सत्यमेव जयते

Report of the
Comptroller and Auditor General of India
on
Performance Audit on
Regulation and Supply of Liquor in Delhi

भारत के नियंत्रक एवं महालेखापरीक्षक ✦ COMPTROLLER & AUDITOR GENERAL OF INDIA

सत्यमेव जयते

SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of National Capital Territory of Delhi

Report No. 1 of the year 2024

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Table of Contents

Annexures

Preface

Preface

This Report of the Comptroller and Auditor General of India has been prepared for submission to the Lieutenant Governor of the National Capital Territory (NCT) of Delhi under Section 48 of the Government of National Capital Territory of Delhi Act, 1991 for being laid before the Legislative Assembly of the National Capital Territory of Delhi.

Seventh Schedule of the Constitution of India envisages that production, manufacture, possession, transport, purchase, and sale of 'Liquors' is in exclusive domain of the State Governments. Accordingly, the Excise Department, Government of National Capital Territory of Delhi (GNCTD) has responsibility to regulate the supply of liquor in Delhi. The Excise Department regulates the entire supply chain of liquor from manufacturers to consumers. This supply chain involves multiple stakeholders i.e., manufacturers (distilleries and breweries), warehouses, retail vends (point of sale), hotels, clubs, and restaurants (point of service), and ultimately the consumers. The Excise Department levies Excise Duty and multiple other fees e.g., license fee, permit fee, import fee etc. on supply of liquor in Delhi. This report has covered the issues related to Excise Supply Chain Information Management System (ESCIMS), Licensing policy and issue of licenses, Pricing Policy, Quality control, Excise Intelligence Bureau & Confiscation and working of Enforcement Branch of Excise Department during the period 2017-18 to 2020-21. Owing to the substantial changes in the Excise Policy regime from November 2021 onwards and its subsequent withdrawal w.e.f. 1 September 2022, the same has been included within the ambit of this report.

This report has pointed out various shortcomings in the efforts made by the Government to enable more efficient regulation via end-to-end tracking of liquor through ESCIMS. The Excise Department issued Licenses to various Licensees without verifying various documents as per the Delhi Excise Act/Rules and terms and conditions. Moreover, in violation of rules, multiple Licenses were issued to related parties (having common Directors). Costing details to ascertain the reasonability of Ex-Distillery Price/Ex-Brewery Price of Indian Made Foreign Liquor was not sought. Licenses were issued to applicants of Wholesale Licenses despite failure to submit Test Reports fully compliant with parameters as per Bureau of Indian Standards (BIS) norms. In the enforcement cases, it was observed that no mandated procedure was followed in selection of suspect stocks. There was poor maintenance of Inspection Register in the Enforcement Branch. Regarding the Excise Policy for the year 2021-22, audit observations point to the lacunae in the implementation of policy along with the issues contributing to the failure of the policy to meet intended objectives and its ultimate withdrawal.

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

Executive Summary

EXECUTIVE SUMMARY

Excise Department is a major contributor (approx. 14 *per cent*) to GNCTD's Tax Revenue. Apart from fulfilling its primary responsibility of revenue collection, the Department controls and regulates the liquor and narcotics trade and discharges the responsibility of making available the same to the consumers, with requisite quality assurance. With effect from 1 July 2017, Excise Duty on various goods and services was subsumed under Goods and Services Tax (GST) except on "Liquor for Human Consumption", thus the revenue collection for Excise Department is mainly from liquor sale.

There are multiple stakeholders involved in the supply and distribution of liquor starting from the manufacturers/distilleries (located outside Delhi) to the respective Bonded Warehouses located in Delhi and then to the various corporation vends, private vends, Hotels, Clubs & Restaurants and finally the consumers. Apart from the multiplicity of stakeholders, there is a multiplicity of heads under which Excise Department collects revenue, i.e., Excise duty, License fees, Permit fees, Import/Export fees etc. on Liquor products. This entails a complex supply chain mechanism to monitor, control and regulate the supply of liquor. Further, the different types of liquor and intoxicants (Country Liquor, Indian Made Foreign Liquor, Foreign Liquor, Denatured spirits and narcotics) are subject to different taxes, pricing, and administrative mechanisms. The Performance Audit on "Regulation and Supply of Liquor in Delhi" has been taken up owing to the importance of Excise duty on liquor, and implications for the fiscal position of the state.

Audit has covered a period of four years from 2017-18 to 2020-21 to examine Regulation and Supply of IMFL and FL Liquor in Delhi, in detail. Supply chain of Country Liquor has been looked into with regard to confiscation activity in Chapter VI. Owing to the substantial changes in the Excise Policy regime from November 2021 onwards and its subsequent withdrawal w.e.f. 1 September 2022, the Excise Policy 2021-22 has been covered in Chapter VIII of this Report.

Audit observed several discrepancies in the way Excise Department monitored and regulated the supply of Liquor in NCT of Delhi. The working of Excise Department raises several questions about the way the Department is fulfilling its responsibility. Total financial implication of the audit findings is approximately ₹ 2,026.91 crore.

(A) Issues in Excise Policy for the period 2017-21

- ***Violations in award of Licenses***

The Department issues several types of Licenses to Wholesalers, Retailers, Hotel, Clubs and Restaurants (HCR) etc., and annually reissues or renews the licenses subject to fulfilment of criteria laid down for the respective License category for the year. Audit observed that the Department could not ensure the implementation of Rule 35 of Delhi Excise Rules, 2010, which prohibits issue of multiple licenses of different category (Wholesaler, Retailer, HCR etc.) to related parties, leading to the existence of common directorship among entities holding various License Types.

Further the Department was issuing licenses without checking various requirements relating to Excise Rules and Terms and Conditions for the issue of different type of licenses. It was observed that licenses were issued without ensuring solvency, submission of audited financial statements, submission of data regarding sales and wholesale price declared in other states and across the year, verification of criminal antecedents from the competent authority etc.

It is imperative that cases of cross ownership and proxy ownership among companies applying for licenses, based on criteria like common directorship, percentage share-holding, unsecured loan to companies, be dealt with strictly to avoid unfair practices like cartelization in liquor trade and brand promotion. Further, selective adherence of various Rules and Regulations while issuing Licenses is non-compliance of procedures and responsibility should be fixed for violations of the same.

- ***Lack of transparency in pricing of IMFL***

Pricing of liquor was important to ensure optimal excise revenue collection. Excise Department allowed discretion to L1 licensee (Manufacturer and Wholesaler) to declare its Ex-Distillery Price (EDP), for liquor priced above a certain level. All the price components after manufacture, including profit of manufacturer, were added thereafter. Audit observed varying EDP in various States for liquor supplied by same manufacturer unit. Further, this discretion allowed L1 licensee to manipulate prices of liquor to its own advantage, through increase in EDP. Analysis of pricing and sale of a few brands revealed that discretionary EDP led to decline in sales and consequent loss in excise revenue. As the costing details were not sought to ascertain the reasonability of EDP, there was a risk of L1 licensee getting compensated by the profits hidden in increased EDP.

The concept of EDP needs to be transparently defined and cost sheets should be obtained in support of the declared EDP. Department should regulate pricing so as to optimize excise revenue by analysing the impact of pricing on sales.

- ***Inadequate Quality Control***

Ensuring that the liquor supplied in Delhi conforms to prescribed quality standards is the responsibility of the Excise Department. The extant regulatory framework contained relevant provisions which makes it mandatory for the wholesale licensees (L1) to submit various test reports, at the time of issue of licenses, in accordance with the Bureau of Indian Standard (BIS) provisions, as Excise Commissioner had not prescribed separate quality specifications. Audit observed a number of instances where test reports were not compliant with BIS Specifications and the Excise Department issued licenses despite major shortcomings. Important test reports of water quality, harmful ingredients, heavy metals, methyl alcohol, microbiological tests reports etc., were not submitted for various brands. Moreover, the test reports submitted by some of the licensees were not from National Accreditation Board for Testing and Calibration Laboratories (NABL) Accredited Lab as per the requirement of Food Safety and Standards Authority of India (FSSAI) Act. Deficient test certificates was also noticed during scrutiny of test checked reports. In respect of 51 *per cent* of the test checked reports, relating to Foreign Liquor, it was found that test reports furnished were older than one year/or no test report was provided/date not mentioned.

There is an urgent need that the Excise Department should proactively monitor the quality of alcohol and frame stringent quality standards and ensure compliance of the same.

- ***Weak Regulatory Functioning***

Effective and efficient exercise of the regulatory and administrative function by the Department is paramount for timely identification and plugging of revenue leakages and acting as a deterrent against smuggling of liquor. The role of the Excise Department was largely limited to making record of seizures and disposal of case property and data suggested that the Excise Intelligence Bureau (EIB) failed to act as an effective deterrent. The data maintained by the Department was fragmented and rudimentary with little to no analytical value, which further hindered any attempt at gaining data driven actionable insights.

Country liquor was the most seized liquor type forming 65 *per cent* of the total liquor seized by EIB. The reasons for smuggling of country liquor was largely structural, with a supply side constraint on quota of supplied liquor, and availability of bottle sizes and presence of limited number of brands. Analysis of registered FIRs revealed a pattern with some areas being the hotspots for smuggling, and a few regional brands having overwhelmingly large share in the smuggled liquor.

Detailed analysis of the case-wise aggregated data of confiscation and EIB cases should be made, to identify liquor smuggling hotspots, brands involved, possible reasons for smuggling, estimated revenue leakage etc. A coordinated action with other State Excise enforcement machinery might help in curbing the smuggling of liquor.

- ***Poor execution of Enforcement function***

Apart from its role as a deterrent, Enforcement is supposed to penalise existing licensees for violations of Delhi Excise Act/ Rules etc. Various critical weaknesses were noticed which hampered the ability of the Department to either penalise violation appropriately or act as sufficient deterrent against further violations. The actual raids were discretionary and fragmented in the absence of any Standard Operating Procedure. Further, lack of rigour in evidence collection and substantiation including utilization of ESCIMS data did put the cases on weak footing to begin with. Lapses were observed at each stage of the enforcement process, ranging from incorrect Inspection Reports to deficient Show Cause Notices.

Enforcement function needs to be strengthened starting from formulation of Standard Operating Procedure, meticulous evidence collection and investigation and expeditious disposal of cases. Computerization of Inspection Reports and the process followed thereafter needs to be done to ensure transparency and accountability in the enforcement function.

- ***Lacunae in End to End Tracking of Inventory***

An IT enabled system was operationalized in December 2013, for barcode based tracking of inventory and payment solution for all stakeholders. The primary objective of ESCIMS was to ensure end-to-end tracking of liquor, via barcode capture, at every stage and authentication of sale at Point of Sale (POS). However, the Department's inability to ensure sale of all the liquor through scanning led to the adoption of stock reconciliation post-sale (Monthly Stock Reconciliation- MSR Gap) which was outside the scope of contract agreement. This reconciliation procedure introduced various anomalies in the sales data and undermined inventory tracking, data accuracy, regulatory effectiveness and also increased the risk of Non-Duty Paid Liquor being circulated through use of duplicate barcodes.

Further, the project of Excise Adhesive Labels, aimed at enhancing security of labels, could not be implemented as a result of which the objective of authenticity, traceability and security aspects of the supply side could not be achieved.

There was a need to replace the outdated MSR-gap method with real time end to end barcode tracking. Secure barcode labels should be implemented swiftly to prevent barcode duplication and misuse. Data Analytic tools and Artificial Intelligence algorithms should be deployed to help in analysis and automatic generation of red flags for anomalous data and easy identification.

(B) Issues in the New Excise Policy (2021-22)

Excise Policy for the year 2021-22 was framed ostensibly to achieve the objectives including to not allow formation of any monopoly or cartel in liquor trade, to ensure equitable access of liquor supply to all the wards/area of Delhi, to allow the responsible players in the industry to carry out the trade transparently without resorting to any proxy model and to eradicate sale of spurious liquor and check bootlegging.

- ***Infirmities in formation of Excise Policy***

Recommendations of the Expert Committee, formed for suggesting changes for formation of new Excise Policy, were ignored while formation of the same, justification of which was not available in records provided. These changes included grant of wholesale license to private entities instead of State owned wholesale entity, upfront charging of excise duty in the license fees in place of excise duty to be charged per bottle, applicant being allowed to get a maximum of 54 retail vends in place of an individual being allotted a maximum of two vends.

Further, in violation of Cabinet decision, necessary permissions from the Cabinet/opinion of the Lieutenant Governor were not obtained before giving important exemptions/relaxations having revenue implications.

- ***Issue in Design and Award of Licenses***

One of the objectives of the policy was prevention of the formation of monopoly or cartel. However, the new policy had inherent design issues including the imposed exclusivity arrangement between manufacturers and wholesalers and formation of retail zone with a minimum of 27 wards in each zone. These issues resulted in limiting the number of total licensees and increasing the risk of monopolisation and cartel formation. It was noticed that wholesale licenses for supply of IMFL and FL were granted to 14 business entities, whereas the same were granted to 77 manufacturers of IMFL and 24 suppliers of FL in the old policy (2020-21). Similarly, for the purpose of Retail Vends, Delhi was divided into 32 Zones (containing 849 vends) whose licenses were granted to 22 entities through tendering, whereas, 377 retail vends were run by four Government Corporations and 262 retail vends were allotted to private individuals previously. Moreover, cases of related business entities holding licenses across the supply chain and skewed distribution pattern highlighted the risk of exclusivity arrangements and Brand Pushing.

- ***Issues in implementation of Excise Policy***

While some retailers retained licenses till the expiry of the policy period, some surrendered the same before the policy period was over. As retail licensees were limited in numbers, it caused disruption in supply because the Policy did not contain any provision requiring the licensees to give advance notice before surrendering the license. Further, there was revenue loss of approximately ₹ 890 crore to the Government as it did not retender the surrendered retail licenses.

In spite of being aware that vends were required to be opened in non-conforming wards in order to achieve the objective of equitable distribution, the Department did not take timely action to work out modalities leading to non-achievement of the objective. It also resulted in loss of revenue of approximately ₹ 941 crore due to exemptions which had to be given to the zonal licensees.

Despite being mentioned in the conditions of the Tender Document that any commercial risk shall lie with the licensee, clarification provided during the pre-bid meeting that there is no provision for *force majeure* and against the opinion of the Excise Department to relax the license fees, a waiver of license fees of ₹ 144 crore was granted to the zonal licensees on the basis of COVID restrictions (28 December 2021 to 27 January, 2022), resulting in loss of revenue to the Government.

Apart from the above three, incorrect collection of Security Deposit from zonal Licensees, led to loss of revenue of around ₹ 27 Crore. Therefore, these implementation issues of the new policy led to a loss of revenue of approximately ₹ 2,002 crore.

Excise Policy aimed to eradicate sale of spurious liquor and check bootlegging. However, important measures which were planned in the policy like setting up of liquor testing laboratories, batch testing for rigorous quality assurance, and monitoring and regulation through creation of a dedicated post were not ensured.

Chapter I

Introduction

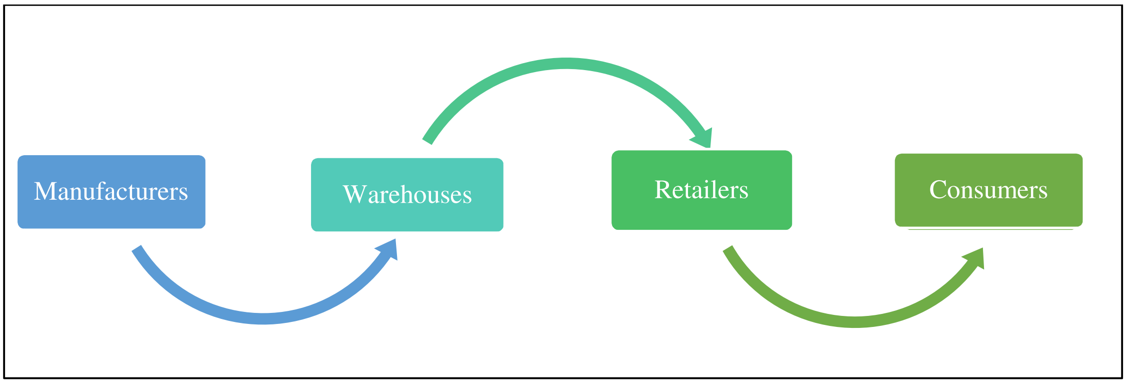
Chapter I: Introduction

1.1 Introduction

As per the List-II of the Seventh Schedule of the Constitution of India, production, manufacture, possession, transport, purchase, and sale of 'Liquors' is in the exclusive domain of the State Government. Accordingly, the Department of Excise, Entertainment and Luxury Tax (Excise Department), Government of National Capital Territory of Delhi (GNCTD) has the responsibility to regulate the supply of liquor in Delhi. The statutory powers for discharging the responsibilities of regulation of liquor supply chain are taken from Delhi Excise Act, 2009 and Rules made thereunder.

The Excise Department regulates the entire supply chain of liquor from manufacturers to consumers. This supply chain involves multiple stakeholders i.e., manufacturers (distilleries and breweries), warehouses, retail vendors (point of sale), hotels, clubs, and restaurants (point of service), and ultimately the consumers as shown in **Chart 1.1**.

Chart 1.1: Liquor Supply Chain



The Excise Department levies Excise Duty[1] and multiple other fees e.g., license fee, permit fee, import fee etc. on supply of liquor in Delhi. Revenue from Excise Duty and other fees levied on 'Liquor' by the Excise Department is a major contributor to GNCTD's Tax Revenue (approx. 14 *per cent* for the years 2018-19 to 2021-22), as depicted in the **Chart 1.2**.

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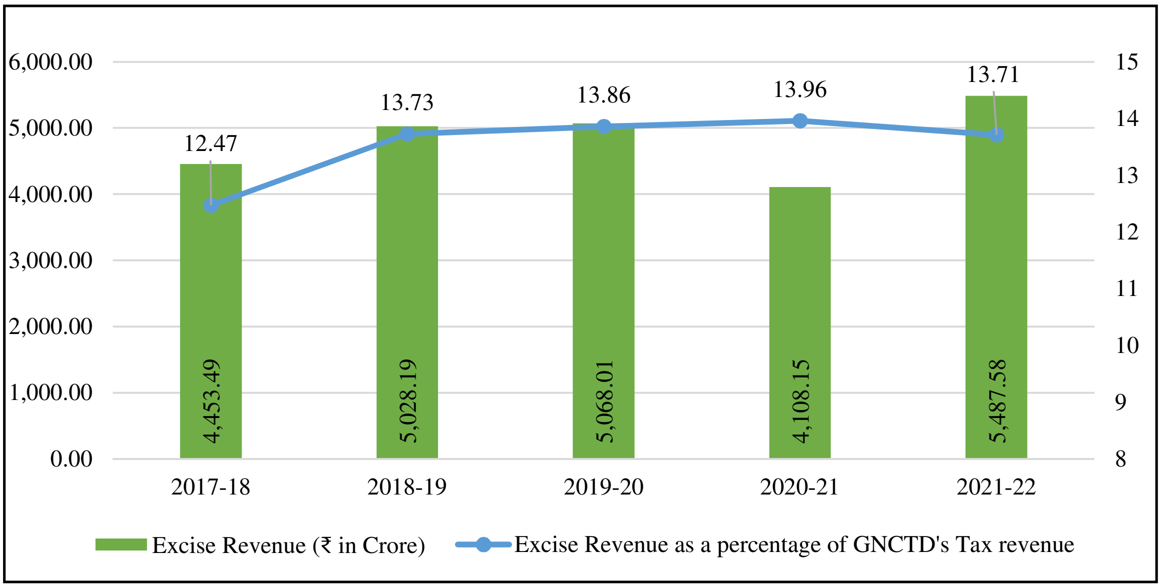
[1] With effect from 1 July 2017, Goods and Services Tax (GST) was implemented throughout country, wherein the Excise Duty on manufacture and sale of various goods and services was subsumed into GST, except for 'Liquor for human consumption'. Hence, w.e.f. 1 July 2017, 'Liquor' is the only item on which Excise Duty is levied by the State Governments, including GNCTD.

