI is rejected or revoked or withdrawn. In case the holder of LOI fails to commence production within the validity period, he forfeits his right over LOI and on the license. The holder of LOI shall apply and obtain license within six months duly fulfilling all the requirements of obtaining No Objection Certificates (NOC) from the competent authorities of AP Pollution Control Board and Local Authorities etc.

2.3.1 New licenses

According to the provisions, a prospective distiller should go through the following steps for obtaining a license or its renewal.

- ◆ Application for LOI (Rule 8 (1) of AP Distilleries (Manufacture of Spirits) Rules, 2006)
- ◆ Notification and sanction by the Government (Rule 4 (1), (2) and 5 (1), of AP Distilleries (Manufacture of Spirits) Rules, 2006)
- ◆ Acceptance or rejection of application by the Government (Rule 5(2)(d) of AP Distilleries (Manufacture of Spirits) Rules, 2006)
- ◆ Applicant to obtain a license from the Commissioner (Rule 5(2)(e) of AP Distilleries (Manufacture of Spirits) Rules, 2006)

The Department sanctioned two new distilleries during the period 2005-06 to 2009-10.





2.3.1.1 Non-commencement of production by Distillery

As per sub rule (6) of Rule 8 of AP Distillery (Manufacture of Spirits) Rules 2006, in case the licensee fails to commence manufacture before expiry of two years from the date of issue of LOI, the licensee forfeits his right over LOI and on the license. In such cases the Government shall initiate action to forfeit the right over LOI and Special Fee. Further, according to sub rule (2) of Rule 8 ibid, no application for grant of LOI by the Government is entertained unless a non-refundable and non-adjustable special fee of ₹ 20 lakh is paid to government and the challan in original in support of such payment is produced along with the application. AC (Distilleries) who processes the application is responsible for watching the commencement of the production within the stipulated period.

We noted during the audit of office of the Assistant Commissioner of Distilleries, Vijayawada that M/s Vasista Fermentations Pvt. Ltd had not commenced production of RS/ENA/Ethanol even after more than two years from the date of issue of LOI. It was further observed that even the building construction had not commenced (July 2011). However, the Department did not initiate action to forfeit LOI along with Special Fee as required under provisions.

Due to delay in commencement of production, the Government had lost ₹ 8.66 lakh towards proportionate license fee and the opportunity of earning ₹ 62.83 crore on account of excise duty for probable production of IMFL from RS/ENA/Ethanol that would have produced by the unit.

The Government replied (July 2011) that the extension was given to obtain various clearances which was aimed at promoting better industrial relations. The reply is not acceptable as M/s Vasista Fermentations Private Limited had not even commenced the civil construction till July 2011 and therefore extension of time limit was not warranted and the Department should have prevailed upon the unit to commence production as per LOI conditions.

2.3.1.2 Undue favour to assessee

According to Sub Rule (i) of Rule 4 of A.P. Distilleries (Manufacture of IMFL) Rules, 2006, no LOI for establishment of any new manufactory or expansion of the production capacity of an existing manufactory shall be issued unless non-refundable and non-adjustable fee of ₹ 12 crore and non-refundable and adjustable special fee of ₹ 6 crore is paid by the IMFL Distillery.

We noted during the audit of M/s SPY Agro Industries Limited, Nandyal that the distillery obtained LOI for production of IMFL from the Government in October, 2008, without payment of non-refundable and non-adjustable fee of ₹ 12 crore and short payment of the non-refundable and adjustable special fee by ₹ 3 crore.

The Government replied (July 2011) that an amount of ₹ 18 crore had been collected (December 2010 and March 2011) along with penal interest. However, the Government failed to explain the reasons for granting the LOI to licensee, without deposit of the prescribed fees which was a precondition for grant of license. We also noted that the distillery had not commenced production (August 2011).



2.3.2 Renewal of license without pollution clearance certificate

As per Rule 6(f) of AP Distilleries (Manufacture of Spirits) Rules, 2006, the holder of a D2 (RMGO) license should produce clearance certificate from the Andhra Pradesh Pollution Control Board (APPCB). As per Rule 14(6) *ibid* renewal of license is subject to the fulfillment of one of the eligibility conditions i.e. obtaining clearance from APPCB. As per Rule 18(13), if Commissioner is not satisfied with the maintenance of the buildings, plant and machinery including the measures and other appliances, he may require the licensee to stop working of the distillery and direct to rectify the defects within a period as may be specified.

We noted during the audit of M/s Tern Distilleries, Kasimkota that though ‘stop production’ order was issued by the APPCB in April 2007 for not maintaining the appropriate pollution control measures, license in Form-D2- (RMGO) had been renewed regularly by the Commissioner despite non-clearance from APPCB.

The Government replied (July 2011) that though the action taken was technically not correct, to protect the Government revenue, license was renewed but the unit was not allowed to function. The reply confirms that the license was renewed without the pollution

clearance certificate which is a pre-requisite for renewal. Though, the ‘stop order’ was issued, we believe that revenue consideration can not bypass the environmental considerations.

2.4 Manufacture of Liquor

The Department endeavours to ensure better yield of spirit from molasses during the distillation process and it is monitored through a series of checks prescribed under the provisions for this purpose. One of the key parameters monitored during the distillation is the percentage of non-fermentable sugars in the molasses. According to Rule 27 of AP Distillery (manufacture of spirit) Rules, 2006 the molasses shall not contain more than 5 *per cent* of non-fermentable sugars i.e. fermentable sugar produced should not be less than 95 *per cent*. If on chemical analysis, non-fermentable sugars are found to be more than 5 *per cent*, the Commissioner, who is responsible to look into this aspect, shall be informed immediately. Further, according to Indian Standard Specifications (ISS), 95 *per cent* of total invert sugar¹⁰ is fermentable. Every quintal of fermentable sugar present in the molasses should yield 91.8 proof liters of alcohol.

¹⁰ Invert sugar means the quantity of total reducing sugar present in the molasses.





We noted in six¹¹ test checked RS units attached to sugar factories that the fermentable sugar produced was below 95 per cent as detailed below.

Sl. No.	Name of the Distillery	Quantity of Molasses used (in MT)	Fermentable sugar produced (%)	Non-fermentable sugar (%)	Excise duty equivalent of short yield @ ₹ 15.40 per PL (details in Annexure I) (₹ crore)
1.	KCP Sugars & Industries Corporation Ltd., Vuyyur	1,52,776.16	40.04	59.96	53.12
2.	Andhra Sugars Pvt. Ltd., Tanuku	1,39,368.49	90.34	9.66	4.23
3.	Empee Sugar Pvt. Ltd., Naidupet	94,906.70	90.47	9.53	2.79
4.	Sagar Sugars Pvt.Ltd., Chittoor	4,345.00	93.58	6.42	0.04
5.	Jeypore Sugars Co. Ltd., Chagallu	13,606.00	89.59	10.41	0.49
6.	Jeypore Sugars Co. Ltd., J.R.Gudem	6,010.06	89.40	10.60	0.22

Source: Figures obtained during test check of above units.

We noted that the distilleries send monthly returns on various results that include the levels of non-fermentable sugars in the molasses. However, we observed that the Commissioner's office had not taken any steps to investigate the reasons for shortfall in production of fermentable sugars as per the standards.

The Government assured (July 2011) to put in place a system to monitor the same by revising the provisions of the Excise Act.

2.5 Additional license fee

The Department enforces capacity control for distilleries, breweries and blending units by monitoring molasses' availability and licensing the creation of additional capacity. Unlike some other States like Uttar Pradesh where penalties are levied for excess production than permitted, the State permits capacity expansions by collecting additional license fee. Additional fee is also payable in case of production of liquor in excess of sanctioned capacity.

We noted shortcomings on this account as detailed below.

¹¹ Andhra Sugars Private Ltd., Tanuku, West Godavari District; Empee Sugars Pvt. Ltd., Naidupet, Nellore District; Jeypore Sugar Company Ltd., Chagallu, West Godavari District; Jeypore Sugar Company Ltd., Jangareddigudem, West Godavari District; KCP Sugars and Industrial Corporation Ltd, Vuyyuru, Krishna District and Sagar Sugars, Chittoor District.



2.5.1 Additional License fee not paid for sanctioned capacity

According to Rule 8(4) (e) of AP Distillery (Manufacture of IMFL other than Beer and Wine) Rules, 2006, whenever the licensed production capacity is fully utilised by the licensee and if he desires to produce additional production he shall take special permission from the Government for causing additional production on payment of additional license fee as prescribed by the Government from time to time.

We noted in three¹² test checked offices, that the distilleries had produced IMFL over and above the annual production capacity and additional quota sanctioned for the year 2009-10. Based on the production figures of IMFL furnished by the distilleries, the Government was required to collect the additional license fee. Omission to do so resulted in short collection of additional license fee of ₹ 1.06 crore.

The Government replied (July 2011) that the matter would be examined and reply furnished in due course.

2.6 Identification of bottles-use of Excise Adhesive Labels (EALs)

As per Rule 17(1) of the AP Distillery (Manufacture of IMFL other than Beer and Wine) Rules, 2006, the Licensee shall affix each sealed bottle of liquor with the Excise Adhesive Label (EAL) supplied by the Excise Officer and no bottle containing liquor without EAL shall be issued from the manufactory. Each EAL costs ₹ 0.10 payable by the distillery as user charges to the Commissioner. DO is responsible for implementation of this Rule.

We noted various shortcomings in this regard as under:

2.6.1 Variation in the number of EALs

We noted during the audit of Rhizome Distillery that there was a variation between actual number of EALs shown as utilised and the actual number of liquor bottles manufactured for the years 2009-10. The details are as follows:

Sl. No.	Name of the Distillery	Year	Total No. of liquor bottles manufactured (in lakh)	Total No. of EALs shown as utilised (in lakh)	Variation (in lakh)
1.	Rhizome Distilleries, Medchal, R.R. district	2009-10	407.06	412.56	5.49

The above situation is fraught with a risk of sending out liquor bottles from the distilleries without payment of excise duty.

¹² G.S.B & Co., Prag Distilleries and Radico Khaitan Ltd.



On this being pointed out, the Government replied (July 2011) that the matter would be examined and intimated to audit.

2.6.2 Holograms not prescribed

Hologram is a photographic image designed, approved, printed and supplied under the supervision and control of the Commissioner from time to time in different forms for the purpose of its affixture to sealed bottles of different varieties and sizes containing IMFL other than Beer and Wine.

We noted that in nine¹³ test checked units, bottles were sent out of the distilleries without holograms being affixed on them. Commissioner of Distilleries and Breweries replied that issue of introducing hologram labels in place of paper based EALs was under examination by an Expert Committee constituted by the Government vide G.O.Ms.No. 749 Rev (Ex.II) dept. dated 23.09.2004.

Due to non-affixing of Holograms, circulation of unscrupulous liquor bottles cannot be ruled out. The Department is already dealing with several cases of unauthorised sale and illicit liquor distillation. Lack of appropriate identification mark may stifle the Department's efforts to curb the crime.

The Government replied (July 2011) that a system of bar coding the bottles was under active consideration for proper identification. In August 2010, though Government decided to call for fresh tenders for supply of complete Holographic EAL in place of paper based labels, we feel that this important internal control measure has not been addressed effectively, since no decision has been taken for its implementation (August 2011).

2.7 Other points of interest

2.7.1 Non-forfeiture of LOI

As per Rule 4 (2)(f) of AP Winery Rules, 2006 if the holder of letter of intent fails to commence production within two years of date of issue of LOI, he forfeits his right over LOI and on the license.

We noted during the audit of M/s Durga Distilleries India Private Limited, Vijayawada, a Wine manufacturer licensee that they failed to commence production within the stipulated period of two years.

On this being pointed out the Department replied that due to delay in getting alcohol quota and No Objection Certificate (NOC) production could not be commenced.

The fact remains that due to these delays the LOI was not forfeited, since allotment of alcohol quota is done at the level of Commissioner and there was nothing on record to justify this delay.

¹³ M/s Bagga Distilleries, Shamshabad; M/s Shaw Wallace, Malkajgiri; M/s Aroma Wines, Sanathnagar; M/s Sri Durga Distilleries, Kankipadu, Vijayawada; M/s Liquor India Limited, Nacharam; M/s United Spirits Nacharam; M/s Rhizome Distilleries, Medchal; M/s R.K. Distilleries, Medchal and The Commissioner of Distilleries and Breweries, Hyderabad.



2.7.2 Loss of stamp duty

As per Sl.No. 31(a) (ii) of schedule-IA to Indian Stamp Act, 1899, a lease including sub lease where the period of sub lease is not less than one year shall attract stamp duty @ 2 per cent on the total rent reserved besides registration fee @ 0.5 per cent. Further, as per AP Amendment Act 4 of 1999, all leases including sub lease agreements are compulsorily registerable documents. DO shall watch all the payments due to the Department.