Chart 1.2: Excise Revenue

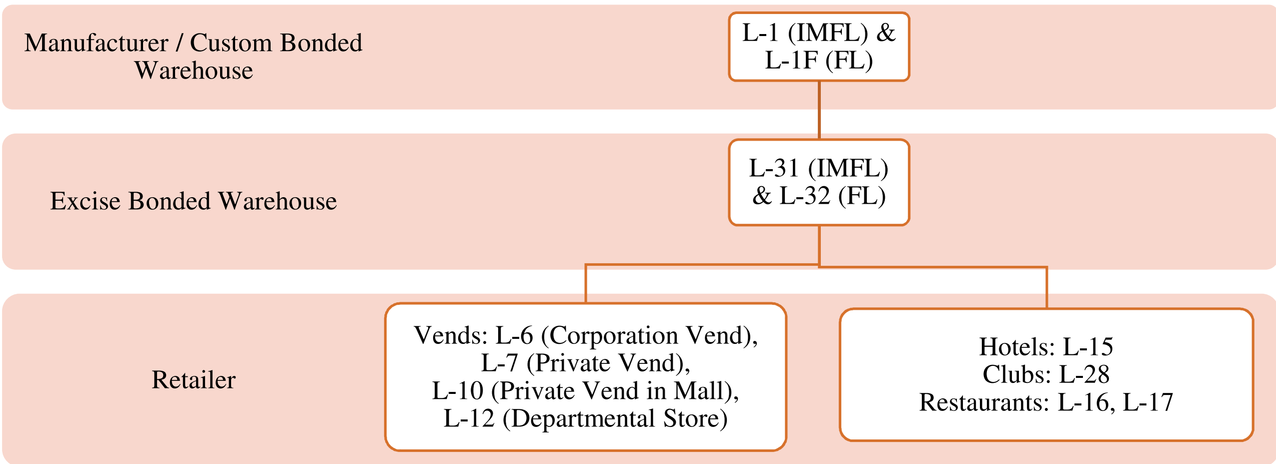


Source: Annual Financial Statements of GNCTD

There are three different types of liquor, i.e., Indian Made Foreign Liquor (IMFL), Foreign Liquor (FL) and Country Liquor (CL), which differ in their origin, pricing and quality. Accordingly, regulations vary for all the three types of liquor.

The licenses issued to stakeholders in supply chain of IMFL and FL are as given in **Chart 1.3**.

Chart 1.3: Hierarchy of Licensees[2]

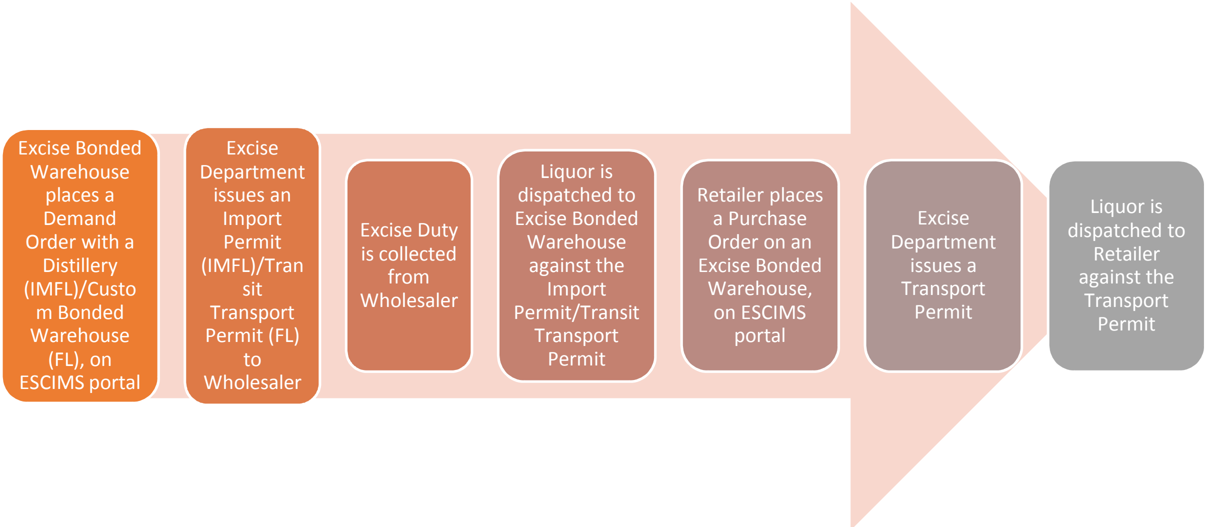


During the period 1 April 2017 to 16 November 2021, IMFL was supplied by manufacturers (located outside NCT of Delhi) who were also wholesale licensees, to their Excise Bonded Warehouses in NCT of Delhi (NCTD). However, FL was supplied by wholesale licensees to Excise Bonded Warehouses in NCTD from the

[2] This hierarchy of License was applicable for the period excluding the withdrawn Excise Policy regime effective between 17 November 2021 and 31 August 2022. The License types for the Excise Policy 2021-22 have been mentioned in Chapter VIII.

Custom Bonded Warehouses, where it was received from their country of origin. The Retailers included Vends, Hotels, Clubs and Restaurants (HCR) and Canteen Store Depots (CSD).

Chart 1.4: Excise Department's Regulation of Liquor Supply chain



In respect of Country Liquor[3], supply chain was directly controlled by the Excise Department as it fixed quota (not exceeding 33 *per cent* of total quota) for each of the wholesale licensee and also placed Demand Order on the basis of monthly allocation[4]. In terms of sale volume, IMFL and FL held about 90 *per cent* market share during the period April 2017 to March 2021, and the remaining 10 *per cent* market share was of Country Liquor.

The Excise Department regulates the entire supply chain of liquor via its web-based application ESCIMS (Excise Supply Chain Information Management System), which is used for all purposes, e.g., application for license, placing the demand order, issue of import permit, barcoding of all liquor and inventory management and payment solution for all stakeholders, etc.

Apart from the revenue collection, Excise Department's regulation of liquor supply involves issue of licenses and enforcement of license conditions, price fixation, prevention of sale of poor quality and non-duty paid liquor, etc. Barcodes generated through ESCIMS were required to be affixed on all liquor cases and bottles to be imported into Delhi. The Excise Intelligence Bureau (EIB) of Excise Department is responsible for checking of inter-state smuggling of liquor, detection of manufacture and sale of illicit liquor, checking illegal serving of liquor at unlicensed premises and liaison with various units of Delhi Police to combat bootlegging. Enforcement Branch of Excise Department is entrusted with the responsibility of

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[3] Country Liquor was sold only through the Vends managed by the four undertakings of GNCTD namely Delhi Tourism and Transportation Development Corporation (DTTDC), Delhi State Industrial and Infrastructure Development Corporation (DSIIDC), Delhi State Civil Supply Corporation (DSCSC) and Delhi Consumers Co-operative Wholesale Store Limited (DCCWS).

[4] The Purchase Order for IMFL and FL was placed by the Retailers as per their own assessment, without any interference from Excise Department.

conducting surprise inspections at Excise licensed premises of licensees and reporting violations found.

1.2 Audit Objectives

The objectives of this Audit on "Regulation and supply of Liquor in Delhi" were to assess whether:

i. The licensing process is fair, efficient, and effective;
ii. The pricing policy ensures protection of excise revenue, without passing undue benefit to the manufacturers/distilleries;
iii. An effective mechanism exists to enforce the license conditions; and
iv. ESCIMS is enabling e-governance in Excise Administration.

1.3 Audit Criteria

The audit criteria were sourced from the following:

- Delhi Excise Act, 2009
- Delhi Excise Rules, 2010
- User Manuals for ESCIMS
- General Financial Rules
- Administrative Manual
- Orders and Circulars issued by GNCTD
- Orders, Circulars, and policy papers issued by the Excise Department

1.4 Audit Scope and Methodology

This audit initially (between July 2021 to January 2022) covered a period of four years from 2017-18 to 2020-21. However, owing to a major change in Excise Policy in the year 2021-22, which came into effect from 17 November 2021 and lasted until 31 August 2022, it was considered prudent to audit the changed policy and its implications. Therefore, the audit was extended to cover this period as well and audit was conducted during December 2022 and January 2023.

This audit has examined regulation and supply of IMFL and FL in NCT of Delhi in detail. Supply chain of Country Liquor has not been examined in detail in this audit from the point of view of licensing, sale / purchase etc. However, some portion of the same has been examined under confiscation activities and reported upon in Chapter VI. The audit methodology included scrutiny of records provided by the Excise Department and data from ESCIMS application. 59 Licensees were selected through random sampling method for test-check, out of which records relating to 46 Licensees were provided to Audit. Details are given in **Annexure I**.

A formal meeting with the Head of the Department was held on 30 June 2021 to discuss the scope of audit. Exit Conference to discuss the detailed observations was held on 10 June 2022 with representatives[5] of GNCTD. Replies furnished by the

[5] Secretary (Finance), GNCTD; Special Secretary (Finance), GNCTD; Commissioner, Excise Department; Joint Director (Finance), GNCTD and other members.

Government in June 2022 have been suitably incorporated in the respective paragraphs.

Replies of the Government for audit observations relating to roll out and implementation of Excise Policy 2021-22 have not been received despite repeated reminders. Principal Secretary (Finance), GNCTD intimated vide letter No. F.6 (30)/Ex/Audit/2022-23/1395 dated 2 June 2023 that "each and every facet of License Based Policy is under investigation by Central Bureau of Investigation (CBI) and Enforcement Directorate (ED) and furnishing comments by this Department may become prejudicial to the investigations". As regards holding of Exit Conference to discuss findings relating to Excise Policy 2021-22, it was stated that "It may not be appropriate to have Exit Conference and offer any comments/interpretations at this stage which may become prejudicial to the ongoing investigations". The reply was reiterated by the Department vide letter dated 6 November 2023. It is also pertinent to mention that, due to the ongoing investigations, the audit pertaining to this portion was conducted on the basis of limited files made available to Audit. The sufficiency and completeness of records pertaining to formulation and implementation of policy could not therefore be ascertained.

1.5 Structure of the Report

Audit observed several discrepancies in the way Excise Department monitored and regulated the supply of Liquor in NCT of Delhi. Total financial implication of the audit findings is around ₹ 2,026.91 crore. Audit findings have been structured in the following chapters:

Chapter-II covers the issues related to Excise Supply Chain Information Management System, a web based application of Excise Department to regulate supply chain of liquor.

Chapter-III covers the issues related to Licensing Policy and issue of licenses during the period 2017-18 to 2020-21.

Chapter-IV covers the issues related to Pricing Policy during the period 2017-18 to 2020-21.

Chapter-V covers the issues related to compliance of Quality norms during the period 2017-18 to 2020-21.

Chapter-VI covers the issues related to Excise Intelligence Bureau & Confiscation during the period 2017-18 to 2020-21.

Chapter-VII covers the issues related to working of Enforcement Branch of Excise Department during the period 2017-18 to 2020-21.

Chapter-VIII covers the issues pertaining to roll out and implementation of Excise Policy 2021-22.

Chapter II

Excise Supply Chain Information Management System

Chapter II: Excise Supply Chain Information Management System

A robust and efficient Information Management System is a pre-requisite for an effective supply chain tracking, monitoring and regulation. Excise Department introduced a Monthly Stock Reconciliation (MSR) method which undermined inventory tracking, data accuracy and regulatory effectiveness through Excise Supply Chain Information Management System (ESCIMS) project. A large proportion of liquor was sold without scanning through ESCIMS. Excise Intelligence Bureau (EIB) module of ESCIMS was non-functional. The Project monitoring and Service Level Compliance monitoring was not satisfactory. Analytical value of the captured data was not exploited to draw insights for enforcement functions. Despite ten years since the start of ESCIMS, the Department continued to be dependent on the same Implementing Agency in the absence of an Exit Management Plan. The project of Excise Adhesive Labels to enhance security had not been implemented even after two and a half years of Cabinet approval.

2.1 Introduction

In February 2010, the Cabinet of Ministers, GNCTD decided that barcoding of all liquor sold in Delhi will be done to ensure that there is no smuggling in Delhi and also to trace the source of liquor in case of any untoward incident. It was decided to implement[6] the project namely Excise Supply Chain Information Management System (ESCIMS) through an Implementing Agency (IA) who was to be selected through a bidding process. ESCIMS covered barcoding of all liquor, inventory management and payment solution for all stakeholders (Excise Department, Wholesale licensees and Retail outlets) in its scope.

The entire investment for the project covering installation of hardware, development of software, customization for Excise Data Centre and Disaster Recovery Centre was to be borne by the IA. The return on investment made by the IA was to be paid at the rate quoted by the IA for each unit of data captured at Excise Data Centre.

Accordingly, the Excise Department signed (November 2011) an agreement with M/s Tata Consultancy Services (TCS), who was the lowest bidder, to deliver a technology enabled process of end-to-end tracking of liquor from its origin to point of sale, with proposed timeline of 78 weeks for implementation. This project was initiated as Pilot phase in February 2013 and was operationalised in December 2013. The agreement was for a period of seven years after December 2013 and could be extended for further two years.

[6] Via DBOOT (Design, Build, Own, Operate and Transfer) model

As per the agreement conditions[7], a barcode fee of 15 paise[8] for every barcode attached to bottles and liquor cases was to be levied on the L1/L1F[9] licensees and paid to the IA i.e. TCS. Only the barcodes captured and finally authenticated as either sold, returned, or broken were to be considered for payment to IA. This was not a revenue sharing agreement and the barcode fee was to be collected only to settle payment liability towards TCS.

The Department, however, found during the pilot phase that percentage of barcodes authenticated at retail vends was very low[10], and thus, initiated (December 2013) a 'stock-take-sold'/Monthly Stock Reconciliation (MSR) process at retail vends. 'Stock-take-sold' process was basically a reconciliation of logical inventory (inventory as per ESCIMS) and physical inventory, wherein the barcodes missing from the physical inventory were updated as sold in the system.

For implementation of ESCIMS, IA was paid through the barcode fee levied on L1/L1F licensees. From project implementation in December 2013 till November 2022, ₹ 112.00 crore (including Service tax/GST) had been collected from L1/L1F licensees on account of barcode fees, and a payment liability of ₹ 90.11 crore (excluding Service tax/GST) had been created for onwards payment to IA[11].

Agreement with IA was extended and the extended period also expired in November 2022. Thereafter, the project was to be transferred to the Department itself or to a replacement Implementing Agency, to be selected through fresh tender. Subsequently, three short extensions have been granted to TCS for project continuation till February 2024.

The process for hiring a consultancy firm for preparation of a Request for Proposal (RFP) for development of a new application software and a Detailed Project Report (DPR) was initiated in October 2019. After delays due to COVID pandemic, M/s Ernst &Young was hired as consultant and work was started in May 2022 after initial payment of ₹ 93.38 lakh (40 *per cent* of the cost - ₹ 2.34 crore). A timeline of six months was planned for completion of procurement phase (RFP and Bid management for selection of System Integrator (SI)). As of December 2023, draft DPR was prepared by the consultant, but was not approved by the competent authority, and subsequent tasks of RFP, Bid management, selection of SI, etc. were pending.

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[7] Schedule VI

[8] Excluding the Service Tax/GST at applicable rates

[9] L1- Wholesale License for sale of India Made Foreign Liquor, L1F- Wholesale License for sale of Foreign Liquor

[10] During the initial quarter (February 2013 to April 2013) of Pilot phase of ESCIMS the percentage of authenticated barcodes vs generated barcodes was 0.04 *per cent* which rose to only 30.27 *per cent* during the last quarter (September 2013 to November 2013) before Go-Live.

[11] Actual payment to TCS was ₹ 97.55 crore (including Service tax/ GST) till October 2022.

Audit examined the implementation of ESCIMS and observed several deficiencies and irregularities, which are discussed in the following paragraphs.

2.2 ESCIMS's objective of end-to-end tracking of liquor not fulfilled

The objective of ESCIMS was end-to-end tracking of liquor. This was to be achieved through capture of barcodes, on liquor bottles and cases, at all levels of supply chain and ultimately authenticated at Point of Sale (POS) by scanning barcodes of individual Stock Keeping Units (SKU[12]). Barcodes were first to be generated by wholesalers who were charged a barcode fee. Later, the excise duty was paid at the time of generation of Import Permits and also barcodes were to be linked to the Import Permits by the wholesaler.

As of March 2021, 482.62 crore barcodes were shown as sold. Out of this, only 346.09 crore (71.71 *per cent*) were either scanned at POS or categorized (as damaged, expired etc.) after scanning the barcodes, while the remaining 136.53 crore (28.29 *per cent*) were shown as sold through 'stock-take-sold'/MSR Gap[13] exercise. From April 2021 to November 2022, a further 118.14 crore barcodes were shown as sold, wherein the percentage of sale recorded without scanning barcodes was 21.18 *per cent*. Thus, a large proportion of liquor was sold without scanning through ESCIMS system, defeating the objective of end-to-end tracing of liquor.

2.2.1 'Stock-take-sold' exercise coupled with weak attempts to enforce scanning of barcodes defeated the purpose of ESCIMS

During the pilot phase of ESCIMS, before the presentation of first invoice for payment to IA (March 2014), it was observed that scanning percentage was low at retail vends/POS. To address this issue, stock-take-sold process/ MSR Gap was initiated at vends which was a monthly/ bimonthly reconciliation of stock.

The Department continued to use 'stock-take-sold' exercise even after seven years of implementation of ESCIMS. The objective of ESCIMS i.e., end-to-end tracking of liquor, was thus defeated.

The percentage of bottles sold without scanning remained between 14.48 *per cent* and 48.41 *per cent* during the period from 1 April 2017 to 15 November 2021 as shown in **Chart 2.1**.

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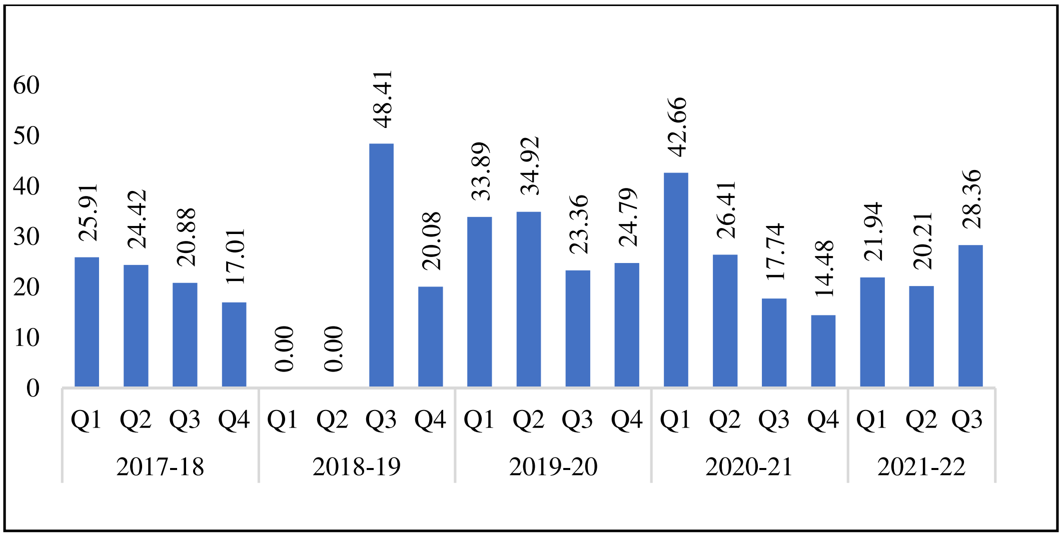
[12] SKU- Stock Keeping Unit is a distinct type of item for sale, purchase, or tracking of inventory (E.g., in case of liquor- a particular brand, size (ml), container type (can/bottle) together would constitute a unique SKU)

[13] MSR Gap/ Stock-Take-Sold- Terms used to refer to the stock marked as sold despite non scanning of the related barcode. It was done by scanning all the stock present at a retail vend, at the end of month, and marking the missing stock as MSR Gap, assuming that since these were not found in vend as per the ESCIMS logical Inventory status, they must have been sold.

Chart 2.1: Percentage of Stock sold without scanning[14]



The Department in its reply (June 2022 and March 2023) stated that the objectives of ESCIMS had been fulfilled, as the "revenue had increased year on year and MSR gap has decreased ever since its introduction (except COVID years and transition to New Policy and back to Old Policy again)". The Department had issued regular instructions to retail vends for complete scanning and also trainings were imparted in this regard. The reply further mentioned that penal provisions were formulated vide order dated 8 August 2020. Also, future Transport Permits were being stopped in case of default. The reply mentioned that there was no revenue loss to the Department and ESCIMS has been able to prevent hooch tragedy. It further mentioned that the learning through implementation of ESCIMS had been noted and the Department was moving towards ESCIMS 2.0.

The reply is not acceptable because even though Excise Department issued circulars (January 2018 and April 2019) mandating scanning of barcodes, however, it framed specific penal provisions for not complying with its circulars only in August 2020. End-to-end tracking of all liquor sold could not be achieved even after seven years. Initial circulars and training brought little improvement as percentage of liquor sold without scanning ranged between 14.48 *per cent* and 48.41 *per cent* during the period April 2017 to 15 November 2021.

2.2.2 No efforts made to identify repeated defaulters through ESCIMS data

Audit analysed sales data of liquor from ESCIMS for the calendar year 2019. The share of various retailers in sale of liquor is shown in **Chart 2.2** and entity-wise quarterly MSR Gap is shown in **Table 2.1**.

[14] MSR Gap exercise was not done during March to September 2018, which also attributed to abnormally high MSR gap in 3rd quarter of the year 2018-19.

Chart 2.2: Liquor sale by Volume (Number of bottles)

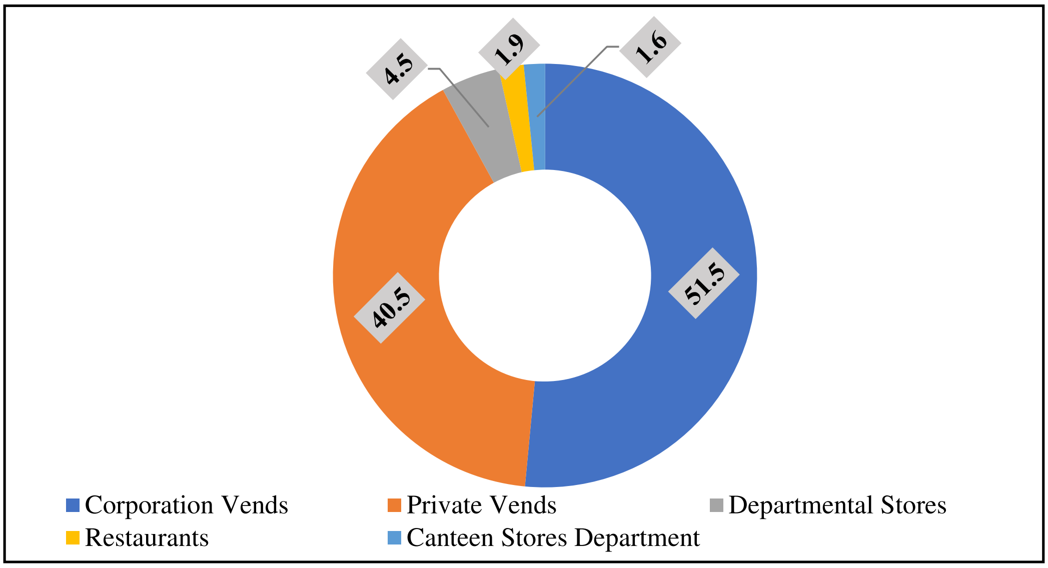


Table 2.1: Entity-wise MSR Gap Report in the Year 2019

(in *per cent*- rounded off)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Grand Total
Delhi State Civil Supplies Corporation Ltd.	36	44	36	27	36
Departmental Store	17	30	25	32	27
Delhi State Civil Supplies Corporation Ltd.	25	29	16	16	22
Delhi State Industrial and Infrastructure Development Corporation	32	66	43	34	45
Delhi Tourism and Transportation Development Corporation	25	38	30	25	30
Private Vend/ shopping malls/ Airport Duty Free Shop	15	28	44	23	29
Grand Total	**23**	**37**	**37**	**25**	**31**

It can be seen from **Table 2.1** that overall MSR Gap was 30.87 *per cent* during the year 2019. However, it ranged from 45 *per cent* in Delhi State Industrial and Infrastructure Development Corporation (DSIIDC) vends to 22 *per cent* in Delhi State Civil Supplies Corporation Ltd. (DSCSC) vends. Second and third quarters of 2019 showed unusually high MSR gap for government as well as private vends.

Audit also analysed ESCIMS sales data of liquor bottles for the calendar year 2019 for all entities. Instances were revealed where percentage of sale without scanning were very high ranging between 70 and 98 *per cent* during certain periods of the calendar year 2019. Details are given in **Annexure II**.

Further analysis of sales data at a granular level also showed an unusually wide variation in reported sales and scanned sales between various months in respect of some retail vendors, as discussed below:

i. In case of one vendor[15], only 3.6 lakh bottles were scanned, whereas, 13.69 lakh bottles were sold without scanning (shown as MSR gap) during six months (July – December) of the year 2019. Out of these 13.69 lakh bottles, 9.94 lakh bottles were shown as MSR gap in one month alone.

ii. It was observed that sale was through scanning during certain months, while during other periods, majority of sale was done without scanning. For example, in case of one case[16], sales data of May 2019 showed that 9.59 lakh bottles were sold via scanning, with zero MSR gap reported. However, for the last six months of the calendar year 2019, average MSR gap reported was at 83 *per cent* of total sale.

iii. Very high MSR gap (70 *per cent*) was reported in third quarter for one vendor[17] whereas it had zero MSR in the first quarter. The data also showed wide monthly sales variation, as June showed a sale of 8.15 lakh bottles against average sale of 1.06 lakh bottles during the first quarter.

Sale without scanning compromises the accuracy of the sales data in ESCIMS. ESCIMS provided an opportunity to the Excise Department to analyze the data available and identify the individual retailers, where scanning of barcodes was repeatedly poor. However, no attempt~~s~~ to identify such individual retailers, through analysis of ESCIMS data by the Department was found by Audit.

Government in its reply stated that Excise Department had levied penalties against above licensees. However, no documentary proof (penalty order, challan, reason for penalty, period of penalty etc.) was attached with the reply and the same could not be verified through ESCIMS portal either.

2.2.3 Unused barcodes prone to misuse

During the period from February 2013 to November 2013, i.e., before the ESCIMS project went Live, 44.64 crore barcodes were generated by wholesale licensees. Out of these, only 18.94 crore barcodes were tracked and shown as sold till March 2021. Out of the barcodes shown as sold, 9.39 crore barcodes were scanned, and 9.55 crore barcodes were marked as sold using the process of Stock-take-sold. Hence, more than 25.70 crore barcodes generated were not accounted for as most of these barcodes were either shown as received at warehouses or dispatched to vends (in transit), but remained untracked thereafter.

Further, additional 13.90 crore barcodes were generated and had been reported as unutilized and archived till March 2017. Fee for these barcodes was not charged from wholesale licensee and these were not linked to Import Permits.

Thus, these barcodes generated by the system but finally unaccounted for could be used to disguise Non-Duty Paid Liquor (NDPL) as Duty paid liquor resulting in

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[15] Sl. No. 5 of Annexure II.
[16] Sl. No. 7 of Annexure II.
[17] Sl. No. 10 of Annexure II

loss of revenue to the State. Further, as the barcodes itself are not printed on secure labels, this presents a very high risk that the barcodes on the bottles, found during inspection, are actually duplicates and thus a cover for NDPL.

Government in its reply stated that as on date, the barcodes once generated become archived after a period of 90 days if not dispatched from the distillery. The barcodes which become archived cannot be dispatched again.

The reply is not acceptable as the barcodes generated and printed, though archived, can be used to mask non-duty paid liquor. Moreover, the reply is silent regarding barcodes which were already dispatched to warehouses or to vends (in transit) but remained unused/untracked thereafter.

The continuation of ad-hoc arrangement of barcode issue, tracking and accounting, coupled with weak enforcement of scanning and not utilising data to identify defaulters, defeated the objective of end-to-end tracking of liquor.

2.2.4 Risks associated with authenticating sales without scanning of barcodes

Due to incomplete scanning of barcodes of liquor, end-to-end tracking of liquor was not possible. The practice of 'Stock-take-sold' exercise (Monthly Stock Reconciliation) allowed by the Excise Department vitiated the purpose of implementing a Supply Chain management system.

Hotels, Clubs and Restaurants are supposed to purchase liquor exclusively from wholesale licensee (L1), which incurs an additional duty of 20-30 *per cent* (of wholesale price- to be paid by HCR) vis-a-vis liquor sold at retail vends. If HCR illegally sources liquor from retail vends, then it would lead to a loss of additional excise duty.

Audit test checked records of 11 enforcement cases relating to nine Hotel licensees. In these cases, out of 548 suspected bottles recorded (in ESCIMS) as "sold at other Vends", 298 were found at HCR. These retail vends whose bottles were found at HCR were not issued Show Cause Notice, nor a thorough investigation was carried out to ascertain whether the missing stock was "unsold" or "marked as MSR gap" by the vend. Scanning would have revealed the time of issue and helped in fixing responsibility.

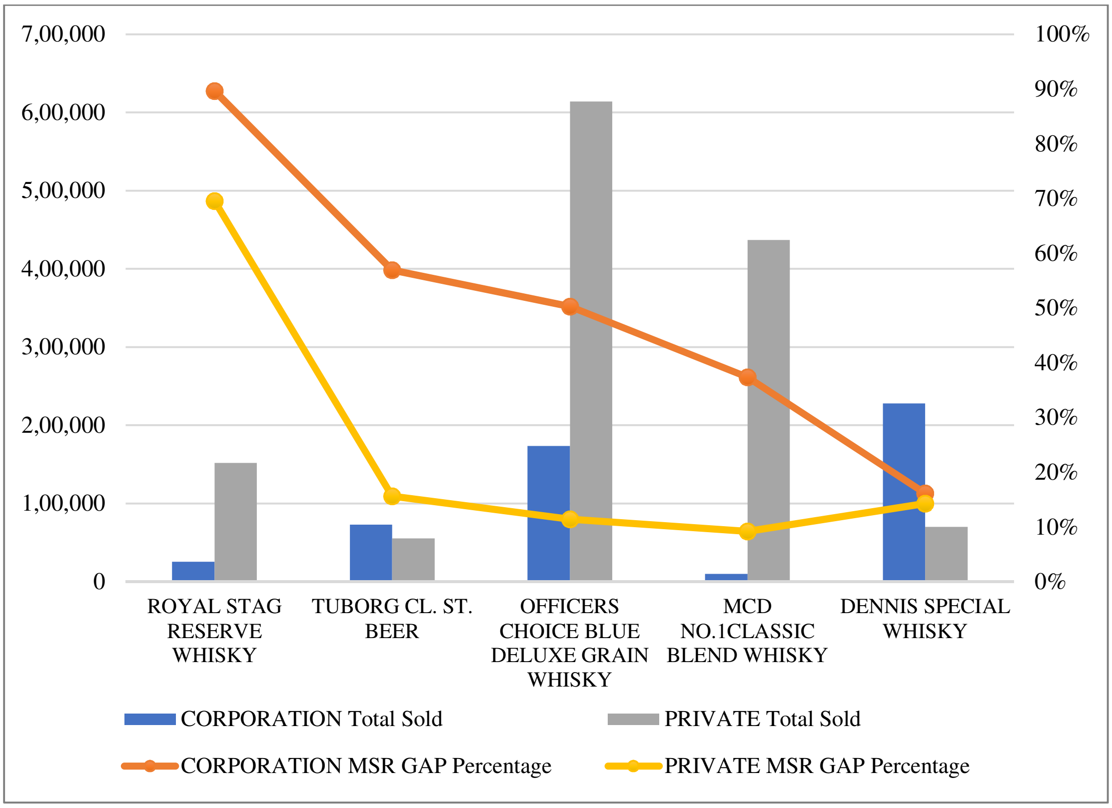
2.2.5 Vend Sales Data Analysis

For analysis, a sample of total of 36 vends was chosen (18 each from Private and Government Corporations, lying in proximate areas). Sales data, in terms of number of bottles sold, for the months of June 2019 and January 2020 was taken from all vends to smoothen any seasonal variations.

(i) Risk of Diversion of Liquor to unauthorized channels

Five of the highest selling brands in Delhi, with more than one *per cent* market share, were considered and substantial variation in MSR Gap (Bottles not scanned before sale and later deemed sold) was observed across brands and across entity ownership (Corporation Vends Vs Private vends), as shown in **Chart 2.3**. Some brands despite high sales figure had low MSR gap, while some brands, despite low sales figures had abnormally high MSR gap.

Chart 2.3: Brand Wise and Entity wise MSR Gap



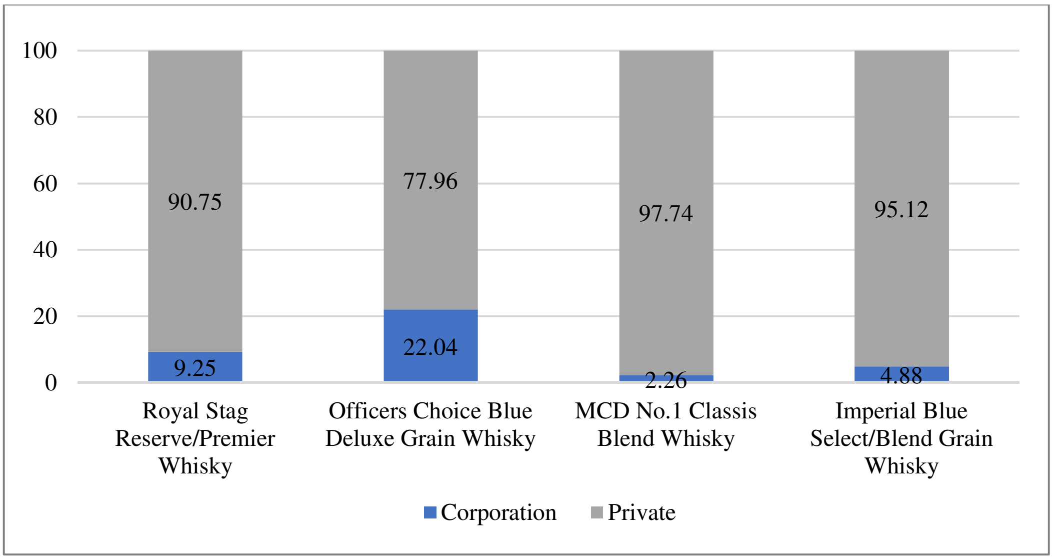
Data shows that scanning of certain brands was not carried out and the sale volume had no correlation to the MSR gap registered for that brand. Review should be carried out by the Excise Department to negate the possibility of diversion of certain brands to unauthorized channels.

(ii) Risk of Brand pushing by Government Corporations[18] vends

The sales figure for four of the highest selling brands of whisky, in the 18 sample government vends and 18 sample private vends, was analyzed. None of these brands figured in the Corporations' top selling brands and invariably all of these figures in the private sector vends as top selling brands.

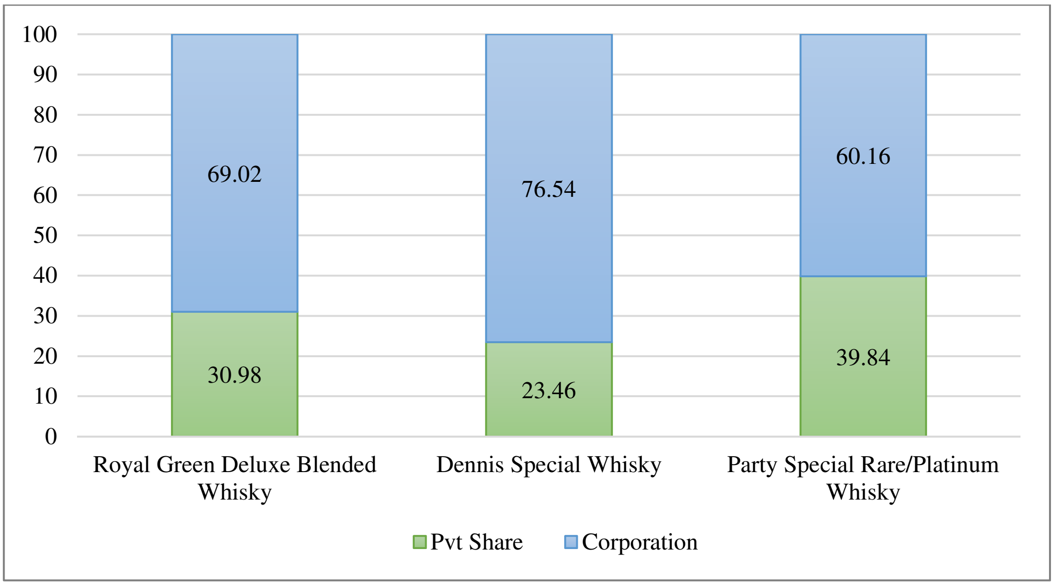
[18] DTTDC, DSIIDC, DSCSC and DCCWS

Chart 2.4: Relative Market Share in sample vends (Private vs Govt. Corporation) for "Four top selling Brands in India"



This indicates that the Corporation vends' sales was not adequately representative of the normal demand in terms of brand preference. Subsequently, comparative sales was analyzed by audit for the brands which were popular at Corporation vends, and it was noticed that few brands which were popular in Corporation vends had limited appeal at private vends, as shown in **Chart 2.5**.

Chart 2.5: Relative Market Share in sample vends (Private vs Govt. Corporation) for "Top selling Brands in Corporation vends"



This analysis indicates the need for a detailed review by the Excise Department that Corporation vends were not giving undue preferential treatment to any particular brand(s).

(iii) Risk of brand pushing by Private Vends

Analysis of the data of sample vends revealed that there was an apparent preferential treatment by private vends to certain brands. From data analyzed for 10 highest selling brands at 18 private vends, the following was observed:

- Goa Spirit of Smoothness Whisky had a total sale of 1.79 lakh bottles, of which two vends alone sold 81 *per cent* and 14 *per cent* of the total units.
- Two vends sold zero units of a Kingfisher Strong Beer while it had an average sale of more than 50,000 units for other vends.
- Three vends alone sold only 67 of the total of 70,053 units of Dennis Special whisky brand.
- One of the popular brands of whisky (MCD No. 1 Classic Blend Whisky) had an average sale of 24,000 bottles per vend and 27 *per cent* of the total sale across Delhi, was sold by one vend alone.
- Another popular brand – Officers Choice Blue Deluxe Grain Whisky had an average sale of more than 38,000 bottles per vend, while two particular vends sold zero units of the same.

The above analysis by Audit underscores the need for detailed and in depth review by the Excise Department to rule out the risk of unauthorized diversions and brand pushing.

Recommendations

2.1: Real time end-to-end barcode tracking should replace the outdated MSR-gap method, while Secure barcode labels should be implemented swiftly to prevent barcode duplication and misuse. Responsibility needs to be fixed for lack of compliance and penal action may be taken.

2.2: Data Analytic tools and Artificial Intelligence algorithms should be deployed to help in analysis and automatic generation of red flags for anomalous data and easy identification.

2.3 Undue benefit of ₹ 24.23 crore to Implementing Agency

Implementing Agency was entitled to payment only for barcodes authenticated by scanning while sale at Point of Sale (POS). From project inception till November 2022, this amounted to ₹ 65.88 crore[19], whereas an actual payment liability of ₹ 90.11 crore, to IA, was created during the same period. The difference amounting to ₹ 24.23 crore (excluding Service Tax/GST) was considered for payment, for bottles considered as sold through stock-take-sold exercise, i.e., without actual authentication at POS.

[19] 346.09 crore barcodes were scanned till March 2021, and 93.12 crore barcode were scanned between April 2021 to November 2022, each barcode with 15 paise payment liability

Audit observed that in spite of poor scanning and resultant ineligibility for payment initially, a Departmental Committee had recommended ad-hoc payment to IA for initial three months even for the stock-take-sold category. The matter was referred to Finance Department which approved (May 2014) the payment without addressing the issues raised. Thereafter, Excise Department again sought (April 2015) opinion/approval of Finance Department to which Finance Department ordered a reconciliation of barcodes generated vs. sold. Reconciliation was not carried out satisfactorily, but the payments continued.