We noted that in three¹⁴ test checked offices, the sub lease deeds were not registered by the distilleries, which resulted in loss of revenue to the Government by way of non-collection of stamp duty and Registration fee amounting to ₹ 19.60 lakh.

The Government collected the amount after we pointed out (July 2011).

¹⁴ M/s Pearl distilleries, Singarayakonda, Prakasam District; M/s Durga liquor India Ltd., Kankipadu, Vijayawada and M/s Liquor India Ltd. Nacharam.



CHAPTER

3

LICENSING & SALE



3.1 Introduction

3.1.1 Policy issues

The Commissioner, with due regard to requirement, public order, health, safety and other factors as he thinks fit, fixes the number of retail sales outlets, popularly known as A-4 shops, to be established in an area/locality. There are approximately 6500 shops in the State which remained constant during the period of audit. The process of their leasing is governed by the AP Excise (Lease of Right of Selling by Shop and Conditions of Licence) Rules, 2005.

The Commissioner also issues instructions from time to time for fixing the minimum lease amount expected, which is commonly known as upset price. The basic criterion introduced in 2001-02 for fixing the license fee was the number of people a sale outlet is expected to serve. Since then, the commonly followed practice for fixing the upset price was to raise the prices every auction cycle¹⁵ by a certain *per cent* over the lease amount fetched during the previous cycle. For example, the lease amounts were raised by 10, 15 & 15 *per cent* for the cycles 2006-08, 2008-10 & 2010-12 over the respective previous cycles. After deciding the upset price, the Commissioner issues auction notice for licensing the sales outlets.

The Prohibition and Excise Superintendents (P&ESs) issue licenses for sale in retail shops and military canteens. The Commissioner sanctions licenses for all other purposes such as manufacturing of spirits and wines, running Bars, Clubs and also issues occasional or special licenses. The Collector, who is responsible for the Excise administration at the District level, holds auctions for sale of retail shops and reviews the excise revenue collections and exercises powers under the Revenue Recovery Act in regard to collection of excise arrears. Successful bidders are issued licenses. They are allowed to maintain an average of 23 *per cent* margin over the sale price. In all these matters the P&ES of the District assists the Collector. The Prohibition & Excise Inspectors are in charge of circles.

3.1.2 Marketing

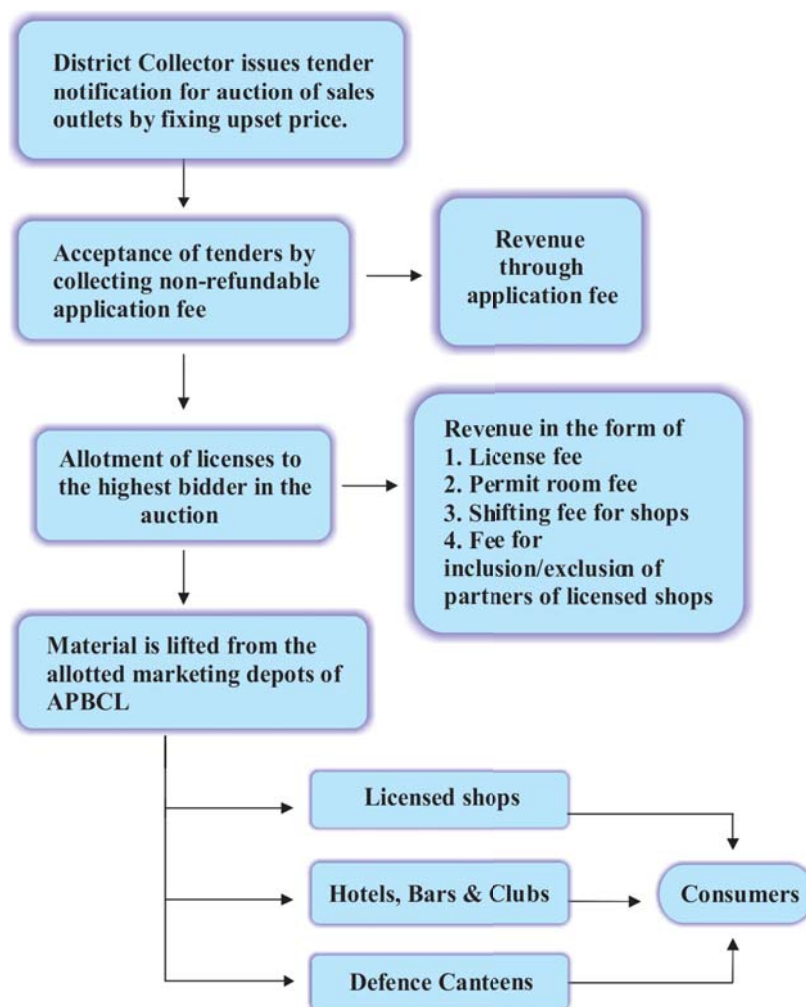
The Andhra Pradesh Beverages Corporation Limited (APBCL), a wholly owned Company of the Government of Andhra Pradesh, is conferred with the exclusive privilege of conducting wholesale trade in IMFL since 1994 throughout the State through its 36 depots spread over in the State. The Company procures IMFL on rate contract basis from the distilleries across the country through open tendering and supplies to the licensed retail shops duly fixing the issue price and Maximum Retail Price (MRP) after adding their profit margin as a percentage, which ranged between 15 *per cent* and 43 *per cent*. The issue price includes Value Added Tax (VAT) @ 70 *per cent*.

Licensed sale outlets/bars/hotels/clubs etc., buy the required quantities from the Corporation's depots.

¹⁵ Yearly auction followed till 2005-06. Since 2006, biennial system is being followed.



The following chart depicts the auctioning process and various types of revenue accrued at various stages of this exercise.



3.1.3 Rise in tender prices

Notwithstanding the fact that the number of sales outlets remained frozen for the last several years, liquor trade is on a high in the State. To illustrate, the Department had received ₹ 6990 crore on account of license fee for the excise cycle 2010-12 as against ₹ 3182.04 crore received for the excise cycle 2008-10. The rise is 91 *per cent* more than the projected (₹ 3659.35 crore) collection with the revised upset price. Followed by the 2010-12 cycle auction, it was reported in the media that a village (Nadikudi) in Guntur district made the highest bid of ₹ 5.21 crore for a shop which indicates the magnitude of rise in the trade. Reportedly, during this auction, across the state, there were at least 100 bids between ₹ 3 crore and ₹ 4.5 crore and nearly 45 bids above ₹ 4.5 crore. While slump in the real estate market in the State



could be one possible reason for this growth, the factor of increase in the purchasing power of the rural masses through employment guarantee programmes cannot be ruled out.

The following table depicts lease year wise increase in upset price and the difference between the expected and fetched revenue during auctions.

Sl. No.	Lease year	% increase in upset price over the previous cycle	Revenue (₹ crore)		Actual percentage increase
			Expected	Fetched in auction(s)	
1.	2006-08	10	1,364.00	1,674.70	22.77
2.	2008-10	15	1,894.85	3,182.04	67.93
3.	2010-12	15	3,659.34	6,990.00	91.01

Source: Figures obtained from Commissioner of Prohibition and Excise.

Despite upward revision in the upset prices, the successive auctions fetched higher revenue than expected. In this backdrop, we noted the following shortcomings in the process of licensing and sale of liquor through the licensed outlets, registered Bars and Clubs.

3.2 Upset price/lease prices not in line with the sales potential

In the present system, the Department does not factor in the potential turnover of the outlets for fixing the upset price. We noted huge variations between the price fetched in auctions and the turnover of licensees in terms of liquor lifted by the retail outlets and the margins they gained. It is also pertinent to mention here that sometimes the Department fails to auction the outlets at the expected prices and tends to revise downward the upset prices and go for re-auction. This delayed settlement too had a revenue implication as explained in detail at para 3.2.2. This paradox points out that the relationship between the sales potential and upset price/leased amount needs a re-look.

The following table illustrates the extent of variations noted in respect of Hyderabad city, which had over 207 outlets for the excise cycle 2008-10. Similar trend in respect of other outlets in other districts of the State also cannot be ruled out.

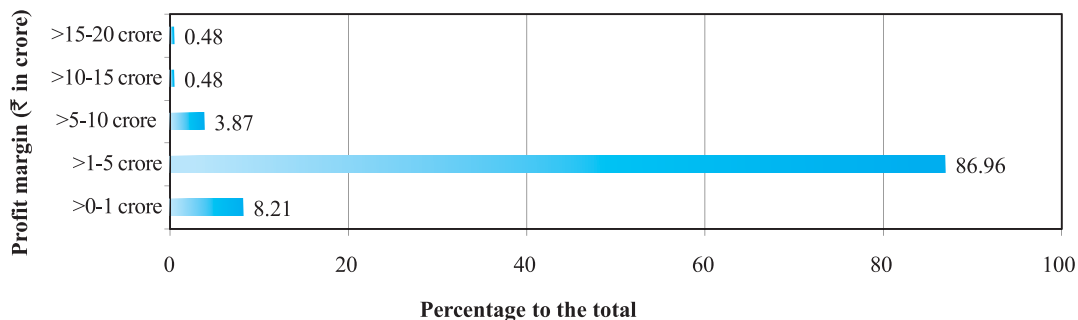
Total No. of outlets	Upset price fixed (₹ crore)	Leased amount (₹ crore)	Value of material lifted from depots (₹ crore)	Margin ¹⁶ 23% (₹ crore)	Difference (5-3) (₹ crore)
(1)	(2)	(3)	(4)	(5)	(6)
207	118.14	180.82	1,661.13	382.06	201.24 (111%)

Source: Figures obtained from APBCL and DC, Hyderabad.

¹⁶ Margin permitted to be maintained by lease holders which is over and above the issue price of APBCL.



As indicated above i.e. bidden prices/lease amount, the licensees could get about 111 *per cent* return on their investment. Even after taking into account establishment expenditure towards rental, electricity, labour charges and municipal taxes/fees the profit margin would remain high. Analysis of profit margin indicates that the profit margin per outlet for the lease period works out to ₹ 1-5 crores in about 87 *per cent* of the outlets as detailed below.



The phenomenon of huge variation between the leased amount and the profit margins being maintained by the lease holders has the following implications.

- Unnoticed loss of revenue to the State as the actual sales taking place from the leased outlets was not factored in for fixing the upset price, at least in respect of the outlets with heavy sales. This is on the principle of 'more sales more license fee'.
- Lease holders buying stocks in large quantities from the depots and selling/arranging for sale through the unauthorised outlets. The crime of unauthorised sale of liquor is rampant in the State as evident from the fact that Department had booked 1,002 cases in about nine months in 2010 as discussed in detail in Chapter-IV of the report.
- Cartel formation in bidding/tendering by offering sub-lease to the potential bidders/tenderers for sale through unauthorised outlets. This will lead to monopoly and result in fetching lower lease prices than their actual potential.

On this being pointed out the Government replied (July 2011) that upset price was only to insulate the price not to go below certain level. It was further stated that though the upset price was fixed at certain low level, actual amount fetched was far more than the expected price. The Government also stated that they had faced problems in their efforts made in the past to link license fee to the volume of lifting. Nevertheless, the Government agreed to get a study done by APBCL or Andhra Pradesh Industrial & Technical Consultancy Organisation regarding the feasibility of such a linkage.

Considering the huge margins being maintained by certain lease holders, and the attendant issues of sales through unauthorised outlets as detailed at para 3.4.1.2, there is a need to review the present system of determining the upset price oblivious of their sales potential.



3.2.1 Short fixation of upset price

Instructions were issued from time to time for fixing the upset price of sales outlet by increasing the lease amount fetched in the last lease year by 10, 15 & 15 *per cent* for the lease years 2006-08, 2008-10 and 2010-12 respectively. Auctioning authority shall be the District Collector.

We noted in five¹⁷ test checked offices of P&ES that in five cases, the shops were not disposed off in the first auction as the bids received were lesser than the upset price fixed. These shops were re-auctioned after a lapse of certain period by proportionately reducing the upset price. In the next lease year i.e., for the regular auction, the upset price was fixed on the basis of amount fetched for proportionate period of lease, instead of taking into account the total amount that would have fetched for the entire period of lease.

In four cases¹⁸ we noted that the upset price was fixed without taking into account the resultant loss/amount fetched from the first bidder.

As per Rule 20 of AP Excise (Lease of Right of Selling by Shop and Conditions of License) Rules, 2005 in case of failure to pay 1/6th of the lease amount and/or furnish the FDR/BG as required under Rule 19 within the time specified, the auction shall be cancelled by the auctioning authority and amounts already paid shall be forfeited to the Government and the right of sale may be given to the next highest tenderer if the tender amount is equal to or higher than the upset arrangements made at the risk of the original auction purchaser, who shall continue to be liable in respect of the lease till the next auction purchaser takes over or re-auction is carried out as the case may be.