The issue of payment to IA for the stock-take-sold category was not reconsidered and the Department continued release of payments to the IA even for the stock-take-sold category, i.e., the bottles/cases which were shown as sold without scanning.

Audit noted that the release of payment to IA for the un-scanned bottles was not as per the terms of the contract which resulted in undue benefit to the IA.

The Government, in its reply, quoted Schedule VI of the Master Services Agreement, stating that payment is released to IA based on "data captured" in data centre and that the payment did not depend on final scanning during sale.

The reply is not acceptable as it ignores Clauses C (i) to C (iv) of Schedule VI which outlines the payment eligibility for data captured. Schedule VI clearly mentions that the data captured in data centre has to be authenticated (sold at POS, marked as damaged, expired etc.) before the IA is eligible for payment for the same. The decision to pay for MSR-gap was contrary to schedule VI.

2.4 EIB module of ESCIMS not utilised

As per the Section 2.1 of the Master Service Agreement (MSA), Phase-II of the project required implementation of a module for Excise Intelligence Bureau (EIB). Audit, however, observed that the module was completely dysfunctional containing no data.

The Government in its reply stated that data regarding seizure of illicit liquor was being maintained (in soft copy and hard copy) and analyzed as per need in the Department. Also, the role of ACP (EIB) and Inspector (EIB) had been arranged in ESCIMS and proper utilization would be made in future.

EIB is one of the most important aspects of regulatory function of Excise Department and the data gathered could have been utilized to assist the Department with actionable intelligence in planning EIB/Enforcement raids based on mapping of smuggling prone areas, planning action on brands more prone to being smuggled, coordination with other state Excise Departments to check smuggling through information on source/ origin of NDPL etc.

Thus, Excise Department did not leverage the module to prevent revenue leakage or assist its regulatory function.

Recommendation 2.3: EIB module should be utilized to generate actionable intelligence for more effective enforcement function.

2.5 Provisions of Service Level Agreement (SLA) not complied

As per Schedule VIII of Master Service Agreement, SLA compliance Reports were to be prepared by the Excise Department to assess performance of the IA. These would form an essential metric for decision on payments to the IA.

Audit, however, observed that these SLA compliance Reports were prepared and submitted by the IA itself and were accepted by the Department without detailed scrutiny. Moreover, SLA were to be detailed and reviewed[20] annually, which was not done.

Also, some critical SLA metrics like Data Accuracy were not reported upon at all. As per the MSA, Data Accuracy was to be measured daily and reported on weekly basis with target value of 99.99 *per cent*. Project Monitoring Unit had also observed (April 2014) that a subsequent Standardisation, Testing and Quality Certification (STQC) audit would validate the Data Accuracy. No such 3rd party Audit Report was furnished to audit. Audit observed various examples of inaccuracies in ESCIMS data, which were never reported in SLA Reports prepared by IA. This has implications on the payment made to IA. If the metrics had not been complied and submitted, then recovery (amounting to n*0.1 *per cent* of the Performance Bank Guarantee for n successive months) was liable to be charged from the IA.

Audit noted that on several instances, bottles/cases found with one licensee were present with another licensee as per the ESCIMS data. In such cases, no system red flags were generated or data discrepancy pointed out. Audit further noticed from Excise Department's order dated 17 August 2021 that duplicate Transport Permits were generated by ESCIMS system.

Notably, an instance of hacking of ESCIMS was noted during July 2019. The file neither mentions its impact on the relevant SLA (portal security) nor the cause of such breach. Audit inquired the vulnerabilities leading up to the security breach and whether the vulnerabilities were patched up later, but no reply was furnished.

The Government in its reply only mentioned the SLA compliance parameters from MSA and stated that compliance was being monitored regularly.

The reply is not satisfactory as access to SLA monitoring tool was not provided to Audit for independent verification. Detailed monthly reports were also not furnished to support the claim. Other issues pertaining to Data Accuracy and preparation of SLA report by IA itself were not commented upon.

Recommendation 2.4: Service Level compliance should be ensured rigorously and monitoring should be done by the Department.

[20] as per 1.3(iii) of the schedule

2.6 Absence of an Exit Management Plan

An Exit Management Plan for transfer of the project and its assets, after the contracted duration[21] with TCS, was to be prepared and submitted by IA, within 90 days from effective date of agreement, and to be redrafted annually thereafter, as per Section 1.2, Schedule II of MSA.

The Department could not provide the Exit Management Plan. In the absence of Exit Management Plan, Excise Department was not able to take over the Supply Chain Management function independently, nor was able to give it to another replacement Implementing Agency.

ESCIMS was a DBOOT project, which essentially means transferring the asset to the Department. The MSA did not have specific provisions for hardware and software obsolescence. Thus, after ten years of functioning, no tangible/intangible asset was created for the Department.

MSA also had a clause on the obligation of IA to train the personnel of Project Director (Department) as per need. However, the Department failed to produce any document regarding the progress of Capacity Building and knowledge transfer.

In the absence of updated Exit Management Plan coupled with the lack of capacity building steps, transfer of system ownership to the Department could not materialize.

Government in its reply stated that Exit Management Plan has been furnished to the Department on 14 March 2022. However, copy of Exit Management Plan was not furnished to Audit.

Recommendation 2.5: Exit Management Plan should be updated to enable knowledge transfer from Implementing Agency and system ownership by the Department.

2.7 Lack of monitoring after the Role of PMU was taken over by the Department

In December 2012, the Excise Department had appointed National Institute for Smart Governance (NISG) as the Project Monitoring Unit (PMU) for a period of three years (later extended till June 2016). NISG, as PMU, was responsible for planning and monitoring of the project. Subsequently, the Excise Department assumed (July 2016) the role of PMU from NISG.

Initially, NISG was appointed as the PMU to facilitate the management of governance procedures as per schedule IV of MSA. It mainly covered the monthly documented meetings regarding assessment of monthly performance reports, change control, disputes resolution etc. After July 2016, the Department assumed

21 The Contract with TCS i.e. Implementing Agency was for an initial duration of 7 years which could be extended for further 2 years on the same terms. Thereafter the project was to be transferred to the Excise Department or to a different Implementing Agency.

the role of PMU from NISG. No minutes of meetings were provided for the audit period. In the absence of a functional PMU, the efficiency and effectiveness of the service provider could not be ascertained. This also hampered the achievement of project objectives as envisioned in the agreement.

Deficient project monitoring coupled with absence of Exit Management Plan has led to the continuing dependence of the Department on the vendor i.e. Implementing Agency.

The Government accepted the audit observations and in its reply stated that Excise Department had been functioning under a severe lack of IT cadre officers and a proposal for filling vacant posts and creation of posts had already been sent to cadre controlling authority in September 2020.

Recommendation 2.6: An efficient Project Monitoring Team must be put in place to make the project sustainable and useful in the long run.

2.8 Failure to implement Excise Adhesive Labels

Despite the failure of ESCIMS to meet its intended objective, evidence of misuse and duplication of labels, the Department did not proactively initiate process to address the shortcomings and make the system robust.

Excise Adhesive Labels are secure labels with advanced security features thus ensuring the authenticity, traceability and security aspects of supply. Ministry of Finance, Government of India (GoI), had initiated a proposal for providing the services of Security Printing Press for implementing Excise Adhesive Label (EAL) in Delhi. The same was communicated to the Excise Department via letter (dated 19 March 2019). After the receipt of this letter, the Excise Department took up this issue. Finally, the approval of Cabinet (30 July 2020) for introduction of Excise Adhesive Labels to avoid tax evasion and plugging leakages in supply chain was obtained after a delay of one year and three months.

It was also noticed that the Department independently involved (September 2019) IIT Kanpur (National Centre for Flexible Electronics), for providing an additional security feature to be used along with the EALs. IIT Kanpur offered a technology which was patented by TransPacks Technologies. However, no sufficient justification was offered as to how the incorporation of this technology would be an improvement over and above the EALs. Moreover, the incorporation of this feature could also lead to cost escalation for licensing and technology transfer and need for separate cloud based solution for storage of high resolution image of 3D tags.

An agreement was signed between Security Printing Press (SSPH), Hyderabad, a constituent of SPMCIL[22] and Excise Department on 7 September 2020 for printing and supply of EALs which included a condition for collaboration with IIT Kanpur for the purpose of using that technology. However, during the dry runs (last

[22] Security Printing and Minting Corporation of India Limited, Department of Economic Affairs, Ministry of Finance, Government of India

conducted in April 2022) involving both the technologies, issues pertaining to hardware incompatibility, size and design of labels were observed but could not be reconciled.

Thus, even after a lapse of 19 months (till April 2022), from signing of agreement, the final design could not be firmed up and project could not be implemented even after a considerable time lapse since Cabinet approval. Audit also noticed that no progress was recorded on file, regarding the implementation of EAL thereafter. The initial terms regarding pricing lapsed at the end of year 2022-23.

Regarding the failure of implementation of EAL, the Department, in its reply, stated that the delay was owing to the COVID 19 pandemic, implementation of New Policy and subsequent investigations into the New Policy by central agencies. It further mentioned that the learning that has been achieved since 2010, has resulted in the decision in favour of EAL. However, the issue of not proactively taking up decision to implement EAL was not addressed. Moreover, no progress regarding the implementation of the project could be noticed (March 2023). As a result, the objective of authenticity, traceability and security aspects of the supply side of liquor through EAL couldn't be achieved.

2.9 Conclusion

Excise Supply Chain Information Management System (ESCIMS) was implemented primarily to enable more efficient regulation via end-to-end tracking of liquor. However, implementation of barcode based tracking of liquor was not effective. Attempts to enforce complete scanning were weak and no efforts were made to identify defaulters by analysing anomalous reporting of sales data. The use of MSR-Gap method for inventory reconciliation proved to be the weakest link. Apart from adversely affecting the data quality, it defeated the basic objective of end-to-end tracking since a large portion of stock was assumed to be sold, without being authenticated by scanning.

There had been insufficient participation of the Department in managing and monitoring ESCIMS. Service level compliance was inadequately monitored. The project monitoring function had been dismal after the Department took over this role. EIB module had not been utilized to generate actionable intelligence to prevent revenue leakage. Lack of an Exit Management Plan put the Department in a vendor lock-in situation. Contrary to the planned DBOOT project implementation model, the Department continued to be dependent on the same Implementing Agency team. The project of Excise Adhesive Labels to enhance security of labels could not be implemented even after two and a half years of Cabinet approval.

Chapter III

Issue of Licenses

Chapter III: Issue of Licenses

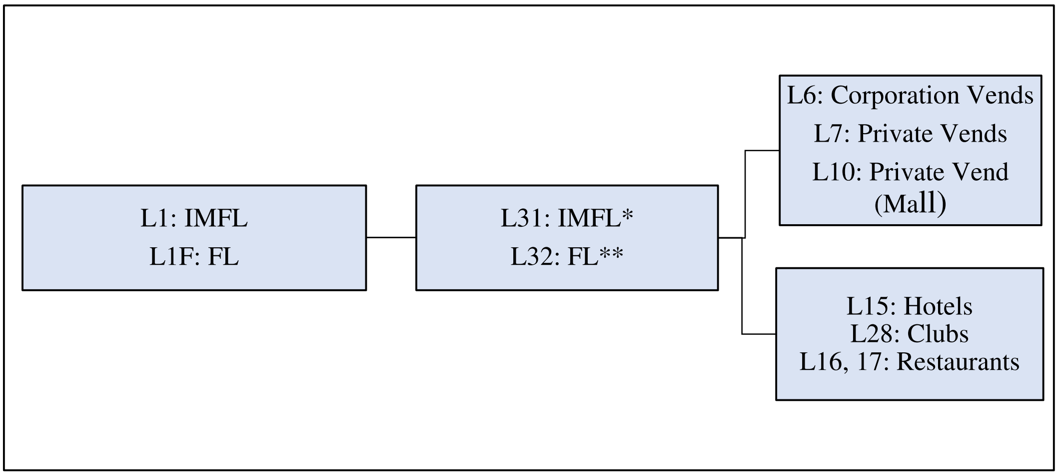
Various types of Licenses are granted by the Delhi Excise Department for retail and wholesale operations pertaining to liquor supply and are annually reissued or renewed subject to fulfilment of criteria laid down in the "Terms and Conditions for grant of License" for the respective License category for the year. The "Terms and Conditions" are to be coherent with the relevant operative provisions of the Delhi Excise Act, 2009 and Delhi Excise Rules, 2010. The compliance checks before issue/ renewal of license should ensure, among other conditions that the licensee conducts business in a fair and transparent manner, has no criminal antecedents and is solvent.

Audit found several irregularities. Licenses were issued to related parties, which was in violation of Rule 35 of Delhi Excise Rules. Regarding compliance with provisions of Section 13 of the Delhi Excise Act, the Department took only an affidavit from the licensee itself on matters like, criminal antecedents, age of employees, etc. The licenses were issued despite non-submission of data regarding sales and wholesale price declared in other states and across the year.

3.1 Introduction

The Department issues the following types of Licenses to various stakeholders in liquor supply chain in Delhi.

Chart 3.1: Types of licenses[23]



*L31 is given for Bonded warehouse of L1, **L32 is given for Bonded warehouse of L1F.

[23] These License types were applicable for the period excluding the withdrawn Excise Policy regime effective between 17 November 2021 and 31 August 2022. The License types for Excise Policy 2021-22 has been mentioned in Chapter VIII.

Interested parties are required to apply every year for issue/renewal of appropriate license to the Excise Department. Audit had selected 59 licensees who were issued licenses during the period 2017-18 to 2020-21, for detailed scrutiny. Out of these, records related to only 46 licensees[24] were provided to Audit. On scrutiny of records related to issue/renewal of licenses to these 46 licensees, various irregularities were observed. These are discussed in the succeeding paragraphs.

Recommendation 3.1: Responsibility should be fixed for non-production of records relating to 13 licensees to Audit.

3.2 Irregular issue of licenses to related parties

Rule 35 of the Delhi Excise Rules, 2010 prescribes the following:

- No person shall be granted more than one[25] wholesale license.
- No License for retail sale[26] of liquor shall be granted to the holder of wholesale license and *vice versa*.
- No retail license for consumption of liquor "off" the premises shall be granted to a person holding[27] any other retail license.

All the licensees were required to declare[28] the names of all directors, partners etc. and addition and removal of partners and to furnish an Affidavit[29] in this regard. The above-mentioned provisions had ostensibly been incorporated primarily to prevent formation of monopolies and to ensure availability of brands of liquor as per consumer preferences. However, audit noticed cases where multiple licenses were issued to related parties[30] as given in **Table 3.1**.

[24] 11 L1, 3 L1F, 8 L6, 4 L7, 8 L10, 12 HCR

[25] Provided that the holder of license in Form L-1 may be granted license in the form L1F: Provided further that for the purpose of license in Form L-1 and L-9, every distillery, brewery, winery and bottling plant shall be treated as a separate unit.

[26] For consumption "off" the premises and for consumption "on" the premises; Provided that the holder of L-1 license may be granted license exclusively for retail sale of the brands produced by him in the Form L-9.

[27] Provided that more than one license in Forms L-6, L-8 and L-14 maybe granted to a person

[28] Rule 37 and Rule 38 of the Delhi Excise Rules, 2010.

[29] Under Section 13 of Delhi Excise Act, 2009 and, Rule 23 and 35 of Delhi Excise Rules, 2010, the applicant has no interest in the business of the holder of any license during the period of five years preceding the date of application.

[30] Common Directors

Table 3.1: Multiple licenses to related parties

<table>
<tr><th rowspan="2">Violation of Rule</th><th colspan="6">Licensee Name & Type</th><th rowspan="2">Remarks</th></tr>
<tr><th colspan="3">(A)</th><th colspan="3">(B)</th></tr>
<tr><td rowspan="2">Wholesale licensees related to each other</td><td colspan="3">Adie Broswon Breweries Pvt. Ltd. (L1)</td><td colspan="3">AB Grain Spirits Pvt. Ltd. (L1)</td><td>Common director(s) in the same year (for 2019-20, 2020-21). Also linked in the period of 5 years prior to the issue of License through common director(s).</td></tr>
<tr><td colspan="3">Indospirits Distribution Ltd. (L1F)</td><td colspan="3">Indospirits Marketing Pvt. Ltd. (L1F)</td><td>Common director(s) in the same year (for 2017-18, 2018-19). Also linked in the period of 5 years prior to the issue of License through common director(s).</td></tr>
<tr><td rowspan="2">Wholesale licensees related to Retail sale licensees</td><td colspan="3">Buddy (Punjab) Bottlers Pvt. Ltd (L1)</td><td colspan="3">Buddy Distribution Pvt. Ltd. (L10),

Buddy Mantra Hospitality Pvt. Ltd. (L10),
Buddy Mantra Retail Pvt. Ltd. (L10),
Buddy T1 Delhi Retail Pvt. Ltd. (L10),
Buddy (T3 Delhi) Retail Pvt. Ltd. (L10),
Veetrag Constructions Pvt. Ltd. (L10)</td><td>Common director(s) in the same year (for 2018-19, 2019-20). Also linked in the period of 5 years prior to the issue of License through common director(s).</td></tr>
<tr><td colspan="3">Indo-Spirit Beverages Pvt. Ltd (L1),
Indo-Spirit Distribution Ltd (L1F),
Indo-Spirit Marketing Pvt. Ltd (L1F)</td><td colspan="3">Indo-Spirit Bars Pvt. Ltd (HCR) ,
A2Z Trade Links Pvt. Ltd. (L10)</td><td>Common director(s) in the same year (for 2017-18, 2018-19, 2019-20). Also linked in the period of 5 years prior to the issue of License through common director(s).</td></tr>
<tr><td rowspan="2">Retail sale licensees related to each other</td><td colspan="3">Indospirit Bars Pvt. Ltd (HCR);</td><td colspan="3">A 2 Z Trade Links Pvt. Ltd. (L10)</td><td>Common director(s) in the same year (for 2017-18). Also linked in the period of 5 years prior to the issue of License through common directors.</td></tr>
<tr><td>Buddy Distribution Pvt. Ltd. (L10)</td><td>Buddy Mantra Hospitality Pvt. Ltd. (L10)</td><td>Buddy Mantra Retail Pvt. Ltd. (L10)</td><td>Buddy T1 Delhi Retail Pvt. Ltd. (L10)</td><td>Buddy (T3 Delhi) Retail Pvt. Ltd. (L10)</td><td>Veetrag Constructions Pvt. Ltd. (L10)</td><td>Linked in the period of 5 years prior to the issue of License through common director(s).Common director(s) in the same year (for 2017-18).</td></tr>
</table>

List of common director in the same year is given in **Annexure III.*
*** List of directors linked in the period of five years prior to the issue of license is give in **Annexure IV**.*

In **Table 3.1**, licensees mentioned in cell (A) are related to licensees mentioned in cell (B) of same row. Audit has used data from ESCIMS for license issue and expiry dates; and used data from Ministry of Corporate Affairs (MCA) website for list of directors with original date of appointment and date of cessation.

The six licensees (L10) mentioned in last row of **Table 3.1** were found related via common directorship. In all the cases the email domain of the company, as shown in the mail address of the company in the Ministry of Corporate Affairs website, was same. In some cases, the e-mail address of the company was also the same.

The Government in its reply stated that no violation of Rule 35 had been noticed in the instant cases as all the six wholesale licensees mentioned in the table were separate entities and registered under the Companies Act, 2013.

This reply is not acceptable as common directors in two different companies can influence decision making. In fact, for companies who had submitted their audited statements, it was found that the directors had given unsecured loans to the sister company and were original shareholders. The companies were also mentioned as associated company. Further, in case of L7 and L10, it is also a clear violation of terms and conditions as any person interested in any distillery holding L1 license should not hold L7/L10 license.

Moreover, Audit observed that there were other groups of licensees (L-7 and L-10) as well, which had proprietors of related vends and might be related. There were five such cases of two or more licensees having similar licensee names. The details are given in **Annexure V**.

The Government in its reply stated that L7 licenses were granted during the year 2002-03, and as per Clause 1.4 of Terms & Conditions (T&Cs) for that year, one could get two L-52 (now L7) licenses in one revenue district in Delhi and a total of seven in the National Capital Territory of Delhi, and hence there was no violation of Rule 35.

This reply is not acceptable as the Delhi Excise Act, 2009 and Delhi Excise Rules, 2010 were enacted after the above mentioned T&Cs and hence Rule 35 would take precedence over the T&Cs. Moreover, Clause 6 of the conditions for renewal of license of retail vends for the years 2017-18 to 2020-21 states that there should be compliance with the Delhi Excise Act and Rules made there under. Thus, there was a clear violation of Rule 35.

Recommendation 3.2: Government needs to review all the licenses to ensure compliance with Rule 35 of the Delhi Excise Rules, 2010. Government should also investigate all these cases and fix responsibility for ignoring the information establishing relation between licensees, in violation of the Delhi Excise Rules, 2010. Further, Multiple Licenses should not be issued to related parties. Clear guidelines in this regard should be formulated.

3.3 Issue/renewal of licenses without verification of criminal antecedents

As per Section 13 (1) (c) of the Delhi Excise Act, a licensee shall furnish within thirty days of the grant of license a certificate issued by the Superintendent of Police of the district or the Commissioner of Police showing that he possesses a good moral character and has no criminal background or criminal record.

Audit observed that Excise Department, in its terms and conditions for grant of licenses, ignored the requirement of such certificate and instead sought only an affidavit/declaration regarding compliance. Thus, no such certificate was found in the files of any of the test-checked 46 licensees for the period 2017-21. Audit also observed an instance where Excise Department received a copy of FIR against a licensee through a complaint, and the Department had no prior information about the FIR. Thereafter, initially license was suspended in September 2018 as licensee failed to intimate about the FIR, and various other violations as well. But license was restored after imposing penalty of ₹ 8 lakh in order dated 6 November 2018.

Thus, licenses were issued without verifying the eligibility of licensees, which kept the Excise Department in dark about the actual antecedents of the applicant.

The Government in its reply stated that an undertaking/affidavit was taken from all licensees to the effect that no criminal antecedents or case was pending against them in any court of law in compliance of Section 13 (1) (c). Further, if the affidavit was found false/fake then the license was liable for cancellation and the licensee was liable for penal action.

The reply is not acceptable because Excise Department itself did not follow Section 13(1)(c) of the Delhi Excise Act, in letter and spirit by relying on the self-affidavit of the licensee regarding possession of good moral character and having no criminal record rather than obtaining a Certificate regarding the same from Superintendent of Police of the District or Commissioner of Police.

Recommendation 3.3: Criminal antecedents should be verified for all licensees by the Excise Department and stringent action should be taken against officers for not complying with the Delhi Excise Act. Terms and Conditions which are not in consonance with the Delhi Excise Act should be brought in consonance.

3.4 Non-adherence to the directions of the competent authority regarding monitoring of the license issued

Audit observed that while considering the license renewal application of an L1 licensee for the year 2019-20, Deputy Commissioner (Excise) sought (August 2019) the data of confiscated liquor belonging to the licensee. Accordingly, data of confiscated liquor for the preceding year was provided, which showed that 307 out of total 736 FIRs lodged (August 2018 to August 2019) by EIB for NDPL/illicit liquor belonged to brands of one licensee. Out of total 1,08,704 bottles caught during 2018-20, 49640 bottles (i.e. 46 *per cent*) pertains to brands registered by the licensee.

Despite the preponderance of this Licensee in confiscated liquor cases, Department did not examine the latter's involvement and license was renewed with directions by DC (Excise) to monitor the Licensee on quarterly basis. However, the directions given were not adhered to.

The Government in its reply stated that FIRs were against the bootleggers in the name of individuals/owners of vehicles instead of the Licensee and confiscated brands were not registered in Delhi. Further, licensee submitted affidavit regarding Section 13 of Delhi Excise Act, 2009 to the effect that no criminal case is pending against them in any court of law.

Reply is not acceptable as the officials of Excise Department ignored the direction of DC (Excise) to monitor the activity of licensee every three months. The Enforcement Registers thereafter showed that not a single inspection was carried out against the licensee and Department's Enforcement activity did not even comply with the directions.

3.5 Issue/renewal of licenses without ensuring solvency of the licensees

As per Section 13 (1) (Qualification for grant of license) of the Delhi Excise Act, 2009, while considering an application for grant of license, the licensing authority shall have regard that the licensee is solvent.

Accordingly, the terms and conditions required the licensees to furnish a solvency certificate for the specified amount, as given in **Table 3.2**.

Table 3.2: Requirement of solvency certificate

License Type	Requirement of Solvency Certificate
L1	A Certificate of solvency to the extent of ₹ Two lakh, signed by a magistrate not below the rank of SDM
L1F	No Solvency Certificate required
L7	Renewal at the original conditions, which included Solvency Certificate of ₹ 25 lakh
L10	A Solvency Certificate of ₹ 50 lakh issued by SDM/ a scheduled Commercial bank
L-6	No Solvency Certificate required
Hotels, Clubs and Restaurants	No Solvency Certificate required

In this regard, Audit observed that the requirement for solvency certificate for different types of licensees was not consistent, as explained below.

- Among the wholesalers, while the L1 licensees were required to submit a Solvency Certificate for ₹ 2 lakh, L1F licensees were not required to submit the same. This appears to be unreasonable and inconsistent, indicating a bias in favour of FL licensees by putting in place a more liberal regime for them.
- Wholesaler business volumes are much higher than a retail vend, however, the amount of Solvency Certificate demanded from an L10 Retail Vend (₹ 50 lakh) was 25 times more than that demanded from a wholesaler (₹ 2 lakh), which appears to be unreasonable and devoid of logic.
- Excise Department was renewing L7 licensees on the basis of terms and conditions which were applicable initially (at the time of issue of license), i.e., with a Solvency Certificate for ₹ 25 lakhs. However, licenses were renewed without taking fresh Solvency Certificate.
- No requirement of Solvency Certificate was prescribed for Hotels, Clubs and Restaurants serving liquor. Reasons for excluding them from furnishing the Certificate were also not provided to Audit.

Thus, only L1, L7 and L10 licensees were required to furnish Solvency certificates for ₹ 2 lakh, ₹ 25 lakh and ₹ 50 lakh respectively. Audit examined the records of 11 L1 licensees, four L7 licensees and eight L10 licensees, to assess whether the requisite Solvency Certificate was furnished by licensee and considered by the Department before issue/renewal of license.

Scrutiny of 84 cases relating to these 23 licensees for the period 2017-21 revealed that only in two cases, licensees submitted the requisite Solvency Certificate as per the terms and conditions of these licenses. In 80 cases, no Solvency Certificate was found in the files and in the remaining two cases, the licensee had not submitted Solvency Certificate from the appropriate authority.

Solvency Certificate is vital to assess the financial position of the applicant. However, requirement of Solvency Certificate was ignored by the Excise Department and licenses were issued indiscriminately to the applicants despite not submitting the requisite Solvency Certificate.

The Government in its reply stated that most of the L-1 license holders had been licensees for many years in Delhi. Excise duty was taken in advance as soon as Import Permit (IP) was placed by L-1. Further it was mentioned that, Government revenue was protected by many ways like taking Fixed Deposit certificate for all registered brands, advance amount in electronic wallet for paying various duties/fee for IP/Bar codes etc. In regard to Hotel, Club & Restaurant (HCR), it was stated that Solvency Certificate was not prescribed as per terms & conditions, Excise Rules and policy. The reply further assured that Solvency Certificates would be taken wherever it is required as per approved Excise Policy and its terms and conditions.

Reply is not acceptable as the Delhi Excise Act, 2009 did not provide any exemption from Solvency Certificate to long term licensees and principal importers of foreign liquor.

3.6 Issue/renewal of licenses without ensuring that licensee was not in arrears of any Government dues

As per Section 13 (1) (d) of the Delhi Excise Act, the licensing authority shall have regard that the licensee is not in arrears of any government or public dues. Further, appropriate clauses have been included in the terms and conditions of L1 License for submission of No-dues Certificate from Excise Department, and DVAT Department. But no such clauses were included in the terms and conditions of retail licenses (L-7 and L-10), instead a declaration was sought from the applicant that no government dues was pending against them.

Audit, however, observed that L7 and L10 licensees were required to submit the Income Tax clearance Certificates or latest ITRs along with Assessment Orders, whereas L1 and L1F licensee were not required to submit Assessment Orders along with the ITRs. Audit could not ascertain as to how the Excise Department ensured that no dues were pending against L1 and L1F licensees towards Income Tax Department, through ITR, without verifying the Assessment Order. Such loopholes were not consistent with the requirements of the Section 13 (1) (d).

Table 3.3: Submission status of No-dues certificates by L-1, L-7 and L-10 licensees (Relating to 84 cases of 23 Licensees for the period 2017-21)

	No-dues Certificate from VAT Department	No-dues Certificate from Excise Department
Submitted	14	0
Not submitted/ Not found in file	22 (certificate of quarterly return filed) 48 (not submitted/not found)	84

Notably, Excise Department itself had not issued even a single No-dues Certificate. Audit observed that despite not submitting of requisite documents to establish that licensee was not in arrears of any government or public dues, Excise Department issued licenses to these licensees in violation of Section 13 (1) (d).

The Government in its reply stated that applicant of L-1 license needs to submit a copy of last year's Income Tax Return/Assessment order, Copy of PAN card of company/firm, an affidavit to the affect that no dues in respect of Excise Department are pending and No-dues Certificate issued by the VAT Officer. Further, Government in its reply assured that no license was granted unless all the dues to Excise Department were cleared by the licensee.

Reply is not acceptable because as per the Clause f (iii) of Annexure-I of terms & conditions of L-1 license from 2017-18 to 2020-21, applicant needs to submit a No dues Certificate issued by the DC (Excise), Delhi but Government in its reply talks about affidavit instead of No dues Certificate. Even the reply is incomplete as Government did not say anything about issuing of license without submission of complete documents by the applicant.

3.7 Issue/renewal of licenses without verification of persons employed by the licensees

As per the Section 13 (1)(g) of Delhi Excise Act, the licensing authority shall have regard that the applicant shall not employ any Salesman, or representative who

- has criminal background, or
- suffers from any infectious and contagious disease, or
- is below 21 years of age.

Further as per Section 24 of Delhi Excise Act, no licensee shall employ or permit to be employed in his premises any person under the age of 21 years or suffering from contagious disease.

Audit observed that the Excise Department has not incorporated any provisions for employees' criminal background check and for infectious/contagious diseases, in "Terms and conditions for grant of license" and licensees were also not submitting this information.

In respect of age of the employees, imprisonment upto three months and/or fine upto ₹ 50,000 was prescribed under Section 42(2) of the Delhi Excise Act if a licensee employs any person under the age of 21 years. During test-check of records, Audit observed that during 2019-20, two L1 licensees had employed persons below 21 year of age in their warehouses. However, this fact was ignored by Excise Department, while considering and approving the licensee's application.

The Government in its reply stated that this issue was raised with the licensees and in both cases while referring Section 13 (1)(g), licensee stated that above mentioned employees were working as Data Entry Operators and their job was not related to liquor work. The replies of the licensees that these employees were Data Entry Operators is not acceptable as Section 24 of Delhi Excise Act prohibits employment of any person under the age of 21 years, at the licensee premises, irrespective of the nature of job.

Recommendation 3.4: Appropriate action under Delhi Excise Act should be taken against the Licensee as well as the officials responsible for not taking any action despite the shortcomings.

3.8 Issue/renewal of licenses without obtaining personal bond with surety from L1 licensees

As per Rule 50 of Delhi Excise Rules 2010 read with Terms and Conditions of the license, L1 licensee shall furnish a personal bond with the surety in the sum of ₹ 5,00,000/- (Rupees five lakh).

Scrutiny of records related to 11 test checked L1 licensees for the period 2017-21 revealed that licensee had not submitted personal bond with surety in 10 out of 36 cases. In 12 other cases, the surety was either given by a related company, Director of the same company or by an employee of the company. Accepting such a surety bond was against the spirit of the Rule.

The Government in its reply stated that there was no violation of Rule 50 of the Delhi Excise Rules, 2010 in accepting the surety given by the related company, Director of the same company or by the employee of the company as it was to the satisfaction of the licensing authority. Further, it was mentioned that majority of L-1 licensees were old and continuing their operations for last many years in Delhi.

Reply is not acceptable because not obtaining the surety violates the spirit of the Rule which is to obtain an independent assurance. The Excise Department's duty was to prepare such a format of surety bond which can adhere to the real requirement of the Rule. However, the Department failed to develop a fool proof surety bond which could adhere to the actual spirit of the Rule.

3.9 Issue of L1F licenses without submission of audited financial statements

As per the license conditions, the applicant is required to submit "An attested copy of the annual accounts and balance sheet duly audited, for the last accounting period for which such audited annual accounts/ balance sheets are available". During test check, it was found that none of the three test-checked L1F licensees had provided the above documents for the year 2020-21. However, licenses were issued by the Excise Department without any objection.

The Government in its reply accepted the audit observation and stated that due to Covid lockdown, the licenses were granted on the basis of affidavit only without seeking any other documents as approved in the Policy for the year 2020-21.

The reply is not acceptable as the policy cannot be made in violation of Delhi Excise Act/Rules. Further, lockdown due to Covid-19 is no excuse for violation of Act and Rules.

3.10 Issue of L1 and L1F licenses without submission of Sales data and Whole Sale Price (WSP)

As per Appendix – B of L1 License conditions, the applicant of license must give an affidavit for each brand declaring actual sales figures and Ex-Distillery Price (EDP), for all over India, during the last two years (irrespective of the price bracket within which its EDP falls).

Test Check of 11 L1 License files for the period 2017-21 revealed that only three licensees had given details of actual sales figures and EDP of other states, as called for in Sl. No. 1 of Appendix-B. The details provided by even these three licensees were not complete[31]/not provided in some years. Others have stated that it is not required as per free pricing policy or it is not applicable as per para 2.3 (e) (iv) and 7.4 (a) (i) of the Terms and Conditions of the L1 Licensee.

The Government in its reply stated that as per para 7.4 (a)(i) of the Terms and Conditions for granting L-1 license, licensee shall be at liberty to declare EDP if MRP of a certain type of liquor crosses certain limit given in the above mentioned clause. Further, Government referred clause 2.3 (e) of the Terms and Conditions for granting L-1 license, where MRP range had been prescribed for different categories for which no sales figures were required. Free[32] EDP policy has been done away in the licensing year 2021-22.

Reply is not acceptable because these two conditions relate to eligibility of licensee not falling under free pricing policy to have a certain number of sales figures in previous years and restriction on MRP pricing. These conditions do not exempt applicant falling under free pricing policy from giving the details called for in Sl. No. 1 of Appendix-B. It was not mentioned anywhere in the terms and conditions that certain applicants were not required to submit details in para 1 (Sales figure and EDP in other states) of Appendix B as mentioned in para 2 (minimum EDP in India) of Appendix B.

[31] Sales figure and EDP of all the states was not provided for all brands.
[32] Free EDP policy is practice where a wholesale licensee is free to declare his Ex Distillery Price if the MRP is above a certain level e.g. ` 400 per bottle for whisky. In the brands where the price is below this level, Excise Department demands EDP in Delhi which is lowest across all states in India.

Similarly, license conditions require the L1F licensees to furnish the sales data of the brand (Appendix C, Part-II), landing price per case for the brand and brand-wise prevailing WSP (Appendix C, Part-III) in Delhi/All India and other states where the brand is sold, in the previous two years.

During the test-check of the brands pertaining to the three selected L1F licensees, it was found that while two[33] licensees provided data regarding sales in other states, one[34] licensee had not furnished sales data for its brands for the year 2017-21. Regarding the declaration of WSP in other states, none of the licensees had submitted the prevailing WSP in other states.

The Government in its reply stated that the 'requirement of WSP of different states in respect of Foreign Liquor had not been prescribed anywhere in the Terms and Conditions'. The statement is incorrect because as per the Terms and Conditions of L1F (2017-18 to 2020-21) a declaration was required in Part III of Annexure C giving WSP in other states. Moreover, since 2019-20 an affidavit was also required to be submitted in this regard.

3.11 Irregular grant of L1F license to supply "Baltika 9" beer

Manufacturer of foreign liquor gives authorization to a principal importer in India for distribution and sale of its liquor brands. This principal importer usually authorizes region wise distributors for the sale of liquor. Usually these regional distributors apply for L-1F license in Delhi.

Excise Department issued L1F license to Aryan Wines for Baltika Beer for the year 2020-21. Aryan Wines was appointed as the sole distributor of Baltika Beer by Vosco Beverages, which was authorized by the principal importer (Veesha Food and Beverages) for sales and marketing and label registration of Baltika Beer in Delhi.

Audit, however, observed the following inconsistencies:

- VOSCO Beverages appointed Aryan Wines as sole distributor of Baltika Beer for the period 2020-24, however, the period for which principal importer was authorized to distribute the brand was not mentioned in the authorization letter. Thus on what basis VOSCO Beverages appointed Aryan Wines for four years is not clear.
- VOSCO Beverages appointed Aryan Wines as sole distributor of Baltika Beer on 1 July 2020, however, VOSCO Beverages itself was authorised by principal importer only on 2 July 2020.

Audit also observed from the license file that one label on Baltika Beer mentioned 'Veesha Food and Beverages' as principal importer and another label mentioned 'VOSCO Beverages' as the principal importer. This ambiguity and misinformation has implications for the end consumer and may attract a product liability action

[33] Brindco Sales and Aryan Wines
[34] Indospirit Distribution

under Consumer Protection Act, 2019. This irregularity was overlooked by the Excise Department and the brand was approved without due diligence.

In respect of the above observations, Government has accepted the Audit contention.

3.12 Irregular issue of licenses without ensuring legal possession of premises/vend

License conditions require that the vend/ HCR licensees should be in legal possession of the vend/premises i.e., the lease agreement should be duly registered with applicable stamp duty.

In this regard, Audit observed the following:

- **L6 (Corporation Vends):** Out of the eight L6 licensees whose records were made available to Audit, for the period 2017-21, registered lease agreements of six licensees were not available in the file.

  In one of the above mentioned six cases, two shops were taken on rent by the licensee in 2006, from two individuals, who were allotted these shops by Directorate of Estates, GoI for specific purpose, and were not to be transferred to any other person in any case. Thus, these shops were irregularly transferred to the licensee for sale of liquor. License conditions also requires that the property should be clear from all legal disputes, however, one L6 vend of DSIIDC at Sarai Pipal Thala was found to be under litigation since year 1992 as per the records made available to Audit. Despite the litigated status of property, vend at this property was allowed by the Excise Department.

  The Government in its reply stated that an affidavit was taken that" if any dispute arises between Corporation and the owner of the premises where L6 was proposed to be opened, Excise Department will not bear any responsibility in this regard".

  Reply of Government is not acceptable as merely taking an affidavit did not ensure that the owner was in legal possession of the premises and it was the duty of Excise Department to check the legality before issuing license as per the renewal conditions.

- **L7 (Private Vends):** Among the four L7 licensees whose records were made available to Audit, one licensee’s lease agreements were not found in the file for the period 2017-21. Additionally, another licensee’s lease agreements were not registered for entire four year span (2017-21), while a third licensee’s lease agreements were not registered for two years (2019-21).

- **L10 (Private vends in Shopping Mall)**: Out of the eight licensees whose records were made available to Audit, lease agreement was not duly registered by seven licensees for all four years (2017-21).

The Government in its reply stated that rent period of L-7 and L-10 premises concerned was less than one year (11 months), so these rent agreements were not compulsorily to be registered.

Reply is not correct as rent period of all above mentioned vends were more than one year. Thus, rent/lease agreement of these vends had to be compulsorily registered. Further, registration is a license condition.

- **Hotel, Club & Restaurant (HCR):** Out of the 11 licensees whose records were made available to the Audit, the lease agreements of four licensees were not duly registered, whereas in the case of one licensee, no lease agreement was found in the file for the period 2017-21.