Though it is a fact that the re-auctions had fetched more license fee than the pre revised upset price, the fact remains that the principle of fixing the upset price vis-à-vis the policy existing in place i.e. fixing the upset price based on the amount fetched in the previous cycle plus, certain *per cent* above this amount was not followed.

This practice is fraught with the risk of bidders not bidding during the first auction through cartel formation and bidding during the re-auction in order to get the license at the reduced price.

The Government in their reply (July 2011) while stating that there were no reported losses of revenue due to short fixation added that the prices could have been fixed erroneously. It was also assured that the upset prices would be fixed strictly in accordance with the guidelines.

¹⁷ Chittoor, Nagarkurnool, Karimnagar, Vijayawada and Ongole.

¹⁸ Gazette Sl. No. 289 of Vijayawada, Gazette Sl. No. 155, 157 & 158 of Nagarkurnool.



3.2.2 Non-exercising of option to run retail outlet through APBCL

As per Rule 14(2) of AP Excise (Lease of Right of Selling by Shop and Conditions of License) Rules 2005, during the auction of retail outlets by tenders, if it is found that the highest tender offered is less than the upset price notified, the auctioning authority may provide an opportunity to the highest tenderer to increase his offer to an amount higher than the upset price and accept the offer. If he is not willing to increase his offer, the second highest tenderer may be given a similar opportunity. If both the tenderers are not willing to increase their offer higher than the upset price, all the tenders in respect of that shop shall be rejected and put to re auction.

As per Rule 21(1) of AP Excise (Lease of Right of Selling by Shop and Conditions of License) Rules, 2005 the auctioning authority with the approval of Commissioner of Prohibition and Excise may permit the APBCL or a licensee of a IMFL manufactory/ brewery under the Act to open outlets for the sale of IMFL and FL in such areas/localities where the privilege of sale by shop could not be disposed off in the auction or when a lease already granted is cancelled and the same could not be re-auctioned for any reason.

We noted during the audit of P&ES, Nellore that in two cases where the licenses of retail outlets were cancelled during the currency of the lease (2008-10), these outlets were re-auctioned for the balance period and confirmed in favour of auctioneers who had quoted their bids lesser than the upset price which resulted in default of ₹ 11.65 lakh which was not recovered from the original auction purchaser.

Similarly in 11 cases under jurisdiction of

P&ES, Nandyal the retail outlets were re-auctioned (2006-08) for an amount lesser than the upset price as a result of which an amount of ₹ 48.27 lakh was forgone by the Government.

When the auction purchasers were not willing to increase their bid more than the upset price, despite best efforts made by the auctioning authorities, the Department should have made arrangements to open APBCL outlets as provided in the rules instead of allotting the outlets at throw away prices in contravention of rules.

The Government replied (July 2011) that it was not viable to run the APBCL outlets in small villages.

The Government reply is not convincing since they had not approached the APBCL for running of these retail outlets, thereby not following the procedure envisaged under the Rules.

3.3 Licensing process

The Prohibition and Excise Superintendents award licenses in favour of the successful bidders on approval by District Collector. We noted the following shortcomings in the licensing process.





3.3.1 Highest bid not considered

As per Rule 14 of AP Excise (Lease of Right of Selling by Shop and Conditions of License) Rules, 2005 and auction conditions notified from time to time, no person shall be entitled to obtain lease of more than one shop. It further states that in the event of a person being successful auction purchaser of a shop, all other tenders filed by him in respect of any other shop/shops shall automatically become invalid.

There are no provisions in the auction conditions that in cases where a single tenderer bids the highest amount for more than one shop, allotment is made in such a way that the highest bid offered for all the shops put together is considered so that maximum revenue accrues to the Government. Owing to this, we noted a case of rejection of the highest bid by the P&ES, Nagarkurnool for the auction cycle 2010-12. The case is explained below.

Shop No.	162	163	164
Quote of 'X' (₹ lakh)	66.32	76.32	78.32
Highest bid of others (₹ lakh)	62.83	66.01	63.00
Decision taken	Offered in favour of X	Offered at ₹ 66.01 lakh	Offered at ₹ 63.00 lakh
Impact	Nil	Loss of ₹ 10.31 lakh revenue	Loss of ₹ 15.32 lakh revenue

The Department had opened and awarded all the bids on the same day and nothing prevented them, on a comparative analysis, to allot the bids to the highest bidder/s. The above cited case is only an example and there could be several such cases passing through in every auction process. In absence of appropriate provisions to address such issues, the State had to suffer revenue losses.

The Government replied (July 2011) that the audit observation needs consideration and directed the Commissioner to work on amending the rule in question suitably. We are of the opinion that the procedural deficiency pointed out can be corrected by the Department by suitable instructions to the Departmental authorities.

3.3.2 Irregular adjustment of EMD towards resultant loss

As per Rule 20 of AP Excise (Lease of Right of Selling by Shop and Conditions of License) Rules, 2005 in case of failure to pay 1/6th of the lease amount and/or furnish the FDR/BG as required under Rule 19 within the time specified, the auction shall be cancelled by the auctioning authority and amounts already paid shall be forfeited to the Government and the right of sale may be given to the next highest tenderer if the tender amount is equal to or higher than the upset arrangements made at the risk of the original auction purchaser, who shall continue to be liable in respect of the lease till the next auction purchaser takes over or re-auction is carried out as the case may be.

We noted during the audit of two offices of P&ES Tirupati and Anantapur that the first bidder failed to attend/ pay 1/6th lease amount on the day of auction and therefore the shops were allotted to the second highest bidder, which resulted in a loss. In these



cases, the Department had quantified the net loss amounting to ₹ 4.03 lakh by excluding the EMD which was required to be forfeited to the Government.

The Government replied (July 2011) that they were adjusting the EMD against the resultant losses and resultant loss was not defined in the Rules. It was further replied that the bidder was already penalised through loss of the EMD and he could not be penalised further.

The reply is not acceptable because as stipulated in Rule 19 & 20(1) the EMD shall be forfeited first and then the right of sale may be given to the next highest tender. The resultant loss, if any, shall be recovered from the first bidder. Even in the situation where there was no loss to the Government, EMD was not to be refunded but forfeited.

3.3.3 Delay in pursuing realization of bank drafts and consequential loss of interest

As envisaged in Andhra Pradesh Financial code Volume-I read with Andhra Pradesh Treasury Rules, Government officials who are entrusted to receive Government moneys shall immediately remit the same into the Treasury/Bank for effecting credit to Government Account. Further, as per Section 65 of the AP Excise Act, 1968 read with Rule 3 of AP Excise (Levy of interest on Excise Arrears) Rules, 1968, interest @18 per cent p.a. shall be charged on delayed payment of excise revenue.

We noted during the audit of office of the P&ES, Eluru that followed by the auctions held on 16.06.2008 and 25.06.2008, all the successful tenderers for the lease year 2008-10 paid a sum equal to 1/6th of the lease amount by way of Bank Drafts (₹ 17.20 crore) on the day of auction itself, as required under the provisions. Further, the Bank Drafts amounting to ₹ 17.20 crore were remitted immediately into the State Bank of India, Eluru branch for realisation and

giving credit to the Government account. Though bank Drafts were pre-paid money, actual credit to the Government account was affected by the bank authorities with a delay ranging from 22 to 57 days as detailed in Annexure-II. The Department had reminded the bank only on 16.07.2008 i.e. after one month, which resulted in loss of revenue to the tune of ₹ 24.92 lakh besides affecting the ways and means position of the Government.

The Government replied (July 2011) that instructions would be issued to accept Demand Draft/Pay Orders in future drawn in favour of District Collector payable in the same district or in favour of Commissioner payable at Hyderabad so as to avoid the delay.

3.4 Sales outlets operating in the vicinity of educational and religious institutes

The P&ES, based on the application received, gets a verification report from the concerned SHO to verify the eligibility, which includes proximity to educational/ religious institutions. Followed by this, P&ES issues the license.

Various provisions under the State Excise Law/Rules as detailed below stipulate maintenance of certain distance between the licensed sale outlet and educational institutes, religious institutes, hospitals and Highways.



Sl. No.	Nature of the institute	Minimum distance prescribed (Meters)	Provisions
1.	Recognised educational institutes	100	Rule 27 of AP Excise (Lease of Right of Selling by Shop & Condition of License) Rules, 2005 and Rule 6(ii)(iii) (iv)&(v) of AP Excise (Grant of License of Selling by Bar and conditions of license) Rules, 2005.
2.	Registered place of public worship	100	
3.	National Highways	50	
4.	Hospitals	100	

As per explanation under above Rules, “Educational Institutions” means any Primary school, Middle School and High School recognised by the State Government or Central Government, Junior College or any College affiliated to any University established by law and “Hospital” means any Hospital which is managed or owned by a local authority, State Government or Central Government or any private Hospital having a provision of atleast 30 beds. It is the primary responsibility of the Station House Officer to check the physical location of proposed sales outlet/bars so as to ascertain that they do not exist within the restricted distance.

We noted from the license and correspondence files of five¹⁹ test checked offices of P&ES that Bar/Shop licenses were granted in contravention of above Rule as detailed below.

Sl. No.	P&ES Office	Name of the Bar/Shop (M/s)	Where was it located?	Approximate distance (km) between shop/bar and Excise Station
1.	Chittoor	Sprintz Restaurant & Bar	Right on the National Highway of Tirupathi-Bangalore (NH4).	5
2.	Visakhapatnam	Jagadamba Wines, Visakhapatnam.	By the side of a 60 bedded Hospital (Sidhartha Hospital).	3
3.	Vijayawada	Mana Garden Restaurant & Bar, Vijayawada.	20 meters away from a school (Akshara International School). See box for more details.	3
4.	Tenali	Lakshmi Ganpathi Restaurant & Bar, Door No. 22-1-54, Gandhinagar, Tenali.	60 meters away from a temple (Sri Pothuluri Brahamendra Swami Temple).	0.5
5.	Saroornagar	Blue park Restaurant & Bar, Anupuram, Kapra Municipality.	Near a school. The distance between the School and upto the entrance of the Bar at the ground floor was 99 meters only, whereas the distance was calculated upto the first floor of the Bar.	9

Source: Figures obtained during test check of above P&ES offices.

¹⁹ Chittoor, Saroornagar, Tenali, Vijayawada and Visakhapatnam.



Although many of the above shops/bars were located near the concerned Prohibition and Excise Stations the Excise officials failed to monitor this aspect.



Co-existence of Blue Park Restaurant & Bar and Bhashyam Public School at Saroornagar in Hyderabad

Grant of license to outlets near the schools and hospitals

1. Bar license was granted to “M/s Mana Garden Restaurant & Bar” situated at Door No.8-186/1, Kanuru Village, Penamaluru Mandal, Vijayawada, which was located at a distance of 20 meters from Akshara International School. The school had a capacity of over 700 children with residential facility. The said Bar license was renewed from time to time and the last renewal was up to 30.06.2011.
2. License was granted to Jagadamba Wines, Visakhapatnam, for the establishment of liquor sales outlet, which was adjacent to a 60-bedded hospital viz., Sidhartha Hospital, contrary to the prescribed distance of 100 meters.

The Government assured (July 2011) to verify all such cases and cancel the licenses in cases of violation of Rules.

3.4.1 Functioning of licensed outlets

The Department keeps a strict vigil over the functioning of the licensed premises from time to time with regard to their hours of working, quality control of material sold and several other obligations to be met by them. The Department had a separate enforcement wing to fulfill these responsibilities. While the manner in which they are monitored and the outcome thereof are discussed in detail in Chapter-IV of the Report, we present here those issues that are related to licensing and revenue collection.