The Government in its reply stated that lease agreements referred by the Audit team were for the period of less than 11 months so these rent agreements were not compulsorily to be registered.

The reply is incorrect as all submitted agreements were for more than the period of 11 months as mentioned above.

In one instance, one L-10 Licensee had submitted a suspected forged lease deed to Excise Department and Excise Department had also accepted the same. Licensee had falsified the photocopy of an old lease deed, by manipulating the original lease period of '15 April 2012 to14 April 2017' to '15 April 2012 to 14 April 2021'.

The Government has not given any reply in this case.

Recommendation 3.5: Acceptance of suspected forged document also indicates lack of due diligence on the part of Excise Department. Appropriate investigation should be done in this matter and necessary action thereafter should be taken.

3.13 Issue of licenses without ensuring insurance against fire and natural hazard

License conditions require the licensed premises to be duly insured against fire and natural hazards. In this regard, Audit observed the following:

- **L6 (Corporation Vends)**: Out of the eight L6 licensees whose records were made available to Audit, none of the licensees had furnished Insurance documents since the issue of licenses.

- **L7 (Private Vends):** Test check of records relating to four L7 licensees for the period 2017-21 revealed that:
  - All four licensees did not provide an Insurance policy for 2020-21;
  - In the case of one licensee, no Insurance policy for the remaining three years was found in the file;
  - Another licensee's file lacked Insurance policy for the year 2018-19;

  - The file of a third licensee did not contain Insurance policy for the period 2018-20; and
  - The fourth licensee submitted an Insurance policy from June 2017 to June 2018 during the period 2017-21.

- **L10 (Private vends in Shopping Mall)**: Test check of records relating to eight L10 licensees for the period 2017-21 revealed that no licensee had provided an Insurance policy for the period 2020-21, Insurance policy was not found in the file of these eight licensees for 2018-20 and five licensees had not submitted Insurance policy for complete year of 2017-18.

  The Government in its reply stated that after the implementation of ESCIMS portal, the renewal of license for the period 2017-18 to 2021-22 (up to 30 September 2021 for L-7, L-10 and up to 16 November 2021 for L-6) was being done only from online portal where licensee had to furnish details by attaching relevant documents of Fire Insurance, Lease Agreement & declarations. Details were checked and verified by the Department. Further, it was mentioned that Audit team has not verified these documents on ESCIMS portal.

  Reply is not acceptable because the access of ESCIMS provided to Audit was not having any of the above mentioned documents and Government had not attached any supporting documents with the reply. Despite 16 reminders (June 2021 to January 2022) issued to the Department, no access of above mentioned document was provided to Audit.

- **HCR:** Out of the 11 licensees (2017-21) whose files were made available to Audit, insurance against fire, natural hazards etc. was not found in the files of two licensees. Further, access to ESCIMS records of HCR files were not available to Audit despite several reminders.

In all these cases, Excise Department had issued/renewed licenses of these licensees without considering the conditions of license. This indicates lack of due diligence by the Excise Department in its most primary role of verification of eligibility of applicants before issue of licenses.

The Government in its reply stated that documents can be downloaded from the ESCIMS portal.

Reply is not acceptable, as access of ESCIMS portal for various licensees was not granted even after 16 reminders (from June 2021 to January 2022) nor copies of downloaded documents were provided to Audit.

3.14 Issue of licenses without ensuring CCTV system

As per Sl. No 5 of renewal conditions of retail vends, licensees were required to install CCTV camera systems having coverage of minimum 50 meters and archival period of 30 days in good working condition, and to furnish a declaration in this regard along with renewal application.

Audit observed that out of test-checked four L7 and eight L10 licensees, 11 licensees furnished the declaration, but only during 2017-18 and in rest of the cases, declarations were not found in the file. However, licenses of all these licensees were renewed regularly without any objection from the Excise Department.

In the absence of properly working CCTV system, it will be difficult for the Excise Department to address complaints of overcharging and other unlawful activities. Evidence collection will also become difficult during raids and inspections. It was also observed during Enforcement raids that CCTV footage was not available which could have helped in proving the violations.

The Government in its reply stated that licensees declare requisite details as per Section 13 of the Delhi Excise Act, 2009 including the installation and proper functioning of CCTV camera at the premises of the vend. It was not mandatory to furnish separate declaration for CCTV cameras.

Reply is not acceptable because Section 13 of the Delhi Excise Act, 2009 has no mention of CCTV system, even the sample copy of declaration proforma attached with the reply did not contain the point related to CCTV system. Further, as per renewal conditions, licensees were required to submit declaration stating that CCTV cameras system having coverage of minimum 50 meters and archival period of 30 days has been installed and is in good working condition.

3.15 Issue of licenses without declaration regarding conditions as outlined in circular for renewal of license

As per the renewal condition for the period 2017-21, L7 and L10 licensee has to make a declaration regarding 15 conditions like ‘None of the Directors/Partners/ Proprietors of the company/firm have been disqualified under Section 13 of Delhi Excise Act 2009; the Directors/Partners/Proprietors of the company/firm do not possess any wholesale license or any other retail license of liquor; the licensed premises is duly insured; The Directors/Partners/Proprietor of the company/firm shall abide by all instruction/orders issued by the Excise Department etc. Further as per the renewal conditions an applicant will not be allowed to submit the renewal application without submitting the declaration.

Scrutiny of files relating to selected eight L10 licensees for the period 2017-21 revealed that no document of declaration was found in the files for the period 2018-21. Further, scrutiny of files relating to selected four L7 licensees for the period 2017-21 revealed that only three licensees in the year 2017-18 had given this 15-point declaration, and one licensee had given 5-point declaration for the year 2019-20, and no document of declaration was found in the files for the rest of the licensees. The issue of license without the declaration was in violation of the above-mentioned condition.

The Government in its reply stated that after the implementation of ESCIMS portal, the renewal of license for the period 2017-18 to 2021-22 (upto 30 September 2021 for L-7, L-10 and upto 16 November 2021 for L-6) was being done only from online portal where licensee had to furnish details by attaching relevant documents of Fire

Insurance, Lease Agreement & declarations. Details were checked and verified by the Department. Further, it was mentioned that Audit team had not verified these documents on ESCIMS portal.

Reply is not acceptable because access of ESCIMS provided to Audit was not having any of the above mentioned documents, and Government had not attached any supporting document with the reply. Despite 16 reminders (from June 2021 to Jan 2022) issued to the Department, no access of above mentioned document was provided to Audit.

3.16 Issue of licenses without requisite approval of Tourism Department

Along with the application, applicants of HCR license are required to submit an approval from Department of Tourism (DoT). Out of the 11 HCR licensees whose records were made available to Audit, requisite approval of DoT was not submitted by three licensees. Moreover, Excise Department observed the deficiency in case of one of these three licensees but still issued license without obtaining the document.

Government accepted the audit observation.

Recommendation 3.6: Selective adherence of various Rules and Regulations while issuing Licenses should be strictly dealt with and sample checking of various type of License Files should be done at higher level. Also responsibility should be fixed in this regard.

3.17 Conclusion

The Excise Department issued licenses to many licensees (Wholesale, Retail and HCR) without verifying documents required as per the Delhi Excise Act/Rules and Terms and Conditions. The Department, in violation of Section 13 of Delhi Excise Act, took only an affidavit on the basis of which it concluded that there was no requirement of checking even the criminal antecedents of licensee and its employees, solvency status etc. Further L1 Licenses were issued without taking Surety Bond, Performance Report etc. In respect of Retail Licensee (L6, L7 & L10) and Licenses issued to HCR, Excise Department had issued the Licenses without ensuring that the licensees were in legal possession of the vend/premises. Even documents of Insurance and mandatory declarations were not obtained.

L1 and L1F Licenses were issued despite applicants not submitting mandatory sale data, WSP details etc., of previous years. Such data is critical to the Government in framing a better pricing policy for next year for better regulation and maximization of Excise Revenue. Moreover, in violation of Rules and Terms and Conditions of Licenses, multiple Licenses were issued to related parties (having common Directors).

Issue of Licenses without fulfilling the mandatory requirement of Rules and Regulations is a serious issue. Allowing such a practice can lead to extending of discretionary powers in the hands of authorities issuing the license and lead to dishonest dealings.

Chapter IV

Pricing of IMFL and FL

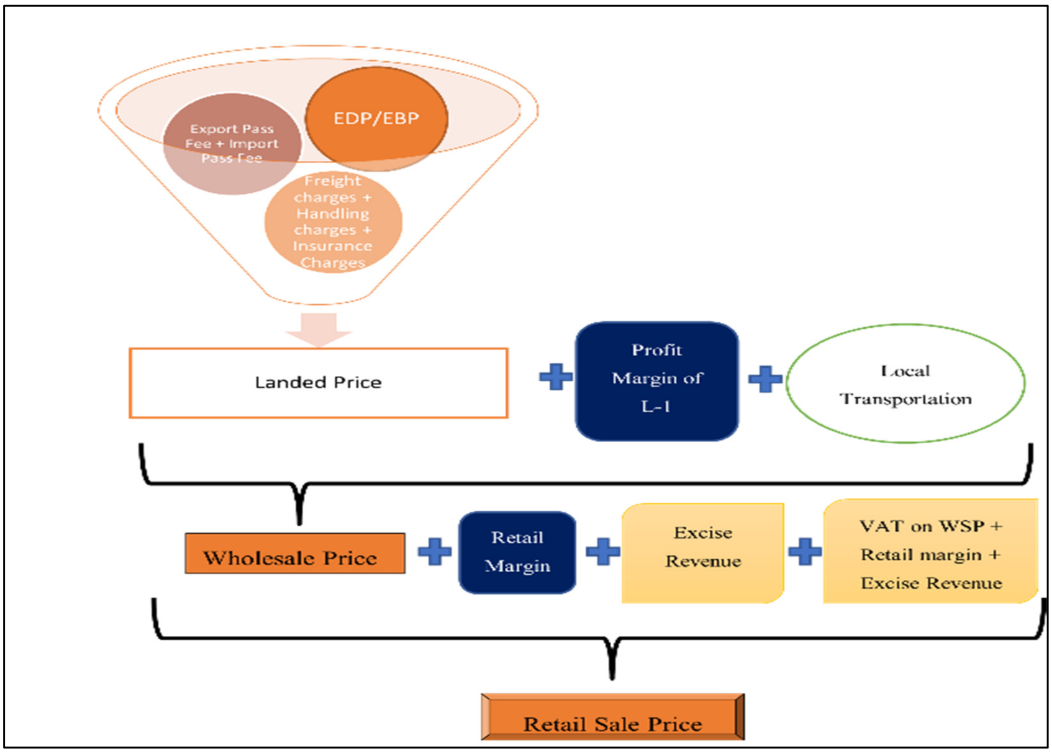
Chapter IV: Pricing of IMFL and FL

Pricing of liquor is highly sensitive and key determinant in regulating consumption, ensuring fair competition among suppliers and optimizing the Excise Revenue collection. Maximum Retail Price (MRP) is determined by the Excise Department based on initial cost inputs from the wholesale licensee and subsequent addition of Excise duty and VAT on fixed percentage basis while making allowance for profit margins. It was observed that the Government did not seek costing details to ascertain the reasonability of EDP/EBP.

4.1 Introduction

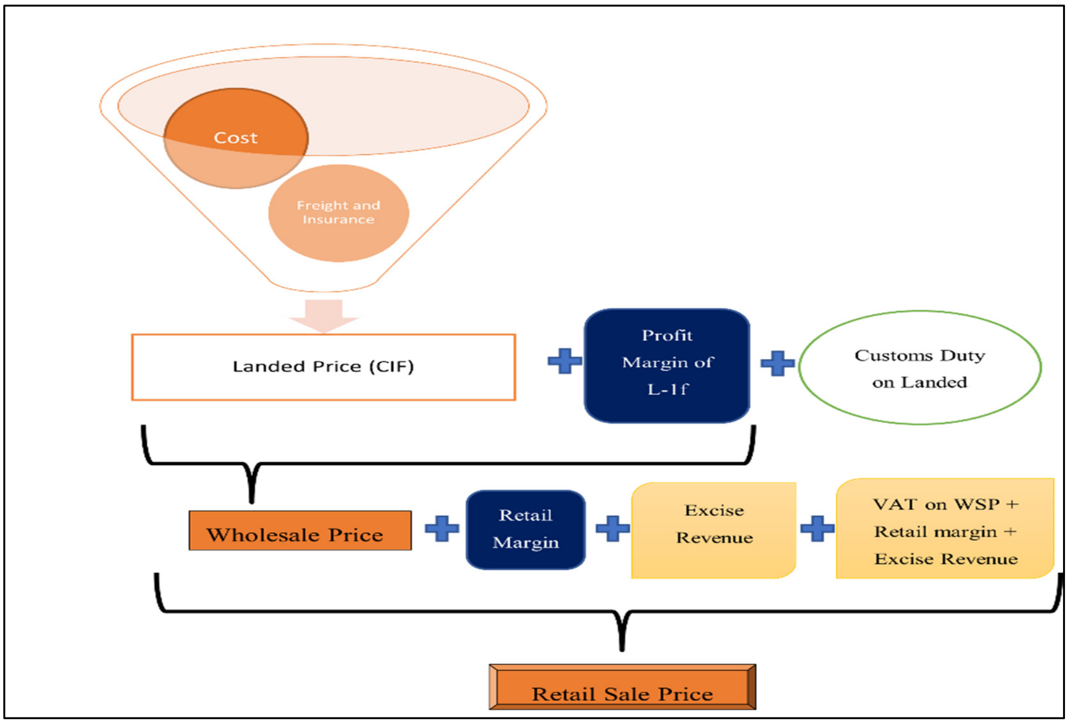
As per the Excise Policies for the years 2017-18 to 2020-21, the methodology adopted for pricing of IMFL is as given in **Chart 4.1**. In the pricing of IMFL, primary variable factor is its Ex-Distillery Price (EDP)/ Ex-Brewery Price (EBP). Profit margins/Duty/Taxes etc. are allowed/levied as a percentage of EDP/EBP.

Chart 4.1: Cost Components of IMFL



In respect of Foreign Liquor (FL), pricing methodology as depicted in **Chart 4.2** is slightly different. Unlike IMFL, where export fee is charged by the State where distillery is located, and import fee is charged by GNCTD, Customs Duty is levied by Government of India on Foreign Liquor.

Chart 4.2: Cost Components of Foreign Liquor



On scrutiny of records related to regulation of prices of IMFL by the Excise Department, Audit observed the following issues:

4.2 EDP/EBP of IMFL not regulated by Excise Department

Profit margin of L1 licensee is provided for separately by the Excise Department. Thus, the declared EDP/EBP should be based on actual cost components and other margins and should not be left to the discretion of the licensee. However, L1 licensee was at liberty to determine EDP/EBP at its discretion as per the Excise Policies of GNCTD.

Government replied that the approved Terms and Conditions for grant of L1 licence did not mention the use of cost criteria. It was also mentioned that in the new Excise policy, EDP would be declared on the basis of lowest EDP allowed in any State across India and an affidavit, in this regard, would be sought from licensees.

The reply is unsatisfactory as the concept of EDP is undefined and ambiguous. The issues arising from the use of EDP as the basis of pricing is discussed in the subsequent paragraphs.

4.2.1 Reasonability of EDP/EBP not ascertained

At the outset, it might appear that increase in EDP/EBP will increase the Excise revenue as well. However, the increase in EDP affects the MRP, which also carries the risk of decrease in sales which in turn can lead to loss of Excise revenue. However, as the Government did not seek costing details to ascertain the reasonability of EDP/EBP, there was a risk of L1 licensee getting compensated by the profits hidden in increased EDP/EBP.

Audit analysed EDP/EBP of brands of test-checked 11 licensees for the period 2017-21. In respect of the brands whose EDP was increased during this period, in majority of the cases excise revenue declined. It was noticed that the net effect on the excise revenue was a reduction of ₹ 165 crore in all the cases where the EDP was increased. Details are given in **Annexure VI**.

Discretionary power to declare EDP may lead to price variation in neighbouring states which has the potential to promote smuggling.

Government replied that brands above a certain MRP threshold were free to declare its EDP. It also mentioned that three highest selling whisky in terms of volumes are those with free EDP, suggesting that lower MRP due to restricted EDP does not *per se* determine the popularity of liquor. It further mentioned that the policy has been changed in new Excise policy for the year 2021-22 to make the minimum EDP uniform for all brands.

The reply is not satisfactory as the popularity of a brand cannot be correlated with its price only. The sales of a brand is sensitive to price changes at least to some extent, which itself is derived from the EDP. Thus, the EDP becomes an important parameter which must be regulated effectively.

Recommendation 4.1: Ex-distillery Price should be defined along with all cost components and it may be clarified whether it includes any component of profit. Also discretionary EDP should not be allowed.

4.2.2 Fixation of higher EDP/EBP in Delhi than in other States

As per the Excise Policies for the years 2017-18 to 2020-21, L1 licensee needed to keep the lowest EDP/EBP in Delhi for Whiskey/Wine with MRP upto ₹400, Rum/Gin/Vodka/Brandy with MRP upto ₹250 and Beer with MRP upto ₹100 (MRP in Delhi). Whereas, they had discretion to determine the EDP/EBP of brands with MRP above this limit.

Audit analysed the impact of discretionary EDP/EBP of brands with MRP above the limit. On detailed analysis of EDP/EBP of all 14 brands of the three L1 licensees who had provided the requisite details, it was observed that seven brands had lower EDP/EBP in other States than in Delhi.

Table 4.1: Extra benefit to L1 Licensees

Year	Brand	L1 Licensee	EDP in Delhi	Lowest EDP (State)	Excess EDP in Delhi	Sale in Delhi	Extra benefit to Licensee
2017-18	Royal Green Deluxe Blended Whiskey	M/S ADS Spirit	1323	1260 (Uttarakhand)	63	7,03,515	4,43,21,445
	Generation Deluxe Blended Whiskey	M/s ADS Spirit	2969	2689.31 (Jharkhand)	279.69	2,135	5,97,138
	Old Habit Rum	M/s Empire	899	780 (Kerala)	119	95,135	1,13,21,065
	Old Habit Vodka	M/s Empire	1089	902 (Kerala)	189	27,005	51,03,945

Year	Brand	L1 Licensee	EDP in Delhi	Lowest EDP (State)	Excess EDP in Delhi	Sale in Delhi	Extra benefit to Licensee
	Old Habit Whiskey	M/s Empire	1327	1125 (Kerala)	202	46,551	94,03,302
	Carlsberg Elephant Strong Super Premium Beer (500 ml)	M/s Mohan Goldwater Breweries Ltd.	724	533 (Daman)	191	73,020	1,39,46,820
	Carlsberg Elephant Strong Super Premium Beer (650 ml)	M/s Mohan Goldwater Breweries Ltd.	461	419 (Daman)	42	1,61,432	67,80,144
2018-19	Royal Green Deluxe Blended Whiskey	M/S ADS Spirit	1323	1305 (Goa)	18	11,05,225	1,98,94,050
	Generation Deluxe Blended Whiskey	M/s ADS Spirit	2969	2688.96 (UP)	280.04	4550	12,74,182
	Carlsberg Elephant Strong Super Premium Beer (500 ml)	M/s Mohan Goldwater Breweries Ltd.	857	533 (Daman)	324	26901	87,15,924
	Carlsberg Elephant Strong Super Premium Beer (650 ml)	M/s Mohan Goldwater Breweries Ltd.	525	419 (Daman)	106	75426	79,95,156
2019-20	Royal Green Deluxe Blended Whiskey	M/S ADS Spirit	1518	1305 (Goa)	213	10,39,194	22,13,48,322
Total							**35,07,01,493**

This mechanism carried the risk of L1 licensees including their profit in the inflated EDP as the profit margin was otherwise capped by Excise Department at five *per cent* while leaving the EDP/EBP largely unregulated.

The above table indicates that extra benefit to the extent of ₹ 35.07 crore was given to L1 licensees.

Government in its reply reiterated the point stated in para number 4.2.1.

Recommendation 4.2: Government should review its pricing policy to effectively regulate the prices and maximize the revenue.

4.3 Discretionary profit margin to Foreign Liquor licensees

In case of Foreign Liquor, Government adopted a very liberal policy as L1F licensee was at liberty to determine its profit margin at its discretion.

Audit noticed that the profit margin of three test checked L1F licensees ranged from 44 *per cent* to 347 *per cent* of the Landed Price, and the average of percentage of profit margin to landed price was 255, 243, 169 and 172 *per cent* during the years 2017-18, 2018-19, 2019-20 and 2020-21 respectively. This resulted in inflated MRP for Foreign Liquor despite very low cost of import.

The influx of liquor through porus borders, owing to the price differential has also been highlighted by the Ravi Dhawan Committee formed (2020) by GNCTD to suggest measures for Excise Policy reforms. As per the Excise policy and license requirement, the L1F (FL licensees) need to declare the WSP of all other States in which it supplies liquor. Audit observed that this condition was flouted, however, no objection was raised by the Excise Department itself (as discussed in **Paragraph 3.10**).

Government in its reply stated that WSP for FL has been fixed, since 2019-20, based on lowest WSP across India. It was further stated that market is dynamic and prices are regulated as per adjacent States' pricing. It was also mentioned that since the Excise duty on FL was 85 *per cent*, thus any increase in price would only help increase the Excise duty. It was also mentioned that since the market share of FL is 2.5 *per cent*, thus it does not have much impact on revenue. The reply further stated that the excise duty figures reported for the last three years shows increase in revenue. The reply regarding increase in excise revenue should be seen in the light of the fact that from 2019-20 to 2021-22, excise revenue increased by 8.28 *per cent* whereas, from 2016-17 to 2018-19, excise revenue increased by 18.27 *per cent*.

4.4 Conclusion

The basic premise of Ex-Distillery price of IMFL was undefined. Excise Department fixed the profit margin at five *per cent*, while leaving the EDP/EBP largely unregulated. This had a risk of the L1 licensees hiding their profits in EDP/EBP especially as the Excise Department did not ask for costing details. The pricing policy needs to have a more transparent basis.

Chapter V

Violation of Quality norms

Chapter V: Violation of Quality Norms

Quality assurance of liquor is of utmost importance and this responsibility squarely lies with the Excise Department. Various issues were observed, associated with the quality of liquor supplied in Delhi and the role of Excise Department in ensuring that the enabling provisions contained, in this regard, in the Delhi Excise Rules, 2010 and "Terms and Conditions for grant of wholesale licensee" are adhered to by wholesale licensees of L1 (IMFL) and L1F (FL). Various irregularities were observed which point towards deficient cross checks of the test reports. Cases of unreliable test certificates being submitted and accepted by the Department were observed. Test reports for quality compliance were from unaccredited laboratories. Licences were issued to applicants of wholesale licensees (L1 & L1F) despite failure to submit test reports, fully compliant with the parameters laid down as per Bureau of Indian Standard (BIS) norms.

5.1 Introduction

Liquor is inherently prone to quality issues as the manufacturing process involves several steps of distillation, purification etc., and the manufacturer has an added incentive to cut costs to increase profitability. Liquor quality control is a continuous process and involves much rigorous examination of possible contaminants, their control, and acceptable levels thereof.

Ensuring the quality of liquor supplied in Delhi is consonant with the primary objective of Excise Department i.e., to regulate, control and monitor the sale and consumption of liquor.

Delhi Excise Rules, 2010 and Terms and Conditions of the wholesale License contains provisions to ensure the quality of liquor. For various categories of Liquor (Whisky, Rum Vodka, Beer etc.), a licensee is required to submit various test reports.

Audit test checked the process followed by Excise Department in ensuring the quality of liquor. Various observations relating to this process are elucidated in the subsequent paragraphs of this Chapter.

5.2 Ambiguity in license conditions/Quality control not compliant with FSSAI Act/BIS Standards

Food Safety and Standards Authority of India (FSSAI) Act recognizes Alcohol as food item. FSSAI regularly publishes a list of National Accreditation Board for Testing and Calibration Laboratories (NABL) accredited laboratories. The parameters for testing alcoholic beverages is mentioned in Food Safety and Standards (Alcoholic Beverages) Regulations, 2018. There are also separate BIS standards for testing various liquor types.

Audit analysed various extant provisions relating to the quality of liquor provided in the Rules, guidelines, etc., framed under the Delhi Excise Act, 2009 and Terms and Conditions for grant of wholesale license during the period 2017-21.

- Rule 7 of the Delhi Excise Rules, 2010 states that "Liquor may be imported from any place in or outside India, provided it conforms to the specifications required in an order made by the Excise Commissioner with the prior approval of the Government or if no such order has been made, which conforms to the specifications laid down by the Bureau of Indian Standards regarding alcoholic strength".

  Audit observed that no specifications have been separately issued by the Excise Department pursuant to Rule 7 as above, hence, the extant BIS standards guide the quality of liquor.

  It was further noticed that this left an ambiguity in case of Tequila imported from outside India, as there were no BIS specifications for Tequila. For other categories of liquor imported from outside India, the Department failed to issue orders relating to specifications to be accepted from foreign manufactures who might be adhering to some other specifications (other than BIS).

- Clause 7.3(d) of the Terms and Conditions for Grant of L1 license states that "The licensee has to give a certificate from a Government authorised laboratory or other reputed private institution regarding quality of a particular brand and certifying that it fulfils the specifications laid down by the Bureau of Indian Standards and is fit for human consumption".

  However, this provision did not even mention whether the Government lab or private lab needs NABL accreditation.

- Similarly, Clause 2.3(b) of the Terms and Conditions for Grant of L1 license states that "It (Alcoholic drink) shall be made from neutral alcohol (double distilled), extra neutral alcohol, etc. Each and every consignment of Indian Liquor imported into Delhi is accompanied by a Certificate of Quality Report duly certified by both the technical head of the unit and the Excise authority attached to the unit, confirming that the products are as per BIS standard and produced out of Extra Neutral Alcohol (ENA)."

Audit noticed that in compliance of the above requirements, in 16 out of 38 selected cases relating to 12 licensees, certificates were issued by the local Excise Inspectors attached to the units stating that the product was made from ENA, without any additional details about quality parameters as mentioned above. In eight cases, no certificate/chemical report was found in the file, and in one case a chemical report was given (in 13 cases ENA certificate was not required). However, no objection was raised by the Excise Department regarding the 24 reports/certificates which were either not submitted or had no additional details about the quality parameters mentioned.

Government in its reply stated that the applicant at the time of registration of brands was required to furnish some sort of undertaking/guarantee by the L-1 applicant that his product will conform to BIS Standards. Further, it was mentioned that the certificate given by the technical head of the unit and the Excise Authority was sufficient to comply with the terms and conditions.

The reply is not acceptable because submission of an undertaking was no guarantee of adherence to BIS specifications by the licensee. As per para 7.3(d), the Licensee had to give a certificate as required. Further, as per FSSAI Act, an unaccredited laboratory cannot furnish a BIS compliance certificate so In-house laboratory was not qualified to do so. However, the compliance of FSSAI Act was the responsibility of Excise Department, and not including the same in the Terms and Conditions of the Excise Policy was a shortcoming of the Excise Department/Government. Further, Excise Authority attached with the manufacturing unit was not qualified to issue ENA Certificate.

The Department failed to issue any specific orders regarding specifications to be followed by the Licensee in accordance with Rule 7 mentioned above.

Recommendation 5.1: Verification against FSSAI norms should be mentioned in the Terms and Conditions specifically so that there is no ambiguity regarding norms to be followed.

5.3 Acceptance of invalid Quality Test Certificates by Excise Department

As per Rule 7 of Delhi Excise Rules 2010, as stated in previous paragraph, since no quality specifications has been notified by Excise Commissioner, they have to conform to the specifications laid down by the Bureau of Indian Standards regarding alcoholic strength.

Audit test-checked records related to 12 L1 licensees, who were issued licenses during the period 2017-20. These 12 licensees furnished 173 certificates in respect of quality tests done from 15 laboratories. Following issues were observed regarding the Quality Test Certificates submitted by the licensee and accepted by the Excise Department.

- Out of these 15 laboratories, three laboratories were not NABL accredited, two laboratories were not accredited for testing of alcoholic beverages, two laboratories were not authorised to conduct biological tests and one laboratory was not authorised to conduct chemical analysis (**Annexure VII**). The Department should verify the status of these Laboratories from NABL and thereafter appropriate action may be taken.

- Form of Test Report as per Annexure 3(b) of the FSSAI guideline for food testing laboratory, includes an “opinion” on the sample (e.g. Fit for Human Consumption).

Audit observed that only nine out of 173 test certificates included the opinion required as per the above guidelines, without which the report would be considered incomplete.

The Department in its reply stated that NABL accreditation was not a requirement as per the term and conditions. The reply is not acceptable as every food business should be regulated by the guidelines of the FSSAI and the FSSAI Act clearly required NABL accreditation for the labs. Moreover, the Department stated that most of the labs highlighted in the Audit Report were actually linked to the manufacturers themselves. This also clearly indicates that Department had no third party inspection of quality check. Excise Department accepted these invalid quality test certificates which indicates lack of due diligence.

Recommendation 5.2: For an authentic and unbiased test report, it must be ensured that the laboratories that issue test reports must be NABL accredited for testing the relevant parameters of liquor.

5.4 Licenses issued despite mandatory quality norms not being adhered to

Scrutiny of files relating to 12 L1 Licensees (IMFL) and 3 L1F (FL) Licensees for the period 2017-21 revealed several shortcomings in the process being followed by Excise Department to ensure quality of liquor. The details are elucidated in the subsequent paragraphs.

5.4.1 L1 Licenses (IMFL) issued despite BIS norms not adhered to

As per the License Conditions, every L1 licensee had to furnish a Quality Test Report, adhering to the BIS standards. The details of the BIS Specifications are given in **Table 5.1**.

Table 5.1: Number of tests as per BIS specifications

Sl. No.	Type of liquor	Specification	Number of tests
1	Beer	IS 3865:2001, IS 7585(Sulphur Dioxide), Drinking Water- Specification IS 10500:2012	11
2	Rum	IS 3811 : 2005, Drinking Water- Specification IS 10500:2012	14
3	Gin	IS 4100 : 2005, Drinking Water- Specification IS 10500:2012	14
4	Whisky	IS 4449 : 2005, Drinking Water- Specification IS 10500:2012	12
5	Vodka	IS 5286 : 2005, Drinking Water- Specification IS 10500:2012	13
6	Wine	IS 7058 : 2005, Drinking Water- Specification IS 10500:2012	20
7	Low Alcoholic Beverages	IS 15588:2005, Drinking Water- Specification IS 10500:2012	15

Audit examined 173 brands of liquor (Whisky, Rum, Vodka, Gin, Beer, Mixed Alcoholic Beverages, Wine etc.) supplied by 12 different L1 licensees and checked the Certificates of quality compliance furnished by the Licensees, which were accepted by the Excise Department and licenses were issued.

During the year 2020-21, Quality Certificates were not submitted by any of the test-checked 12 L1 licensees along with their application. However, licenses were issued without any comments/objection by the Excise Department.

On scrutiny of test reports submitted by 12 licensees during the period 2017-18 to 2019-20 (**Annexure VIII**), the following issues were observed:

- In respect of the test-checked 12 L1 licensees, 2,323 parameters were to be tested as per BIS specifications. Audit, however, observed that 37 *per cent* of the tests were not conducted at all and two *per cent* of the parameters were not tested as per BIS specifications/partially done. Out of the remaining, test values were not properly reported for nine *per cent* of the parameters. Thus, only 52 *per cent* of the tests were done as per BIS specifications.

- In respect of Beer, microbiological tests were mandatory. Out of the test checked 12 L1 licensees, three licensees had registered 31 brands of Beer during the period 2017-18 to 2019-20. However, microbiological tests were submitted for only six out of 31 brands of Beer.

- Water quality tests were mandatory for all categories of liquor. Out of the 173 test reports to be furnished, no report was submitted in 96 *per cent* of the cases and partial reports were provided in the remaining cases.

- Freedom from harmful ingredients is also an essential parameter to be declared in the report for all categories of liquor. E.g. "Beer shall be free from Chloral Hydrate, Ammonium Chloride, Pyridine Diazepam and Paraldehyde". In the test checked cases, 173 reports were to be submitted but compliance was shown in only 13 cases.

- Presence of Methyl Alcohol in inappropriately distilled liquor is the major cause of alcohol poisoning and hence, needs meticulous testing. During the period 2017-20, 173 tests were required to be done for 173 brands approved by the Excise Department. However, it was found that no tests for Methyl Alcohol was done in four instances. In 56 instances, the report vaguely mentions "Methyl Alcohol not found/ Negative" without specifying the detection limit/ criterion. Thus, the liquor supplied in Delhi was not appropriately tested for presence of Methyl Alcohol, which entails serious risk.

Government in its reply stated that there are two methods of Methanol testing, in one method giving detection limit in ppm is possible and in respect of other method it is not possible to give presence in ppm. The reply is not acceptable because as per IS 3753:2005, it is possible by both the methods to find the exact concentration (v/v) of Methanol.

The Government in its reply further stated that the details of parameters are not mentioned anywhere on which testing has to be done. The reply is not acceptable as the parameters are clearly given in the BIS specifications for various categories of alcohol and water etc.

Excise Department did not conduct a thorough scrutiny of the reports furnished. Notably, not even a single brand submitted all the test reports complying with BIS standards.

Recommendation 5.3: Delhi Excise Department should proactively monitor the quality of alcohol and may frame stringent quality standards over and above the norms prescribed by BIS standards. Delhi Excise Rule 7 is an enabling provision to formulate such specifications.

5.4.2 Granting of L1F Licenses and supply of Foreign Liquor without quality assurance

The license Terms and Conditions for L1F, Clause 7.9 states that the liquor quality should comply with any specifications prescribed by the Excise Commissioner and if no such specifications are prescribed, then, it must comply with BIS standards or any other international specification. For the period 2017-21, Audit examined the reports/tests done for brands of liquor (Whisky, Rum, Vodka, Gin, Beer, Mixed Alcoholic Beverages, Wine etc.) supplied by three different L1F licensees and checked the certificates of quality compliance furnished by the licensees. The following issues were observed:

1. Out of three L1F selected for test check, the number of quality tests as per BIS specifications to be done for various categories was 5280 (total). However, scrutiny of the test reports revealed that only 35.64 *per cent* of the tests were done as per BIS specification, 64.17 *per cent* of the tests were not conducted as per reports submitted by the licensees. Category-wise details of the tests conducted are as under:

Table 5.2: Number of test required and done

Category	No. of companies	Relevant test reports[35]	No. of tests to be done as per BIS	No. of tests actually done as per BIS	No. of tests not done at all	Not done as per BIS/ Partial compliance
Whisky	2	130	1560	650	904	6
Rum	1	4	56	16	40	0
Beer	3	51	576	162	414	0
Gin	2	15	210	86	124	0
Vodka	2	26	338	106	231	1
Wine	2	127	2540	862	1675	3
	Total	**353**	**5280**	**1882**	**3388**	**10**
	Percentage			35.64%	64.17%	

2. In 226 cases of Brand Registration (58.70 *per cent*), Quality Compliance Reports were provided from In-House laboratories or related companies or reports were not provided at all. Such reports did not represent an independent assessment of quality of the liquor and were thus not dependable.

3. In 35 cases, no reports were furnished at all or reports already submitted during previous years were furnished to obtain license for the current year. The Department raised no objection on such practice.

4. In 254 cases (65.97 *per cent*), the reports did not mention the international standard followed for testing compliance, or international standards were not applied, or reports were not provided at all. In the absence of such independent standard, it was difficult to establish the quality of liquor.

5. Requirement for microbiological tests is mandatory for Beer and Wine. Microbiological tests were not done for 40 brand registrations of Beer (78.43 *per cent*). For Wine, 125 brand registrations (98.43 *per cent*) had not provided test report against parameters for mold, bacterial growth etc. In 32 cases, compliance could not be verified as the reports were in languages other than English.

6. Water quality tests were mandatory for all categories of liquor. None of the 353 brands had provided compliance for water quality.

7. Freedom from harmful ingredients is also an essential parameter to be declared in the report for all categories of liquor. In the test checked cases, only three out of 353 brands had submitted compliance with the condition.

8. Methyl Alcohol levels is critical for liquor because of its severe toxicity. In case of 207 brand registrations (58.64 *per cent*), levels of Methyl Alcohol was not mentioned in the report, or the report had not been provided at all. Thus, no compliance could be established for these.

[35] 32 Test reports which were not in English have not been included in the summary.

9. Similar to L1, no sampling of batches/ consignment was done before distribution for retail.

10. Out of a total of 385 test reports required to be submitted, 196 (50.91 *per cent*) test reports furnished were older than one year/or no test report was provided/date not mentioned. In one of the cases, a Test Report more than nine years old was accepted by the Excise Department for issue of license. Thus, no quality claim can be made about the liquor actually supplied, as the reports were from entirely different, older batches.

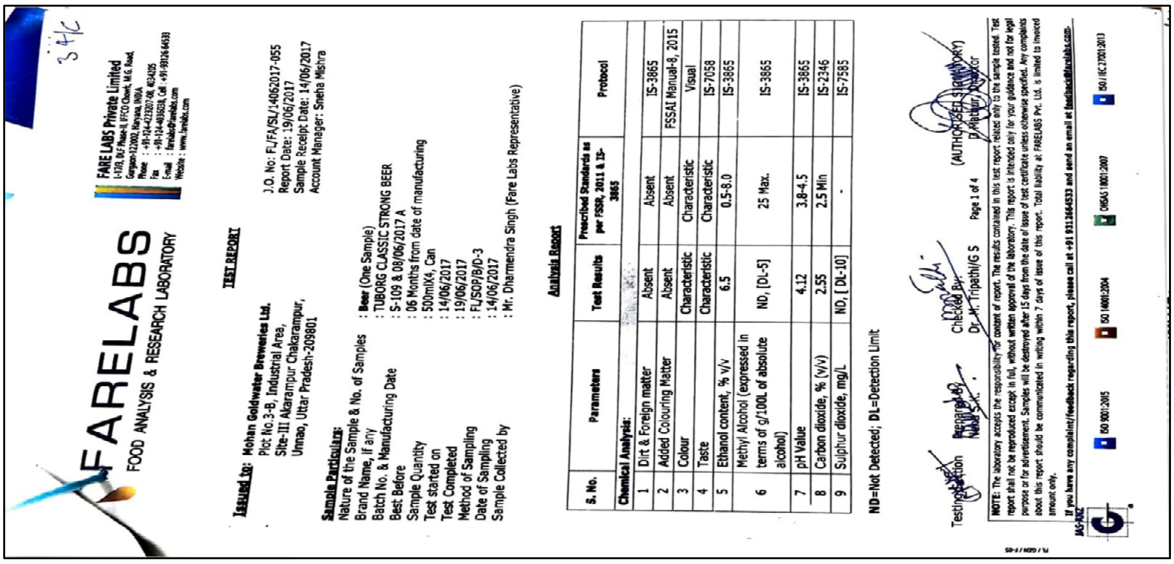
Details of quality tests for FL are mentioned in **Annexure IX**.

Similar to the case with domestic brands of IMFL (L1), there was non-compliance to a significant degree in case of quality reports furnished by Foreign Liquor suppliers. Moreover, the Department has not suggested specific standards to be followed, which leaves ambiguity. In some cases of foreign liquor (e.g. Tequila), BIS norms do not specify acceptable levels of Methyl Alcohol. The Methyl Alcohol level for Tequila is significantly higher than acceptable level for whisky. The Department has not clarified its stand on this issue. Further, acceptance of test reports (by the Department) older than one year from the date of application was irregular. Such negligence in acceptance of old, invalid and ambiguous test reports for grant of license can be detrimental to Public Health.

Recommendation 5.4: Checklist/Standard Operating Procedure (SOP) relating to the verification of test reports on the basis of BIS/FSSAI norms should be prepared. Verification on the basis of Checklist/SOP should be made mandatory to ensure compliance with applicable quality norms.