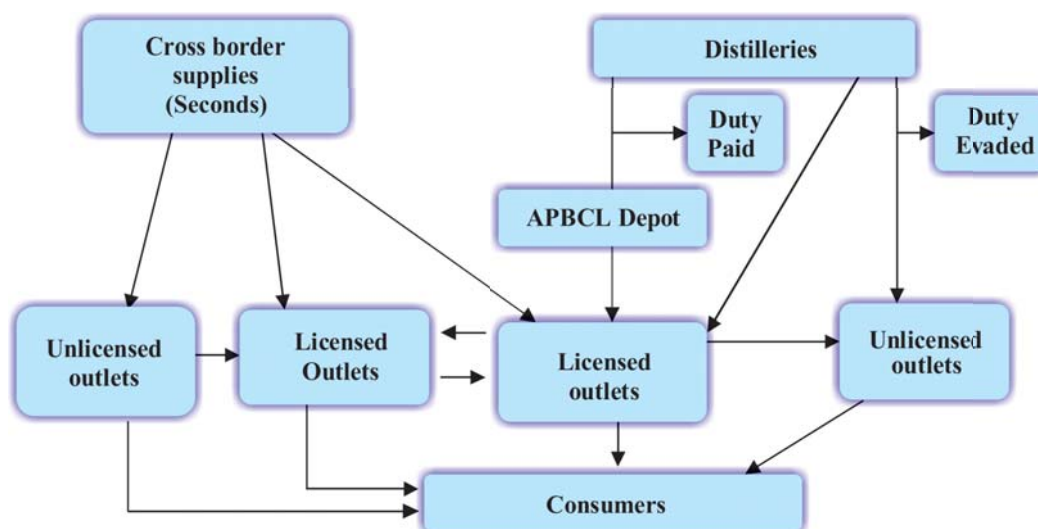
3.4.1.1 Distribution of liquor

The Andhra Pradesh Beverages Corporation Limited (APBCL), a wholly owned Company of the Government of Andhra Pradesh, is conferred with the exclusive privilege of conducting wholesale trade in IMFL since 1994 throughout the State through its 36 depots spread over in the State. The Company procures IMFL on rate contract basis from the distilleries across the country through open tendering and supplies the same to the licensed retail shops duly fixing the issue price and Maximum Retail Price (MRP) after adding their profit margin as percentage, which ranged between 15 *per cent* and 43 *per cent* depending on the issue price of liquor. The issue price includes Value Added Tax (VAT) @ 70 *per cent*. The licensed sale outlets/bars/ hotels/clubs etc., buy the required quantities from the Corporation's depots.

We noted several deficiencies in this regard which are discussed below:

3.4.1.2 Unauthorised sales through licensed outlets

Handling evasion of duty on potable liquor is a major challenge. Evasion is possible at various points of production and distribution chain. Controlling evasion at production stage is the responsibility of DO. However, sale through unlicensed outlets, commonly known as 'belt shops', is an enforcement issue and a major threat to the supply chain as it leads to loss of license fee. The belt shops may not have a prominent banner and board but they may be operated from any premises such as cool drink shops, grocery shops and other petty vending shops. As a result, liquor is taken to the doorstep of the consumer with attendant social ramifications. As detailed below, license holders in order to recover heavy amount of license fee paid by them during auctions, tend to lift more material and sell them through belt shops to increase their sales and the profit margin thereof. In addition, cross border supply of non-duty paid liquor (in other States) also enters the State supply chain.





To safeguard against this, Rule 41 of the AP Excise (Lease of Right of Selling by Shop and Conditions of License) Rules, 2005 stipulates that the shop Lease holder shall sell only duty paid IMFL and Foreign Liquor (FL) purchased from the allotted depot. As per Rules 48 and 49, the Lease holder shall maintain daily account of IMFL and FL received and sold and send monthly statements and returns to the P&ES and Prohibition & Excise Inspector concerned before 5th of the following month.

As a part of the audit, we purchased different brands of 20 IMFL liquor bottles randomly from various licensed outlets of the State as detailed at the Annexure-III.

The objective of buying these samples was to check their authenticity with regard to their source of supply and the quality of the contents. Therefore, we sent them to APBCL, Hyderabad for checking the supply particulars and to the Government laboratories for quality check.

While the laboratories had certified the purity of the contents, the Corporation did not certify their source of supply in all these cases. Depending on the nature of their remarks, we believe that there are certain risks associated with these supplies as detailed below.

Sl. No.	Response of the Corporation	Percentage of bottles	Probable cause/Risk involved
1.	Stocks were not issued by the Corporation	15	<ul style="list-style-type: none"> Bottles might have been taken out of the distillery escaping excise duty and other taxes. Loss of revenue.
2.	Issued to a different outlet	35	<ul style="list-style-type: none"> Suppression of actual sale Sale of liquor more than permissible quantity. Loss of revenue towards Income Tax

This was brought to the notice of Department in February 2011 and to the Government in April 2011.

The Government replied (July 2011) that the EALs in question would be traced to their origin and a report would be sent to audit.

3.4.1.3 Sales outlets do not issue receipts

As per Consumer Protection Act, 1986 every consumer has a right to get a receipt for the purchases made. We noted that the receipts are not issued by the sales outlets throughout the State. We experienced the same when the bottles were purchased from authorised outlets to pursue the audit checks indicated at the para 3.4.4. As a matter of fact this issue was flagged during the entry conference we held with the Commissioner in November 2010. While concurring with the practice in vogue, the Commissioner felt that there was no loss of revenue to the State on this account and however agreed that it is a fundamental right of the consumer to get the receipt.

The Government replied (July 2011) that directions would be issued to the departmental officers to enforce the Rule.



3.4.1.4 Non-revision of Nowkarnama fee

Nowkarnama is a fee paid as per Rule 44 of AP Excise (Lease of Right of Selling by Shop and Conditions of License) Rules, 2005 by the sales outlets for employing a male person for sale of liquor. He is appointed with prior permission of the P&ES on payment of ₹ 100. Further, an application fee of ₹ 5,000 (enhanced to ₹ 10,000 from 2008-10) is also charged.

We noted during audit of office of the Commissioner that although the biennial lease system was introduced from 2006-08, Nowkarnama fee remained at ₹ 100 per person even though the lease period was for two years. It is further noted that the application fee of the shops which was ₹ 5,000 up to 2005-06 was also enhanced to ₹ 10,000 from 2008-10 as the lease year was increased to two years from one year. Thus, due to non enhancement of Nowkarnama fee proportionately (₹ 200) the Government had

forgone ₹ 39.57 lakh for 2006-08 and 2008-10 in respect of 6,596 shops in the State where each shop was employing not less than 3 persons as nowkars. The details are as follows.

Sl. No.	Year	No. of Shops	Total no. of bearers @ 3 persons per shop per day ²⁰	Nowkarnama fee forgone @ ₹ 100 per person (₹ lakh)
1.	2006-08	6596	19,788	19.78
2.	2008-10	6596	19,788	19.78
	Total			39.57

The Government replied (July 2011) that they had enhanced the fee from the existing ₹ 100 to ₹ 1000.

3.5 Functioning of Bars

There are about 1500 Bars in the State. While Hyderabad district had the distinction of having the maximum (224) number of bars, Medak district had the least number (6) of bars. The top five districts in terms of the number of the bars juxtaposed with the population that they served as of June 2010 are given below.

Sl. No.	City / District	Number of bars	Rank in terms of population
1.	Hyderabad	224	5 th
2.	Guntur	188	2 nd
3.	Vijayawada	160	3 rd
4.	Rangareddy	142	9 th
5.	Visakhapatnam	134	4 th

Source: Figures obtained from Department and Directorate of Economics and Statistics.

²⁰ As per Section 22 of AP Shops and Establishment Act, 1988 one should not work for more than seven hours in a day or 42 hours in a week.



Bars are subjected to several regulations, which unlike retail outlets are unique and distinct to them only. We noted the following shortcomings in the manner in which they were licensed and subjected to various tax regulations.

3.5.1 Additional License Fee payable by Bars with additional enclosures

As per Rule 10 of AP Excise (Grant of License Selling by Bar and Conditions of License) Rules, 2005, the enclosures (“Enclosure” is defined as an area of consumption of liquor, which is contiguous in utility for consumption. If one consumption enclosure is separated from another enclosure by non-contiguity and interposition of areas of different utilities other than consumption of liquor, it attracts additional license fee) for consumption of liquor, which are not contiguous, shall attract levy of an additional license fee at 10 *per cent* for each such additional enclosure. DC is the license granting authority.

We noted that in 17 test checked offices²¹ of the P&ES, ten *per cent* of additional license fee amounting to ₹ 449.93 lakh was not levied on Bars having non-contiguous consumption enclosures. This resulted in loss of revenue of ₹ 4.50 crore.

The Government replied (July 2011) that in five cases out of the 27 cases pointed out, ₹ 20.29 lakh had been collected and assured to cancel licenses in cases of violation of rules.

3.5.2 Misuse of licenses

As per conditions of license under Rule 4 of AP Excise (Grant of License of Selling by Bar and Conditions of License) Rules, 2005, license is not transferable. However, as per Rule 17 *ibid*, no licensee shall except with the sanction of the Commissioner transfer his license to any other person. The Commissioner may allow such transfer after collecting 10 *per cent* of the license fee provided that instead of permitting a license to be transferred, the Commissioner may require the transferee to take out a fresh license on payment of fees.

We noted during audit of office of the P&ES Secunderabad that in respect of M/s Blue Water Bar & Restaurant and M/s Ohris 100 Degrees Bar & Restaurant, the licensees misused their licenses by allowing others to run the bar/restaurants unauthorisedly for an agreed consideration. However, P&ES failed to notice this illegal transfer/misuse of license.

Based on the evidence of lease deeds shown by Audit during the exit conference (08.07.2011), the Government assured to verify the matter.

²¹ Bhimavaram, Eluru (2 cases), Gazuwaka, Gudur, Guntur, Kadapa, Kakinada, Kurnool, Mancherial, Markapur, Parvathipuram, Proddatur, Rajahmundry, Rajendranagar, Sangareddy, Saroornagar, Secunderabad, Srikakulam, Tenali, Tirupati, Vijayawada, Visakhapatnam (2 cases), Vizianagaram and Warangal (2 cases).



3.5.3 Short collection of license fee

As per Rule 10(3) (b) (iv) of A.P. Excise (Grant of License of Selling by Bar and Conditions of License Rules) 2005, proportionate license fee for which license granted between 1st April and 30th June was $\frac{1}{4}$ of the annual license fee.

As per G.O.M.s No. 741 dated 16.06.2008, license fee for Bars located in a Municipality where the population of the Municipality was above 50,000 but does not exceed 3,00,000 was ₹ 18.52 lakh. Provided that the license fee in respect of Bars situated within a belt area of 2 KMs from the periphery of municipalities shall also be at the rate of licence fee of Bars situated within the limits of such municipality.

We noted during the audit of the office of P&ES Chittoor, that bar license was issued to M/s Sprintz Bar and Restaurant, Chittoor for the year 2008-09 (26.5.2009 to 30.06.2009) by collecting proportionate license fee lesser than the prescribed fee, treating the area as located in Panchayat limits. During renewal of 2B license for 2009-10 and 2010-11, the Department identified that it comes under Chittoor Municipal limits and collected license fee on par with Bar license fee prevailing in Chittoor Municipal limits, but failed to collect the prescribed license fee for the year 2008-09 though the said area very much falls within 2 KMs periphery of Chittoor municipal

limits. This resulted in short collection of license fee for the year 2008-09 amounting to ₹ 2.15 lakh.

The Government replied (July, 2011) that the amount was collected.

3.6 Functioning of Clubs

As per Excise Act, 1968, 'In-house' license is granted to Club for the privilege of sale of IMFL & FL. The license fee for C1-Clubs is ₹ 3,00,000 and ₹ 6,00,000 where the population is upto 3,00,000 and exceeding 3,00,000 respectively. There are over 37 Clubs in the State as per the records of Commissioner. In all the cases, the Commissioner is the license granting authority.

We noted the following shortcomings in the manner in which the registered Clubs were licensed and subjected to various tax regulations.

3.6.1 License issued to ineligible Clubs

Rule 7(2) (a) (i) & (ii) of AP Excise (Grant of Licence of Selling by In House and Conditions of Licence) Rules, 2005 prescribe, among others, that Club license can be issued only to those that were registered under Societies Act with requisite number (500) of members.

We noted during the audit of P&ES Chittoor that Club license was issued to M/s Ramnagar Youth Club even though they did not fulfill the eligibility conditions of registration under Societies Act. Since the Club did not fulfill the eligibility conditions, grant of license was irregular.



The Government replied (July 2011) that Registrar of Societies was addressed to ascertain the position of registration of the said club. Final reply is awaited.

We noted during the audit of office of the Commissioner that the value of liquor stocks lifted by the Clubs from the depots during the years 2005-06 to 2009-10 had increased considerably by 21 to 1200 . It was also noted that the value of stocks lifted by seven Clubs during 2009-10 had exceeded 1 crore (details in Annexure IV).

Considering the quantum of sales by the Clubs, we believe that there is a need to review the matter for suitable revision of license fee as it was being done in case of Shops and Bars

The Government replied (July 2011) that privilege fee of clubs was enhanced from 10 to 12 .

We noted during the audit of the P&ES, Guntur that at the time of renewal of the Bar licence of M/s Sri Vijaya Saradhi Restaurant & Bar, Guntur (Licence No.76/2006-07) for the year 2007-08, the Department had collected an amount of 1.84 lakh being 10 of the licence fee towards non-contiguous consumption enclosures situated in ground floor and first floor as per Rule 10 cited above. Based on a representation made by the above licensee that he had made modifications to the premises on 15-09-2007

which provide way to continuity between consumption halls in ground floor and first floor, the DC Guntur had issued orders to adjust the additional license fee of 1.84 lakh paid by the above licensee because of removal of non-contiguity between consumption halls. Accordingly the amount was

²² Fatehmaidan Club, Hyderabad, Haveli Club, RR Dist., Hyderabad Boats Club, Hyderabad, LVR & Sons, Guntur, Secunderabad Club, Secunderabad, Nizam Club, Hyderabad and Waltair Club, Visakhapatnam



3.8 Failure to ensure payment of stamp duty on lease deeds

As per Rule 6(vi) of AP Excise (Grant of License of Selling by Bar and Conditions of License) Rules, 2005, no licensee shall be granted a Bar license unless the applicant produces lease deed on a stamp paper of the proposed licensed premises from the owner.

As per Sl. No. 31 of Schedule I-A to the Indian stamp Act 1899, a lease deed including an under lease or sub lease and any agreement to let or sublet, is chargeable with stamp duty as per the slab rates indicated therein. P & ES shall collect all amounts due to Government.

We noted in four²³ test checked offices that the Bar licenses were issued/ renewed without production of lease deed and in cases where lease deeds were produced, they were not registered with requisite stamp duty resulting in loss of revenue to the Government in the form of stamp duty and registration fee amounting to ₹ 34.92 lakh.

The Government assured (July 2011) that the amount pointed out would be collected.

²³ Secunderabad, Karimnagar, Hyderabad and Saroornagar.



CHAPTER

4

MONITORING & CONTROL



4.1 Objective, control over production and availability

The two-fold objective of crime prevention and monitoring by the Department is to prevent evasion of excise duty and prevent the risk of consumption of adulterated illicit liquor. Duty evasion is possible at various points of the production and distribution chain although it is fairly closely regulated. The Department faces a daunting task of maintaining a balance between regulating the production and consumption of alcohol within a liberalised market determined framework.

The Department enforces capacity controls for distilleries, breweries and blending units by monitoring molasses availability and licensing the creation of additional capacity. The macro availability of liquor to restrain consumption is done both by limiting the number of production points as well as reducing the number of sale outlets as explained in the previous chapter. The obvious results of the auctioning policy are multiplicity of unauthorised sales outlets, loose sales and sale over the MRP besides mushrooming of liquor lobbies.

4.2 Mechanism in place

The Department has a structured machinery to meet this challenge. The Director of Enforcement (Prohibition & Excise) is the Head of Enforcement who is under the direct supervision of the Commissioner. He is assisted by eight State Task Force (STF) teams spread over the State. STF teams conduct raids based on the complaints received from general public in writing/over phone. The control of crime at district level is also monitored by SHOs under the concerned P&ES. They attend to collection of license fee, current rentals, excise arrears, issue of tree tapping licenses, conduct of raids on illicit distillation centers, detection of illicit tapping, detection of smuggling of Indian liquors, opium, ganja and other narcotics, inspection of shops and topes and generally help the P&ES in all other excise matters. A flow chart showing the organisational structure dealing with enforcement up to the District level is given at Annexure-V.

The Accounts branch, under the direct supervision of the Commissioner, headed by an Assistant Accounts Officer, is responsible for the Internal Audit of the Regional Offices, District Offices and Unit Offices etc.

For monitoring crime, the monthly crime statement of each excise district, consolidated by the Assistant Commissioner of Enforcement is sent to the DC of the concerned district who forwards the same to the Director of Enforcement. The Director of Enforcement reviews the same during his monthly meetings with the DC.

The Department compiles crime statistics on various key parameters of grave crime and other types of crime for the month of compilation and the cumulative totals till the month concerned. Grave crimes are cases of crime which are to be investigated by a senior officer other than Station House Officer (SHO) like cases booked for possession of any excisable article in excess of permissible limits as prescribed by the Department etc. The cases of *unauthorised sale of liquor; selling at more than the MRP rates; sale of non-duty paid liquor; loose sale of liquor etc.*, are known as the other than grave type of crime cases.

We noted the following deficiencies concerning the mechanism of crime prevention and detection, adequacy of the resources available for this purpose and the functioning of the internal control framework of the Enforcement Wing.



4.3 System of recording complaints

We observed that the Department did not maintain a register for recording and monitoring the particulars of the complaints received by post from the general public. Without registering them, the STF forward them directly to the concerned SHO to investigate and take action on the same. As a result of this, compiled information on the complaints received from public and action taken thereof at any given point of time was not available for decision making.

The Government replied (July 2011) that action would be initiated to maintain a separate register for the complaints received by post.

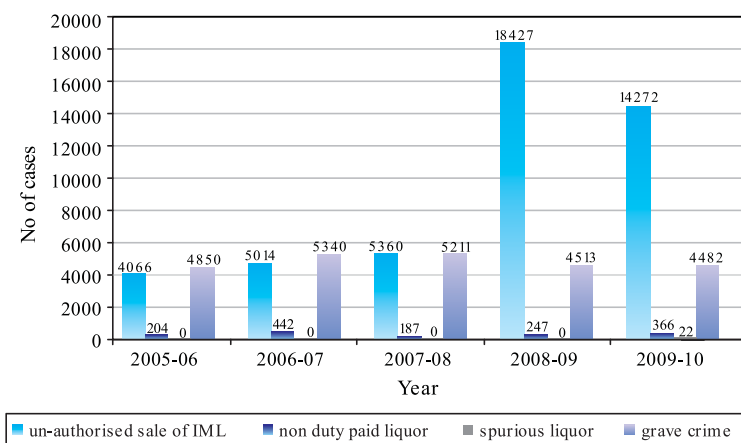
4.4 Crime Rate

We noted from the crime statistics maintained by the Department that almost all the excise districts of the state had faced one or more than one type of crimes cited above. It may be seen from the following table which gives the trend of crime rate recorded during the period of audit that there was an increase in grave crimes, sale of non-duty paid liquor as well as spurious liquor.

(No. of cases)							
Sl. No.	Nature of Crime	Years					Total
		2005-06	2006-07	2007-08	2008-09	2009-10	
1.	Grave Crime	4,850	5,340	5,211	4,513	4,482	24,396
2.	Un-authorised sale of liquor	4,066	5,014	5,360	18,427	14,272	47,139
3.	Sale of non-duty paid liquor	204	442	187	247	366	1,446
4.	Sale of spurious liquor	0	0	0	0	22	22
Total		9,120	10,796	10,758	23,187	19,142	73,003

Source: Figures obtained from Director of Enforcement

The position is depicted in the following chart.





It may be seen from the above that the overall crime rate continued to increase during the last five years, except in 2009-10. But 2009-10 had witnessed the highest (31) number of deaths recorded due to consumption of illicit liquor as detailed at para 4.4.2. It is pertinent to mention that the crime rate had increased by 215 *per cent* in 2008-09 over the previous year. The major contributing factor for this trend is over three-fold rise in the trend of unauthorised sale of liquor during this period as detailed at para 4.4.1. It is also disturbing to note that the trend of sale of non-duty paid liquor continues unabated during the period of audit, except in 2007-08.

The Government assured (July 2011) to streamline the enforcement wing.

4.4.1 Unauthorised sale of liquor through unlicensed shops

According to Section 15 of AP Excise Act 1968, sale of liquor without valid licenses is prohibited and the offenders are punishable under section 34(a) of AP Excise Act 1968, read with section 8 of A.P. Prohibition Act 1995.

As already brought out in the report there had been manifold rise in the license fee fetched from the sale outlets located in remote villages. In this scenario, the lease holder tends to operate a series of unlicensed shops in order to make good of his investment. This obviously results in loss of revenue to the State in the form of license fee forgone.

The Department had detected over 47,000 cases of unauthorised sale of liquor between 2005-06 and 2009-10 as detailed below.

Year	Number of cases detected	Percentage of increase over the previous year
2005-06	4,066	-
2006-07	5,014	23.31
2007-08	5,360	6.90
2008-09	18,427	243.78
2009-10	14,272	(-) 22.54
Total cases	47,139	

Source: Figures obtained from Director of Enforcement.

As seen from the above table, the percentage of unauthorised sale cases detected had increased by 23.31 *per cent* and 6.90 *per cent* during the years 2006-07 and 2007-08 respectively and it had further increased by 243.78 *per cent* in 2008-09. Although the number of cases detected during 2009-10 decreased by 22.54 *per cent* from previous year, the actual number of cases detected is significantly more than the cases detected during the years prior to 2008-09 and overall there



Unauthorised sale of liquor at roadside in Adilabad District



was 351 *per cent* rise over a period of five years. Therefore, this area requires more focus and monitoring by the Department.

Further, there was no assurance that there were no other such shops being operated as the Department's enforcement action is either based on a tip off from a complainant or detected during their routine patrolling operation. The problem seems to be rampant and cases had been recorded in almost every district of the State. The top five districts in terms of the number of the cases noted between 2005-06 and 2009-10 are given below.

Sl. No.	District	Number of cases	Percentage of the total cases detected
1.	Nellore	6,880	14.59
2.	Prakasham	4,396	9.32
3.	Anantapur	4,125	8.75
4.	Srikakulam	3,044	6.45
5.	Krishna	2,820	5.98

Source: Figures obtained from Director of Enforcement.

Persisting unauthorised sales clubbed with the sale of illicitly distilled liquor in about 34.78 *per cent* of the districts of the State was having a toll on the human lives and other socio-economic issues as detailed below.

The Government replied (July 2011) that cases were booked whenever there were complaints of illegal sale by organising surprise raids/check.

The reply is not acceptable as enforcement cannot afford to act merely based on complaints/tip off, but there should be a target driven inspection system as detailed at para 4.7.

4.4.2 *Liquor tragedies*

The Government of Andhra Pradesh had banned arrack in 1993. Illicit distillation of liquor obviously is an outcome of the total ban of arrack. Under such circumstances, unless the ban is accompanied by effective enforcement and inspection, it could lead to illicit distillation and 'liquor tragedies'.

With a view to educate the people about the ill effects of consumption of liquor, the Government of Andhra Pradesh in August 2007 had constituted a 'Madya Vimochana Prachara Committee' (MVPC) for a period of one year and the tenure of the committee was extended upto August 2009. The tenure was not extended thereafter for the reasons not known.

We noted during the audit of the office of the Commissioner that during its tenure the MVPC had conducted awareness campaigns throughout the State about the adverse effects of consumption of Illicitly Distilled (I.D) Liquor, adulterated toddy, spurious Liquor etc. Since it's disbanding in August 2009, no campaign was conducted.

We noted during the audit of Director of Enforcement that



there were several cases of illicit liquor distillation recorded between April 2010 and November 2010 in 11 districts. The top five districts that had suffered most (39.45 *per cent*) the menace of illicit distillation are given below. It may be seen that all these districts share their border with the neighboring States indicating the porous nature of the State borders.

Sl. No.	District	Quantity of ID liquor (in litres)	Percentage of the total quantity of ID liquor seized in the State	Shares border with
1.	Khammam	1,23,341	10.56	Chhattisgarh
2.	East Godavari	93,417	8.00	Orissa
3.	Kurnool	87,369	7.48	Karnataka
4.	Karimnagar	84,448	7.23	Maharashtra
5.	Chittoor	72,172	6.18	Karnataka & Tamilnadu
	Total	4,60,747	39.45	

Source: Figures obtained from Director of Enforcement.

We noted several cases of recorded deaths due to consumption of spurious liquor. However, the number of deaths recorded due to consumption of I.D/Spurious liquor and adulterated toddy during the period of functioning of MVPC in the State was significantly low which may be due to frequent public campaigns by the Committee. After the Committee was wound up (August 2009), the recorded death rate was very high as detailed below.

Sl. No.	Year	District (Place)	Number of deaths recorded
1.	2006-07	Vijayawada (Patamata)	1
2.	2007-08	Krishna (Musunuru)	2
3.	2008-09	Rajendra Nagar Nandyal	4
4.	2009-10	Guntur (Narsaraopet) Bhimavaram (Narasapuram) Jagityal Amalapuram	31
5.	2010-11 (upto 30.11.2010)	Eluru (Bhimadole) Warangal (Rayaparthi) Guntur (Bellamkonda) Kurnool	9
	Total		47

Source: Figures obtained from Director of Enforcement.



Reportedly, the Department was investigating the cases and no concrete action was taken in this regard. The enforcement wing of the Department failed to arrest this menace despite increasing occurrence of liquor tragedies. On the other hand MVPC was disbanded without any valid reasons.

As detailed in Chapter III, during the lease years 2008-10 and 2010-12, the sales outlets fetched huge amounts of revenue (67.93 and 91.01 *per cent* license fee above the expected price) due to which some license holders might resort to MRP violation for recovering their investments. Further, illicit distillation is mostly prevalent in rural areas, as rural households cannot afford IMFL when it is sold at more than MRP rates.



Illicit Liquor Distillation raided in West Godavari District

On being pointed out about MVPC vis-à-vis liquor tragedies, it was replied (November 2010) by the Commissioner that the Government have not issued orders for extension of MVPC from August 2009.

The Government replied (July 2011) that it was decided to launch an organised publicity/awareness campaign to educate the general public about the evil of consuming liquor. It was also stated that ₹ 50 crore had been earmarked for this purpose.

4.5 Dealing with crime

As per Section 31 of AP Excise Act, 1968 the authority granting any license or permit under this Act may cancel or suspend it in the event of any breach by the holder thereof or by any of his servants or by any one acting on his behalf with his express or implied permission, of any of the terms and conditions thereof.

Cases are booked against the offenders as per the provisions of A.P. Excise Act 1968. In case of offences booked under Rule 42 (liquor sales at more than MRP) and Rule 17 (loose sales), the cases are settled on payment of compounding fee.

We noted through a review of the cases booked by the Department between April 2010 and November 2010 under MRP violations, loose sales and running of Bars (cases of dilution of liquor or non-observance of timings) that following cases were booked under compounding.

Sl. No.	Nature of Offence		Number of offences booked	Number of licenses	
				Suspended	Cancelled
1.	Shops	M.R.P violations	399	60	0
		Loose Sales	226	0	0
2.	Violations by Bars		303	0	0
3.	Other violations		1,603	0	0
	Total		2,531	60	0

Source: Figures obtained from Director of Enforcement.





The cases discussed above illustrate the trend of dealing with various offences booked under various provisions of the Excise Act, 1968.

The Government replied (July 2011) that powers were vested with Commissioner to impose higher penalty and to cancel the license in case of sale of non duty paid liquor.

4.5.1 Category of offence changed

i) We noted during the audit of office of the P&ES Visakhapatnam that two non-compoundable cases were booked by SHO, Visakhapatnam-3, under Sections 36(b) & (c) of AP Excise Act, 1968 on Bar licensees for sale of diluted liquor in the Bar premises. It was further noted that though the cases were booked under non-compoundable category, the cases were changed from non-compoundable to compoundable by the Commissioner based on the recommendation of Deputy Commissioner even though SHO mentioned that it was not alterable. We did not sight any justified reasons on file for changing the category of the offence.

ii) We noted during the audit of office of P&ES Kadapa that a case was booked by District Task Force, Kadapa on 22.03.2009 under Section 34(a) of AP Excise Act, 1968 on the allegation that two persons were carrying 96+ nips of liquor bottles in excess of permissible limits. They were arrested and the bottles were seized alongwith a motorcycle. The case was handed over to SHO, Kadapa for further investigation which was registered under section 34(a) of AP Excise Act, 1968 against the accused. As a part of the investigation, it was ascertained that the said liquor was duty paid and sold by the licensee M/s Shiva Jyoti Wines, Kadapa. The license was suspended immediately for the reason that the licensee had sold the liquor in excess of permissible limits. After that a show cause notice was issued for cancellation of the license and based on the representation by the licensee, the case was compounded by collecting compounding fee of ₹ 10,000 even though no case was booked against the licensee. The original case booked against the two culprits was closed and the vehicle was also not confiscated.

The matter was reported to Government in April 2011 and their reply is awaited (September 2011).

4.5.2 Action Taken Reports not obtained

State Task Force was created under the direct supervision of DOE to deal with the excise related crimes. A control room was established in the office of the DOE to receive excise related complaints from common public. Excise Inspector is in charge of the Control Room who records the complaint and forwards it to State Task Force.

We noted during the audit of office of the DOE that 20 complaints were received during July 2010 in respect of MRP violations. However, even after a lapse of six months, no action taken reports (ATRs) were received from the concerned SHOs and the Department did not show initiative to get the reports for assessment of the case. Due to abnormal delay in receipts of ATRs and non-monitoring, the very purpose of establishment of control room was defeated.

The Government replied (July 2011) that all the action taken reports had since been received and stated that an update in this regard would be furnished to audit.

4.5.3 Assets released on interim custody not re-seized

As per Section 46(f) of Andhra Pradesh Excise Act 1968, when an order for confiscation of any property has been passed under Section 46 and such order has become final in respect of the whole or any portion of such property, such property or portion thereof as the case may be shall rest with the Government, free from all encumbrances. Such property shall be disposed off in public auction and the sale proceeds shall be credited into the Government account.



We noted during the audit of office of the P&ES Kadapa and DC Anantapur that vehicles, which were released on interim custody, were neither re-seized nor fixed deposit amount forfeited to Government Account after completion of confiscation procedures.

On this being pointed out the Department replied that the amount would be forfeited to Government.

Reply from the Government is awaited (September 2011).

4.5.4 *Confiscated vehicle released without realising its value*

As per Section 47 of AP Excise Act, 1968 the Commissioner is competent to compound the offence by collecting a sum of money not exceeding ₹ one lakh and in all cases in which any property has been seized is liable to confiscation, may release the same on payment of the value thereof as estimated by such officer.

(i) We noted during the audit of office of P&ES Kadapa that the SHO Rajampeta had seized 16 boxes of duty paid liquor and one Jeep. This case was booked under Section 34(a) which was non-compoundable. Later the case was altered as compoundable and ₹ 25,000 was collected for compounding the case and ₹ 5,356 was collected for releasing the stock of liquor. In this case vehicle was released without collection of its value and non-observance of confiscation procedure.

On this being pointed out the P&ES replied that the vehicle was released on the instructions of the Commissioner.

(ii) We noted during the audit of P&ES Kadapa that a case was booked for unauthorised carrying of liquor bottles and one motor cycle was seized. While the case was disposed off by collecting a compoundable fee of ₹ 10,000 the vehicle was however released by mere telephonic instructions of the DC Kadapa without observing confiscation procedure, which resulted in non observance of Excise Rules besides loss of revenue to Government.

On this being pointed out, the Department replied that the vehicle was released by the concerned SHO based on the telephonic instructions of the DC.

We believe that the above instances though isolated in nature point towards leniency in dealing with the crime cases.

Reply from the Government is awaited (September 2011).

4.6 **Internal Audit never done**

Internal audit is an important part of internal control mechanism for ensuring proper and effective functioning of a system for detection and prevention of control weaknesses. The orders issued by the Government of Andhra Pradesh from time to time (01.07.1997 and 23.01.1989) stipulate, among others, that it is the responsibility of the Accounts branch of the Head of the Department to conduct Internal Audit of the Regional Offices, District Offices, Unit Offices etc., periodically at least once in a year and furnish reports to the Commissioner.

We noted during the test check of office of the Commissioner that Internal Audit of the following offices was never conducted and there was no internal audit programme either.



Sl. No.	Office of the	Number of Inspections			
		Due	Conducted	Short fall	Percentage of Shortfall
1.	Deputy Commissioners	23	0	23	100
2.	Assistant Commissioners	28	0	28	100
3.	Prohibition and Excise Superintendent	53	0	53	100

Source: Figures obtained from Commissioner of Prohibition and Excise.

Due to non-conducting of internal audit of the district offices, any omissions or commissions in respect of crime, efficiency and accountability by the district level officers may not be brought to the notice of higher authorities.

The Government replied (July 2011) that a programme was being chalked out for conducting internal audit.

4.7 Inspection of sub-ordinate offices

Periodical inspection of sub ordinate offices is an important component of the internal control function.

We noted that no system existed in the enforcement wing of the Department to get an assurance on the working of sub-ordinate offices as there was no formal arrangement for such action in the form of setting targets for individuals and monitoring thereof.

We found best practices being followed in other states, for instance, in Uttar Pradesh where the Commissioner of Excise sets targets to various cadres of senior functionaries for this purpose. This system is in vogue since 1990. The following table gives more details in this regard.

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

Source: Figures adopted from Comprehensive Separate Audit Report of UP State for the year 2009.



The Government replied (July 2011) that action would be taken to see that all the subordinate offices are inspected regularly.

4.8 Manpower issues

Any enforcement exercise is a qualified and competent manpower intensive exercise. We reviewed the size of the manpower and arrangements in place for equipping them with the required knowledge and skills for meeting the day to day challenges in enforcing controlled prohibition.

4.8.1 Size of the manpower

4.8.1.1 State wide vacancies

We noted that as on 31 March 2011, the Department had a working strength of 7,455 in different cadres as against the sanctioned strength of 10,383, leaving a shortage of 28 *per cent*. The cadres with major vacancies are given below.

Sl. No.	Cadre	Sanctioned strength	Men-in-position	Shortfall (per cent)
1.	Prohibition and Excise Inspectors	669	579	13
2.	Prohibition and Excise Constables	5,657	3,428	39
3.	Asst. Chemical Examiners	28	16	43
4.	Junior Assistants	910	569	37
5.	Typist/Urdu Typist/Clerk cum Typist	78	37	53

Source: Figures obtained from Commissioner of Prohibition and Excise.

The Government replied (July 2011) that action was being taken for filling up of the vacant posts.

4.8.1.2 Vacancies in Enforcement Wing

We noted that the Enforcement Wing of the Department was also reeling under shortage of manpower at various levels. The sanctioned strength and the men-in-position of the wing and vacancy position prevailing in some key cadres for the year 2009-10 are given below.

Sl. No.	Cadre	Sanctioned strength	Men-in-position	Shortfall (per cent)
1.	P&E Inspectors	5	5	0
2.	P&E Sub - Inspectors	19	15	21
3.	P&E Constables	54	35	35

Source: Figures obtained from Commissioner of Prohibition and Excise.



The shortage may have a direct impact on control of crime and monitoring issues. Some cases of shortage and other related issues at the field level are discussed below.

- i) In the Revenue District of Anantapur, there were 196 vacancies (63 *per cent*) in the cadre of constables against the sanctioned strength of 309. Similarly, in Revenue District of Srikakulam, there were 98 vacancies (40 *per cent*) out of the sanctioned posts of 249.
- ii) Conversely, in case of the Distillery Officer, Jeypore Sugars, Jangareddigudem, we noted that though the unit was closed for more than one year, excise staff i.e. one Excise Inspector and three Constables were not posted to any other needy units but they continued to draw pay and allowances without any work.
- iii) In case of the Distillery Officer, SPY Agro, Nandyal, we noted that the excise staff was working on deputation, but no posts were sanctioned till December 2010, though the distillery had been functioning for more than three years.
- iv) We noted during audit of Distillery Officer, Tern Distilleries that the post of Distillery Officer was being operated without any supporting staff due to posting of regular staff on deputation to other units.
- v) As per Rule 20 of AP Distillery (IMFL other than beer and wine) Rules 2006, no manufactory shall be open for work on Sunday or other holidays without prior permission of the Commissioner and if the manufactory works on Sunday or holidays, excise officer shall be present.

We noted during audit of M/s Pearl Distilleries, Singarayakonda that the Distillery obtained permission to work on all Sundays, Holidays and daily four additional hours during working days for the months of January 2010, February 2010 and March 2010. Accordingly, the Distillery worked for 12 hours daily during the above period including Sundays and holidays during which the excise staff monitored the production and dispatches. Since the excise staff was required to present in the distillery for additional hours and during holidays it is at cost of their health and adverse impact on their efficiency.

The Government replied (July 2011) that the crime was being controlled with the available workforce and by organising joint raids.

The Government did not furnish reply regarding continuance of post without sanctioned strength, posting of staff without supporting staff and working beyond office hours (September 2011).

4.8.2 Quality of manpower

The Department, being a manpower intensive service organisation, the quality of service delivered depends upon the quality and frequency of training acquired by the Prohibition & Excise force. While the technical staff is trained at the State Excise Academy Hyderabad, Administrative Staff is trained at the Collectorate of the Districts.

4.8.2.1 Training Curriculum

The training curriculum generally revolves around the issues of the AP Excise Service Rules, Drugs and Cosmetic Act, Constitution of India etc., besides physical training to make the staff physically fit and



mentally alert. We believe that in today's era of communication revolution, staff must be exposed to the issue of communication and analysis of evidence; at least to the enforcement staff who raid the illicit distillation. The duration of the training varies from 3 days to 6 months depending on the nature of course. We noted the following issues with regard to staff training.

4.8.2.2 Declining focus on Training

We noted from the information furnished by the State Excise Academy during the period 2005-06 to 2009-10 that focus on training is on a decline as detailed below.

Sl. No.	Year	No. of persons trained
1.	2005-06	1,394
2.	2006-07	1,016
3.	2007-08	1,246
4.	2008-09	194
5.	2009-10	110

Source: Figures obtained from Excise Academy.

As seen from the above table the number of persons trained over the last five years has been reducing from year to year. During the year 2009-10, the number of persons trained was so discouraging that it worked out to less than two *per cent* of the total men in position. This may have an impact on their performance.

The Government replied (July 2011) that the training was not on decline.

The reply is not acceptable as it is evident from the above information furnished to audit by the Excise Academy that there had been a declining trend in training from 2005-06 to 2009-10, except in 2007-08.

4.8.2.3 Head Constables/Constables need training

Considering the nature of duties, up-gradation of skills, activating and upgrading existing levels of knowledge is utmost important for the enforcement staff. The cadre of Prohibition and Excise Constables/Head Constables is the backbone of the enforcement wing. They are imparted training before and after recruitment, besides other trainings.

We noted that, 'Orientation and Rigorous Training Course' was conducted for Prohibition & Excise Constable/Head Constable cadres during 2005-06 and 2006-07 but no such training was ever conducted during 2005-06 to 2009-10 for other cadres to upgrade their knowledge and skills, although the other cadres also form part of the core cadre of the Department in control of crime, detection of illicit distilled liquor etc. as detailed below.



Sl. No.	Year	Number of persons trained		
		Institutional Training for fresh recruits	Orientation and Rigorous Training	Other courses
1.	2005-06	114	560	720
2.	2006-07	13	728	275
3.	2007-08	109	0	1,137
4.	2008-09	194	0	0
5.	2009-10	110	0	0

Source: Figures obtained from Excise Academy.

We also noted that, except imparting training to the newly recruited staff as and when they are appointed, no trainings were conducted after 2007-08 by the Academy which underlines a need for a comprehensive training policy that aims at training for all at periodical intervals.

The Government replied (July 2011) that due to vacancies in all cadres, particularly in constable cadre, they could not be sent for training.



CHAPTER

5

CONCLUSION & RECOMMENDATIONS



The Performance Audit of the Functioning of the Prohibition and Excise Department was conducted to examine the effectiveness and efficiency in discharge of the dual functions of revenue generation and control/enforcement of excise/prohibition functions. Conclusions of the audit findings and consequent recommendations are given in the succeeding paragraphs:

5.1 Conclusion

Efficient distillation of molasses to RS and to ENA within permissible losses is a key challenge faced by the distilleries. The Distilleries had yet to achieve the best practices (prescribed by ISS) required to be followed in the industry with regard to fermentable sugar content in molasses (95 *per cent*). Though these results were being communicated to the Commissioner periodically, no further action was taken. The availability of domestically produced RS/ENA is a key factor for production of IMFL which is directly linked to the Excise Revenue. We found that on an average basis the production of RS/ENA was hovering between 59 to 69 *per cent* of the licensed capacity of the Distilleries. Absence of suitable measures to ensure maximum yield coupled with the sub-optimal efficiency of the distilleries adversely affected revenue maximisation. The commencement of production of RS/ENA by distilleries as per terms of conditions of the license had not been strictly monitored by the Department.

System of affixing holograms on the bottles for identification had not been put in place by the Department and absence of this is fraught with the risk of their misuse, besides stifling the Department's ongoing efforts in preventing liquor crimes.

Upset price is a key determinant of license fee for which the outlets are auctioned. Fixing upset price treating all the outlets on equal footing bereft of their sales potential was unscientific as it ignores their revenue potential. Huge profit margins being maintained by certain outlets indicate that they were not priced in line with their sales potential and the likely profits thereof. Further, the practice of fixing upset price based on the revised price fixed in the previous cycle, instead of the pre-revised price is not logical as the circumstances that led to downward revision of upset price could undergo a change.

The sales outlets were given licenses in violation of the prescribed rules, despite their proximity to the Religious/Educational Institutions/National Highways and Hospitals.

The System of Monitoring and Control, saddled with shortages in certain key cadres like Head Constables/Constables and lack of the system of internal audit and target oriented system of inspection of sub-ordinates by superiors, was fraught with the risks of not being able to effectively address the issue of rising crimes related to liquor. The Department's activities were totally manpower driven but precious human resources, in absence of adequate target oriented training, the Department may find it difficult to cope up with the growing day-to-day enforcement related challenges.



5.2 Recommendations

We recommend that the Government may:

1. monitor closely the manufacture of RS by the State distilleries commensurate with the licensed capacity;
2. make it mandatory for the distilleries to commence production within the validity period of application for license and frame suitable penal provisions to encourage timely commencement of production;
3. expedite the process of introducing bar coding system;
4. factor in the sales potential of the sales outlets while determining their upset prices based on the material lifted by them in the previous cycles or introducing a system of charging additional license fee for the goods lifted by the outlets beyond specified limits;
5. computerise the entire process of dispatch of liquor bottles from the distilleries to the marketing depots and to the sales outlets in order to trace and track their movement using their identification numbers so as to prevent and monitor unauthorised sales;
6. carry out a Statewide review of the liquor shops operating near the educational/religious institutes and hospitals ignoring the distance limits prescribed in the Act. Enforce condition of grant of license strictly to ensure that outlets are not permitted near educational/religious institutions;
7. introduce a system of recording the complaints in a register, which may be monitored by a responsible officer for their timely disposal;
8. strengthen the border check posts in the districts which are proven to be vulnerable to illicit distillation, with competent excise staff with better communication facilities for the purpose of handling excise offences; and



9. frame a training policy that makes training a compulsory requirement for all the officers and the Enforcement staff at periodical intervals. Review the curriculum followed at the State Excise Academy to make it contemporary and to include sessions on topics like Communication and Analysis of criminal evidence to equip the Enforcement staff in meeting the challenges of changing crime scenario.

Hyderabad
The

(Sadu Israel)
Accountant General
(Commercial & Receipt Audit)
Andhra Pradesh

Countersigned

New Delhi
The

(Vinod Rai)
Comptroller and Auditor General of India



Annexures





Annexure-I
Manufacture of Liquor
(Reference : Paragraph 2.4)

SL No.	Name of the sugar factory	Year	Total molasses used (weight in M.T)	Inverted sugar (weight in M.T)	Fermentable sugar @ 95% of Inverted Sugar (weight in M.T)	Fermentable Sugar actually found (weight in M.T)	Shortage of Fermentable Sugar (weight in M.T)	Yield of Alcohol for shortage of Fermentable Sugar @91.8 (in Proof Litre)	Excise Duty for short yield of Alcohol @ ₹ 15.40 of short yield (₹ in Crore)
1	M/s K.C.P. Sugars & Ind. Corp. Ltd., Vuyyuru, Krishna District	2005-06 to 2009-10	1,52,776.16	68,375.81	64,957.02	27,379.10	37,577.92	3,44,96,530.56	53.12
2	M/s Andhra Sugars Pvt., Ltd., Tanuku, W.G.District	2005-06 to 2009-10	1,39,368.49	64,117.40	60,911.53	57,922.27	2,989.26	27,44,140.68	4.23
3	M/s Empee Sugars Pvt., Ltd., Naidupet, Nellore District	2006-07 to 2009-10	94,906.70	43,624.62	41,443.39	39,468.94	1,974.45	18,12,545.10	2.79
4	M/s Sagar Sugars Pvt., Ltd., Chittoor	2009-10	4,345.00	2,291.76	2,177.17	2,144.56	32.61	29,936.00	0.04
5	M/s Jeypore Sugars Company Ltd., Chagallu, W.G.District	2009-10	13,606.00	6,373.36	6,054.69	5,709.82	344.87	3,16,590.66	0.49
6	M/s Jeypore Sugars Company Jangareddygudem, W.G.District	2009-10	6,010.06	2,741.86	2,604.76	2,451.15	153.61	1,41,013.98	0.22
	Total		4,11,012.41	1,87,524.81	1,78,148.56	1,35,075.84	43,072.72	3,95,40,756.98	60.89



Annexure-II
Penal Interest on belated realisation of Bank Drafts
(Reference : Paragraph 3.3.3)

Date of Remittance of DDs	Total Amount of DDs (₹)	Actual date of realisation of DDs	Amount realised (₹)	Delay in no. of days	Penal Interest @18% P.A. (₹)
25.06.2008	17,19,87,736	17.07.2008	42,57,820	22	46,194
		18.07.2008	63,18,800	23	71,670
		19.07.2008	65,000	24	769
		21.07.2008	39,75,000	26	50,967
		22.07.2008	3,31,78,440	27	4,41,773
		23.07.2008	3,02,06,994	28	4,17,105
		24.07.2008	1,87,95,200	29	2,68,797
		25.07.2008	5,79,45,943	30	8,57,282
		30.07.2008	3,30,000	35	5,696
		02.08.2008	4,45,000	38	8,339
		05.08.2008	1,25,71,844	41	2,54,192
		06.08.2008	3,85,000	42	7,974
		11.08.2008	17,35,000	47	40,215
		17.08.2008	7,06,690	53	18,471
		21.08.2008	1,01,000	57	2,839
				Total	24,92,283



Annexure-III
Verification of Sample Bottles of IMFL purchased from different areas of the state with the APBCL Depots
(Reference : Paragraph 3.4.1.2)

Sl. No	Name of the Brand	Name of the Manufacturer	Batch Number and date of manufacture	EAL No.	Quantity of the Liquor	Name of the Shop where purchased	Information furnished by APBCL	
							Name of the Shop	Depot
1.	Officers' choice Premium Whisky	Bagga Distilleries, Hyderabad	B.No.121 dated 10.09.2010	8941132	180 ml	Sri Vinayaka Wines, Nalgonda	Sri Vinayaka Wines, Hyd Road, Nalgonda	Nalgonda
2.	Officers' choice Premium Whisky	Bagga Distilleries, Hyderabad	B.No.121 dated 10.09.2010	8941133	180 ml	Sri Vinayaka Wines, Nalgonda	Sri Vinayaka Wines, Hyd Road, Nalgonda	Nalgonda
3.	Officers' choice Premium Whisky	Paras Collins Distilleries, Shamshabad, Hyderabad	B.No.177 dated 12-11-2010	4028175	180ml	Sri Ganesh Wines, Srikakulam Town	Sri Ganesh Wines, Srikakulam Town	Srikakulam
4.	Bag Piper Whisky	Esveear Distilleries, Vijayawada	B.No.196 dated 26.11.2009	8973600	180 ml	Minerva Wines, Daba Gardens, Visakhapatnam	Dwaraka Beer & Wines, Visakhapatnam	Visakhapatnam-1
5.	Bag Piper Whisky	Esveear Distilleries, Vijayawada	B.No.196 dated 26.11.2009	8973588	180 ml	Minerva Wines, Daba Gardens, Visakhapatnam	Dwaraka Beer & Wines, Visakhapatnam	Visakhapatnam-1
6.	Director's special Regular Whisky	M/s.United Spirits Ltd., (Shaw Wallace Ltd), Malkajigiri, Secunderabad	B.No. 134 dated 05-08-2010	5668038	180 ml	Sri Laxmi Wines, Seven Junction, Srikakulam	Not traced	
7.	Old Tavern Rare Whisky	M/s.United Spirits Ltd., (Shaw Wallace Ltd), Malkajigiri, Secunderabad	B.No.328 dated 19-11-10	3564219	180 ml	Seven Star Wines, Gudur	Venkateswara Wines, Gudur	Nellore
8.	Bag Piper Whisky	M/s.United Spirits Ltd., (Shaw Wallace Ltd), Malkajigiri, Secunderabad	B.No. 147 dated 26-10-10	9803493	180 ml	Seven Star Wines, Gudur	Venkateswara Wines, Gudur	Nellore
9.	Our Choice Fine Whisky	R.K.Distilleries, Medchal, R.R. District	B.No. 23 dated 08-05-10	5769410	180 ml	Ramnagar Wines, Karimnagar	The EAL Nos. mentioned are not legible due to poor quality of carbon paper.	
10.	Our Choice Fine Whisky	R.K.Distilleries, Medchal, R.R. District	B.No. 23 dated 08-05-10	5769406	180 ml	Ramnagar Wines, Karimnagar	The EAL Nos. mentioned are not legible due to poor quality of carbon paper.	
11.	Aristocrat Whisky	Bagga Distilleries, Hyderabad	B.No. 81 dated -	6441135	180 ml	Sri Sai laxmi wines, Nagarkurnool	Sri Sai Laxmi wines, Nagarkurnool	Mahaboobnagar



Sl. No	Name of the Brand	Name of the Manufacturer	Batch Number and date of manufacture	EAL No.	Quantity of the Liquor	Name of the Shop where purchased	Information furnished by APBCL	
							Name of the Shop	Depot
12.	Officers' Choice Premium Whisky	M/s.Allied Distilleries Pvt. Ltd., Chikalthana, Aurangabad/ Mumbai	B.No. 343 dated -	4185755	180 ml	Sri Sai laxmi wines, Nagarkurnool	Sri Sai Laxmi wines, Nagarkurnool	Mahabubnagar
13.	Seagram Royal Stag	Pernord Richard India Ltd., Gwalior	B.No. 430 dated 10.11.10	1188993	180 ml	Hari Priya Bar & Rest., Kadapa	Stocks not issued from Kadapa Depot.	
14.	Seagram Royal Stag	Pernord Richard India Ltd., Gwalior	B.No. 430 dated 10.11.10	1189001	180 ml	Hari Priya Bar & Rest., Kadapa	Stocks not issued from Kadapa Depot.	
15.	Our Choice Fine Whisky	R.K.Distilleries, Medchal, R.R.District	B.No. 45 dated 20.11.10	6226186	180 ml	Madhavi Wines, Mancherial	Neelima Wines, Mancherial	Mancherial
16.	Our Choice Fine Whisky	R.K.Distilleries, Medchal, R.R.District	B.No. 45 dated 20.11.10	6226187	180 ml	Madhavi Wines, Mancherial	Neelima Wines, Mancherial	Mancherial
17.	Officers' Choice Premium Whisky	GSB&Co Pvt Ltd., Kasimkota, Visakhapatnam	B.No. 64 dated 16.09.10	2296345	180 ml	Vijayadurga Wines, Anakapalli	Vijayadurga Wines, Anakapalli	Visakhapatnam-II
18.	Officers' Choice Premium Whisky	GSB&Co Pvt Ltd., Kasimkota, Visakhapatnam	B.No. 64 dated 16.09.10	2296348	180 ml	Vijayadurga Wines, Anakapalli	Vijayadurga Wines, Anakapalli	Visakhapatnam-II
19.	Gold Riband Deluxe Whisky	Pearl Distilleries, Singrayakonda, Prakasham District	B.No. 145 dated 19.10.10	3227754	180 ml	Dwaraka Beer & Wines, Visakhapatnam	Ambica Wines, Visakhapatnam	Visakhapatnam-I
20.	Gold Riband Deluxe Whisky	Pearl Distilleries, Singrayakonda, Prakasham District	B.No. 145 dated 19.10.10	3433853	180 ml	Dwaraka Beer & Wines, Visakhapatnam	Dwaraka Beer & Wines, Visakhapatnam	Visakhapatnam-I

Annexure - IV
Lifting by Clubs Since 2005-06 to 2009-10
(Reference : Paragraph 3.6.2)

SL. NO.	YEAR	DEPOT- CODE	UNITNAME	PTCODE	PTNAME	ADDRESS	SALE_CASE	SALE_VAL (₹)
1	2005-06	1	Hyderabad - I	291	COUNTRY CLUB RESTAURANT & BAR	6-3-1219,BEGUMPET, HYD.	3,635	63,28,871
	2006-07	1	Hyderabad - I	739	COUNTRY CLUB RESTAURANT & BAR	6-3-1219,BEGUMPET, HYD.	4,701	82,81,685
	2007-08	1	Hyderabad - I	739	COUNTRY CLUB RESTAURANT & BAR	6-3-1219,BEGUMPET, HYD.	4,815	83,74,773
	2008-09	1	Hyderabad - I	739	COUNTRY CLUB RESTAURANT & BAR	6-3-1219,BEGUMPET, HYD.	4,614	87,45,790
	2009-10	1	Hyderabad - I	739	COUNTRY CLUB RESTAURANT & BAR	6-3-1219,BEGUMPET, HYD.	4,836	92,58,146
2	2005-06	1	Hyderabad - I	298	FATEH MAIDAN CLUB	LALBAHADUR STADIUM, HYD.	3,723	89,87,337
	2006-07	1	Hyderabad - I	804	FATEH MAIDAN CLUB	LALBAHADUR STADIUM, HYD.	4,032	1,03,81,552
	2007-08	1	Hyderabad - I	804	FATEH MAIDAN CLUB	LALBAHADUR STADIUM, HYD.	4,502	1,21,00,090
	2008-09	1	Hyderabad - I	804	FATEH MAIDAN CLUB	LALBAHADUR STADIUM, HYD.	4,918	1,55,40,894
	2009-10	1	Hyderabad - I	804	FATEH MAIDAN CLUB	LALBAHADUR STADIUM, HYD.	4,757	1,54,13,706
3	2007-08	32	R.Reddy - II	496	HAVELI CLUB 8 RESTAURANT & BAR	GROUP OF KATIKANENI HOTELS	1,614	14,93,463
	2008-09	32	R.Reddy - II	496	HAVELI CLUB 8 RESTAURANT & BAR	GROUP OF KATIKANENI HOTELS	11,149	1,21,89,276
	2009-10	32	R.Reddy - II	496	HAVELI CLUB 8 RESTAURANT & BAR	GROUP OF KATIKANENI HOTEL	17,486	1,89,31,743
4	2006-07	1	Hyderabad - I	803	HYDERABAD BOATS CLUB	6-1-2, HUSSAIN SAGAR, HYD.	3,801	1,31,53,577
	2007-08	1	Hyderabad - I	803	HYDERABAD BOATS CLUB	6-1-2, HUSSAIN SAGAR, HYD.	3,699	1,40,18,132
	2008-09	1	Hyderabad - I	803	HYDERABAD BOATS CLUB	6-1-2, HUSSAIN SAGAR, HYD.	3,819	1,56,35,032
	2009-10	1	Hyderabad - I	803	HYDERABAD BOATS CLUB	6-1-2, HUSSAIN SAGAR, HYD.	3,772	1,71,50,932





SL. NO.	YEAR	DEPT. CODE	UNITNAME	PTCODE	PTNAME	ADDRESS	SALE_CASE	SALE_VAL (₹)
5	2005-06	25	Visakhapatnam - I	753	IBP CENTURY CLUB	D.NO: 53-3-15, MAHARANI PETA	1,042	26,16,947
	2006-07	25	Visakhapatnam - I	348	IBP CENTURY CLUB	D.NO: 53-3-15, MAHARANI PETA	812	22,45,356
	2007-08	25	Visakhapatnam - I	348	IBP CENTURY CLUB	D.NO: 53-3-15, MAHARANI PETA	566	10,72,281
	2008-09	25	Visakhapatnam - I	348	IBP CENTURY CLUB	D.NO: 53-3-15, MAHARANI PETA	1,724	52,05,274
	2009-10	25	Visakhapatnam - I	348	IBP CENTURY CLUB	D.NO: 53-3-15, MAHARANI PETA	1,852	54,39,537
6	2005-06	11	Khammam Depot	812	JUBILEE OFFICERS' CLUB	1-6-184 & 185, JUBLIPURA, KHAMMAM	1,367	27,94,556
	2006-07	11	Khammam Depot	303	JUBILEE OFFICERS' CLUB	1-6-184 & 185, JUBLIPURA, KHAMMAM	945	21,15,225
	2007-08	11	Khammam Depot	303	JUBILEE OFFICERS' CLUB	1-6-184 & 185, JUBLIPURA, KHAMMAM	652	13,07,138
	2008-09	11	Khammam Depot	479	JUBILEE OFFICERS' CLUB	1-6-184 & 185, JUBLIPURA, KHAMMAM	2,045	52,55,248
	2009-10	11	Khammam Depot	479	JUBILEE OFFICERS' CLUB	1-6-184 & 185, JUBLIPURA, KHAMMAM	2,242	55,72,465
7	2005-06	18	Guntur - I	199	L.V.R. & SONS CLUB AND R.ROOM	4-13-23, KORITIPADU	2,071	51,74,246
	2006-07	18	Guntur - I	647	L.V.R. & SONS CLUB AND R.ROOM	4-13-23, KORITIPADU	2,238	62,15,151
	2007-08	18	Guntur - I	647	L.V.R. & SONS CLUB AND R.ROOM	4-13-23, KORITIPADU	670	17,26,940
	2008-09	18	Guntur - I	647	L.V.R. & SONS CLUB AND R.ROOM	4-13-23, KORITIPADU	2,726	94,57,678
	2009-10	18	Guntur - I	647	L.V.R. & SONS CLUB AND R.ROOM	4-13-23, KORITIPADU	3,480	1,28,15,543
8	2005-06	2	Hyderabad - II	404	M/S DECCAN CLUB	10-3-61, ENTRENCHMENT ROAD	1,955	37,38,218
	2006-07	2	Hyderabad - II	411	M/S DECCAN CLUB	10-3-61, ENTRENCHMENT ROAD	1,723	37,14,108
	2007-08	2	Hyderabad - II	422	M/S DECCAN CLUB	10-3-61, ENTRENCHMENT ROAD	764	12,85,033
	2008-09	2	Hyderabad - II	400	M/S DECCAN CLUB	10-3-61, ENTRENCHMENT ROAD	2,145	55,86,017
	2009-10	2	Hyderabad - II	435	M/S DECCAN CLUB	10-3-61, ENTRENCHMENT ROAD	2,925	69,72,707
9	2005-06	2	Hyderabad - II	403	M/S NEW CLUB	10-1-1 to 5, F&G FLOOR, (P.NO.371) Rd.8	2,597	58,54,674
	2006-07	2	Hyderabad - II	410	M/S NEW CLUB	10-1-1 to 5, F&G FLOOR, (P.NO.371) Rd.8	2,372	48,76,724
	2007-08	2	Hyderabad - II	423	M/S NEW CLUB	10-1-1 to 5, F&G FLOOR, (P.NO.371) Rd.8	875	14,98,835
	2008-09	2	Hyderabad - II	403	M/S NEW CLUB	10-1-1 to 5, F&G FLOOR, (P.NO.371) Rd.8	3,314	85,42,597
	2009-10	2	Hyderabad - II	433	M/S NEW CLUB	10-1-1 to 5, F&G FLOOR, (P.NO.371) Rd.8	3,073	81,19,103
10	2005-06	2	Hyderabad - II	405	M/S SECUNDERABAD CLUB	220, PICKET	3,434	74,63,506
	2006-07	2	Hyderabad - II	415	M/S SECUNDERABAD CLUB	220, PICKET	3,064	79,11,800



SL. NO.	YEAR	DEPOT_CODE	UNITNAME	PTCODE	PTNAME	ADDRESS	SALE_CASE	SALE_VAL (₹)
	2007-08	2	Hyderabad - II	421	M/S SECUNDERABAD CLUB	220, PICKET	1,238	29,60,323
	2008-09	2	Hyderabad - II	401	M/S SECUNDERABAD CLUB	220, PICKET	4,045	1,13,23,930
	2009-10	2	Hyderabad - II	431	M/S SECUNDERABAD CLUB	220, PICKET	4,574	1,31,51,745
11	2005-06	1	Hyderabad - I	319	NIZAM CLUB	5-9-5, SAIFABAD, HYD.	2,587	97,62,654
	2006-07	1	Hyderabad - I	802	NIZAM CLUB	5-9-5, SAIFABAD, HYD.	2,863	1,05,41,776
	2007-08	1	Hyderabad - I	802	NIZAM CLUB	5-9-5, SAIFABAD, HYD.	2,766	98,91,923
	2008-09	1	Hyderabad - I	802	NIZAM CLUB	5-9-5, SAIFABAD, HYD.	2,933	1,21,23,071
	2009-10	1	Hyderabad - I	802	NIZAM CLUB	5-9-5, SAIFABAD, HYD.	2,755	11,879,186
	2005-06	19	Guntur - II	553	VIJAYAWADA CLUB	12-2014, TADEPALLI	891	23,74,502
12	2005-06	19	Guntur - II	563	VIJAYAWADA CLUB	12-2014, TADEPALLI	23	85,296
	2006-07	19	Guntur - II	616	VIJAYAWADA CLUB	12-2014, TADEPALLI	692	21,80,777
	2006-07	19	Guntur - II	652	VIJAYAWADA CLUB	12-2014, TADEPALLI	56	2,05,042
	2007-08	19	Guntur - II	646	VIJAYAWADA CLUB	12-2014, TADEPALLI	175	5,37,520
	2008-09	19	Guntur - II	698	VIJAYAWADA CLUB	12-2014, TADEPALLI	1,163	36,99,906
	2009-10	19	Guntur - II	695	VIJAYAWADA CLUB	12-2014, TADEPALLI	1,098	52,05,811
13	2005-06	25	Visakhapatnam - I	755	WALT AIR CLUB	WALT AIR UPLANDS, SIRIPURAM	2,603	81,41,581
	2006-07	25	Visakhapatnam - I	346	WALT AIR CLUB	WALT AIR UPLANDS, SIRIPURAM	2,040	41,08,128
	2007-08	25	Visakhapatnam - I	346	WALT AIR CLUB	WALT AIR UPLANDS, SIRIPURAM	1,060	20,96,613
	2008-09	25	Visakhapatnam - I	346	WALT AIR CLUB	WALT AIR UPLANDS, SIRIPURAM	3,114	1,10,34,694
	2009-10	25	Visakhapatnam - I	346	WALT AIR CLUB	WALT AIR UPLANDS, SIRIPURAM	3,069	1,01,25,674



Annexure - V
Organisation Chart of Director of Enforcement Wing of Prohibition and Excise Department
(Reference: Paragraph 4.2)