5.5 Unreliable test certificates submitted by licensees were accepted by Excise Department

(A) On scrutiny of the Quality Test Certificates submitted by test checked L1 licensees, (five certificates of 2018-19 and five of 2019-20) of Mohan Gold Water in respect of Carlsberg Elephant Premium Beer, Tuborg Gold Beer, Tuborg Classic Strong Beer (**Figure 5.1**), Tuborg Black Super Premium Strong Beer and Carlsberg Smooth Chill All Malt Premium Beer, it was observed that reports are same and altered to change the report sequence number and sample batch number, for submission with license application of each year.



FARELABS
FOOD ANALYSIS & RESEARCH LABORATORY

FARE LABS Private Limited

TEST REPORT

Issued to: Mohan Goldwater Breweries Ltd.
Plot No.3-B, Industrial Area,
Site-III Akarampur Chakarampur,
Unnao, Uttar Pradesh-209801

J.O. No: FL/FA/SL/14062017-055
Report Date: 19/06/2017
Sample Receipt Date: 14/06/2017
Account Manager: Sneha Mishra

Sample Particulars:

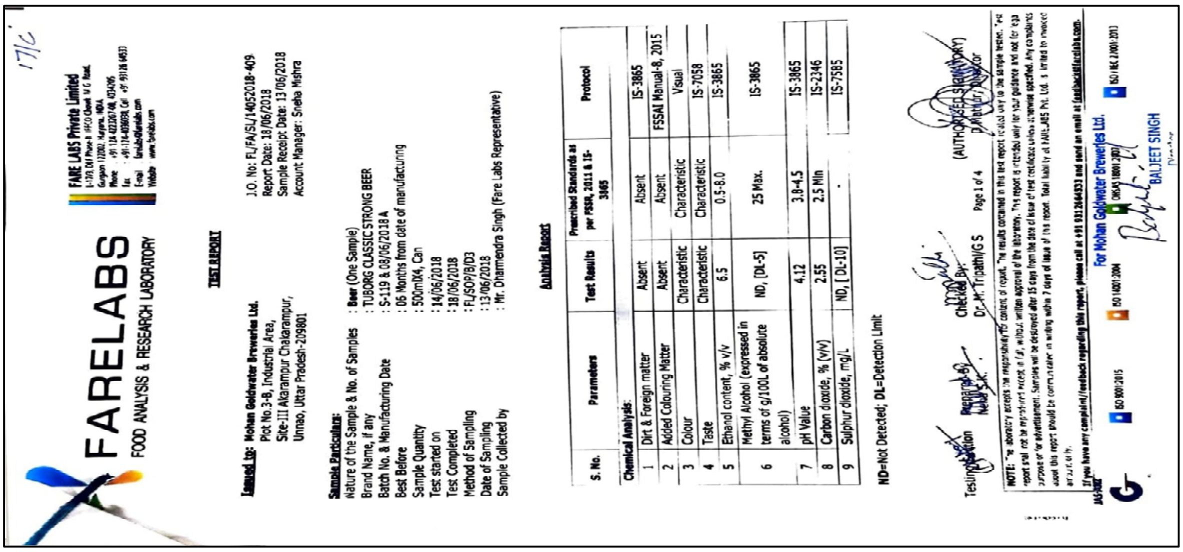
Nature of the Sample & No. of Samples	: Beer (One Sample)
Brand Name, if any	: TUBORG CLASSIC STRONG BEER
Batch No. & Manufacturing Date	: S-109 & 08/06/2017 A
Best Before	: 06 Months from date of manufacturing
Sample Quantity	: 500mlX4, Can
Test started on	: 14/06/2017
Test Completed	: 19/06/2017
Method of Sampling	: FL/SOP/B/D-3
Date of Sampling	: 14/06/2017
Sample Collected by	: Mr. Dharmendra Singh (Fare Labs Representative)

Analysis Report

S. No.	Parameters	Test Results	Prescribed Standards as per FSSR, 2011 & IS-3865	Protocol
	Chemical Analysis:			
1	Dirt & Foreign matter	Absent	Absent	IS-3865
2	Added Colouring Matter	Absent	Absent	FSSAI Manual-8, 2015
3	Colour	Characteristic	Characteristic	Visual
4	Taste	Characteristic	Characteristic	IS-7058
5	Ethanol content, % v/v	6.5	0.5-8.0	IS-3865
6	Methyl Alcohol (expressed in terms of g/100L of absolute alcohol)	ND, [DL-5]	25 Max.	IS-3865
7	pH Value	4.12	3.8-4.5	IS-3865
8	Carbon dioxide, % (v/v)	2.55	2.5 Min	IS-2346
9	Sulphur dioxide, mg/L	ND, [DL-10]	-	IS-7585

ND=Not Detected; DL=Detection Limit

Testing Station; Prepared By; Checked By: Dr. M. Tripathi/G S; Page 1 of 4; (AUTHORISED SIGNATORY)



FARELABS
FOOD ANALYSIS & RESEARCH LABORATORY

FARE LABS Private Limited

TEST REPORT

Issued to: Mohan Goldwater Breweries Ltd.
Plot No.3-B, Industrial Area,
Site-III Akarampur Chakarampur,
Unnao, Uttar Pradesh-209801

J.O. No: FL/FA/SL/14062018-409
Report Date: 18/06/2018
Sample Receipt Date: 13/06/2018
Account Manager: Sneha Mishra

Sample Particulars:

Nature of the Sample & No. of Samples	: Beer (One Sample)
Brand Name, if any	: TUBORG CLASSIC STRONG BEER
Batch No. & Manufacturing Date	: S-119 & 08/06/2018 A
Best Before	: 06 Months from date of manufacturing
Sample Quantity	: 500mlX4, Can
Test started on	: 14/06/2018
Test Completed	: 18/06/2018
Method of Sampling	: FL/SOP/B/D3
Date of Sampling	: 13/06/2018
Sample Collected by	: Mr. Dharmendra Singh (Fare Labs Representative)

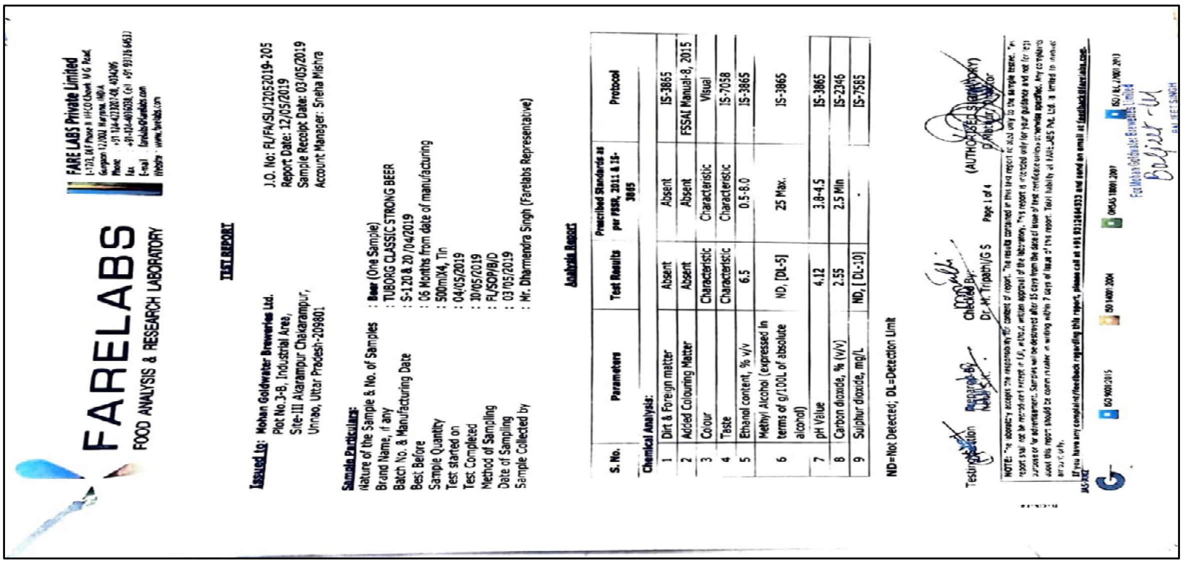
Analysis Report

S. No.	Parameters	Test Results	Prescribed Standards as per FSSR, 2011 & IS-3865	Protocol
	Chemical Analysis:			
1	Dirt & Foreign matter	Absent	Absent	IS-3865
2	Added Colouring Matter	Absent	Absent	FSSAI Manual-8, 2015
3	Colour	Characteristic	Characteristic	Visual
4	Taste	Characteristic	Characteristic	IS-7058
5	Ethanol content, % v/v	6.5	0.5-8.0	IS-3865
6	Methyl Alcohol (expressed in terms of g/100L of absolute alcohol)	ND, [DL-5]	25 Max.	IS-3865
7	pH Value	4.12	3.8-4.5	IS-3865
8	Carbon dioxide, % (v/v)	2.55	2.5 Min	IS-2346
9	Sulphur dioxide, mg/L	ND, [DL-10]	-	IS-7585

ND=Not Detected; DL=Detection Limit

Testing Station; Prepared By; Checked By: Dr. M. Tripathi/G S; Page 1 of 4; (AUTHORISED SIGNATORY)

For Mohan Goldwater Breweries Ltd.
BALJEET SINGH



FARELABS
FOOD ANALYSIS & RESEARCH LABORATORY

FARE LABS Private Limited

TEST REPORT

Issued to: Mohan Goldwater Breweries Ltd.
Plot No.3-B, Industrial Area,
Site-III Akarampur Chakarampur,
Unnao, Uttar Pradesh-209801

J.O. No: FL/FA/SL/12052019-205
Report Date: 12/05/2019
Sample Receipt Date: 03/05/2019
Account Manager: Sneha Mishra

Sample Particulars:

Nature of the Sample & No. of Samples	: Beer (One Sample)
Brand Name, if any	: TUBORG CLASSIC STRONG BEER
Batch No. & Manufacturing Date	: S-120 & 20/04/2019
Best Before	: 06 Months from date of manufacturing
Sample Quantity	: 500mlX4, Tin
Test started on	: 04/05/2019
Test Completed	: 10/05/2019
Method of Sampling	: FL/SOP/B/D
Date of Sampling	: 03/05/2019
Sample Collected by	: Mr. Dharmendra Singh (Farelabs Representative)

Analysis Report

S. No.	Parameters	Test Results	Prescribed Standards as per FSSR, 2011 & IS-3865	Protocol
	Chemical Analysis:			
1	Dirt & Foreign matter	Absent	Absent	IS-3865
2	Added Colouring Matter	Absent	Absent	FSSAI Manual-8, 2015
3	Colour	Characteristic	Characteristic	Visual
4	Taste	Characteristic	Characteristic	IS-7058
5	Ethanol content, % v/v	6.5	0.5-8.0	IS-3865
6	Methyl Alcohol (expressed in terms of g/100L of absolute alcohol)	ND, [DL-5]	25 Max.	IS-3865
7	pH Value	4.12	3.8-4.5	IS-3865
8	Carbon dioxide, % (v/v)	2.55	2.5 Min	IS-2346
9	Sulphur dioxide, mg/L	ND, [DL-10]	-	IS-7585

ND=Not Detected; DL=Detection Limit

Testing Station; Prepared By; Checked By: Dr. M. Tripathi/G S; Page 1 of 4; (AUTHORISED SIGNATORY)

Figure-5.1: Lab Test Reports

(B) In another case of two brands of Alcopop (Limon Fizz and Orange Fizz for the year 2019-20), all the values of test parameters were same, which is statistically highly unlikely.

The Government in its reply stated that previous year's Chemical Reports are not considered while granting the license and explanation has been sought in respect of suspected forged Chemical Report from the licensee.

The reply is not acceptable as in stead of seeking explanation from licensee, it should have been sent for forensic examination for verification of the case.

Recommendation 5.5: The test certificates be evaluated by the Forensic Laboratory and matter should be investigated. Necessary action should be taken against the officials responsible for such a serious lapse.

5.6 Irregular registration of brand in wrong category

During analysis of Quality Test-Certificates submitted by the test-checked licensees, it was observed that a brand, 'Bro Code Crafted Brut 5' of Indo Spirit Beverages (L1), was approved by the Excise Department under the category of 'Wine' for 2018-19.

Audit observed that the Quality Test Certificate submitted by the licensee was for 'Low alcoholic Beverages' category, instead of 'wine' category. However, these certificates were accepted by the Excise Department and the licensee sold 61,488 (59,064 for the year 2018-19 and 2,424 for the year 2019-20) bottles.

In April 2019, the Excise Department initiated action against the licensee regarding not complying with FSSAI norms, which mandates a minimum of seven *per cent* alcohol content for wine. On 5 April 2019, the IMFL section proposed to stop the sale/Purchase of above mentioned brand as the Company registered the brand under wine category on incorrect documents, as the alcohol content in the brand was 5 *per cent* v/v only, which was misleading the consumers as well as the Department. Excise Commissioner approved the proposal on 10 April 2019. However, six Transport Permits for 1128 bottles were issued (between 10 April 2019 and 30 April 2019) even after initiating action on 10 April 2019.

Government in its reply stated that the matter is under consideration and the same will be disposed of at the earliest as per the Excise Act/Rules.

Recommendation 5.6: Departmental action should be taken against the officials responsible for issuing license to the licensee without due diligence and verification of Quality Test Certificates and granting Transport Permit even after the initiation of action against the Licensee.

5.7 Irregular issue of License on the basis of old certificate

On scrutiny of Quality Test Certificates submitted by Indo Spirit Beverages (L1 licensee) for the year 2018-19, it was observed that the Licensee had submitted copy of certificate which was also submitted for the year 2017-18, in respect of three brands of wine (Bro Code 5, Bro Code 10 and Bro Code 15). However, Excise Department failed to detect this and did not insist on obtaining the latest certificates.

Government in its reply stated that matter is under consideration and the same will be disposed of at the earliest as per the Excise Act/Rules.

5.8 Conclusion

Quality Test Reports were furnished by the licensees at the time of brand registration for issue of license. While issuing the license, the Department failed to check compliance of the furnished test reports with BIS norms. Absence of proper verification of test reports by the Excise Department raises concerns regarding the quality of liquor being supplied in Delhi. Important reports relating to water quality used, harmful ingredients, microbes, exact Methyl Alcohol content etc., were not obtained while issuing the License. Moreover, some of the testing laboratories that have furnished quality certificates for the licensees were not accredited by NABL which is mandatory as per FSSAI norms.

No checklist/SOP was prepared by the Department for checking of test reports to be attached with the application for license, and also with regular consignments of liquor.

Chapter VI

EIB and Confiscation

Chapter VI: EIB and Confiscation

Excise Intelligence Bureau has a pivotal role in combatting bootlegging and inter-state smuggling of liquor through intelligence gathering and subsequent coordinated raids and seizures. FIRs registered by Delhi Police under Delhi Excise Act, are followed by further investigation and prosecution. Confiscation Branch keeps record of all registered FIRs (including FIRs registered independently by Delhi Police) and tracks the disposal of seized case property.

It was observed that EIB and Confiscation Branch were working sub-optimally with little coordination. Routine data on FIR and seizures was maintained in a rudimentary manner with little analytical value. No actionable intelligence was generated for striking at the root cause of smuggling. Audit analysed sample data which showcases the risk of smuggling of country liquor due to structural factors.

6.1 Introduction

Excise Intelligence Bureau (EIB) is an important branch of the Excise Department supporting its regulatory function. It is tasked with the following responsibilities:

- Checking of inter-state smuggling of various intoxicants and drugs
- Detection of manufacture and sale of illicit liquor and drugs
- Checking illegal serving of liquor at unlicensed premises and ensuring compliance of P-10 license[36]
- Liaison with various units of Delhi Police to combat bootlegging

EIB consists of dedicated field personnel from Delhi Police and a network of informants assisting the police. EIB conducts raids, seizes the illicit liquor and associated vehicles, prepares seizure memos and files First Information Reports (FIR) at the local Police Stations.

Confiscation Branch of Excise Department aggregates the records of all FIRs registered by the Delhi Police under Excise Act and conducts the destruction of seized liquor and auction of vehicles seized under Excise Act.

6.2 EIB Data analysis

Electronic data of all the seizure cases of EIB of four years (2017-21) and FIR details were analysed to draw some insights related to the pattern of smuggling of liquor and physical records were test-checked to examine the cognizance of cases by the Excise Department.

On analysis of EIB data for the period April 2017 to March 2021, Audit observed the following:

[36] P-10 Permit is a Permit for serving of Indian Liquor and Foreign Liquor at personal parties to be held at Residential Places and Community Centres.

(i) A total of 3580 FIRs were registered by EIB.

(ii) The total quantity of IMFL seized was 4.38 lakh quarts[37] (one quart is 750 ml) and country liquor seized was 9.12 lakh quarts.

(iii) The number of FIRs has seen a continuous increase during the years 2018 (774), 2019 (876) and 2020 (1068). Districts of Delhi bordering Haryana (South, South West, South East, West, North West, Outer) accounted for 83 *per cent* of the total FIRs under Excise Act and 77 *per cent* of the liquor (IMFL and CL) by volume.

(iv) Country Liquor was the most seized liquor type forming 65 *per cent* of the total liquor seized by EIB. Some reasons for the same are discussed in the following paragraph.

6.3 Structural weaknesses in Country Liquor procurement promoting its smuggling

Audit selected a total of 34 FIRs (2017-21), pertaining to bulk seizures, such that it accounted for at least 10 *per cent* of total Country Liquor seized in each year. These selected FIRs were analyzed in detail. Smuggling of CL points at structural weaknesses in the CL procurement and licensing policy.

(i) The data shows that almost all of the seized liquor bottles were "Nips (180 ml)". The CL sourcing policy placed a restriction on the number of Nips in the total quota. Nips could form only 20 *per cent* of the total supply. This restriction was artificial and unwarranted. Audit observed that in case of IMFL, "Nips" was the most popular liquor bottle size, contributing to more than 50[38] *per cent* of the bottles sold, which was more than the combined sale of all other sizes put together.

Government in its reply stated that the observation of Audit merits consideration and that a proposal was being sent to make necessary changes in country liquor sourcing policy so as to increase the proportion of nips. However, it was also stated that since country liquor is cheapest, it might be economical for the distillery to sell full bottle.

Audit finds the later part of reply unsatisfactory, as optimal supply and optimization of revenue should be the concern of Excise Department and not the economic consideration of distillery. The tendering process would anyway discover willing suppliers for appropriate quota at appropriate price.

(ii) There had been no realistic assessment of the actual demand of Country Liquor in Delhi. For the past eight years, the supply of CL was capped at 300 lakh BL (Bulk Litre) per annum subject to variation upto plus or minus 25 *per cent* (the actual supply was substantially lesser at an average of

[37] Different bottle sizes are mentioned but aggregated as quart equivalent
[38] As per the sample for Vend sale data analysis in Chapter II of this report.

240 Lakh BL for the year 2017-18 to 2020-21). Interestingly, in 2009-10 and 2010-11, the supply of CL was 520.65 lakh BL and 495 lakh BL respectively. The supply of CL in the year 2013-14 was suddenly reduced to less than half of previous levels at 236 Lakh BL. The reason cited initially, was a "gradual shift in the consumer preference towards better quality liquor", a claim which was unsubstantiated. This was originally done, through a cabinet decision, to introduce Delhi Medium Liquor (DML) as a CL substitute in 2012-13, however, it ended in failure and the DML project was discontinued in policy 2015-16. Incidentally, the CL quota was never restored to previous levels and continued at the reduced level of 300 lakh BL. Supply side constraint poses a risk of smuggling and illicit sale of CL ultimately leading to loss in excise revenue.

Government in its reply stated that annual tender for supply of Country Liquor was 33 lakh cases and the actual cases supplied had stagnated below 30 lakh cases, thus inferring that the supply for country liquor was actually sufficient.

The reply is unsatisfactory, as the data (Quota Utilized Report of Country Liquor) suggests that for the years 2017-18 to 2020-2021, the average quota, allotted by Excise Department, for supply was actually 27.32 lakh cases, instead of 33 lakh cases as mentioned in the reply. Moreover, there was also a shortfall of supply from wholesale licensees of CL and the actual supplied CL was an average of 26.52 lakh cases of liquor. There needs to be actual demand assessment based on adequacy of number of vends, proper geographical distribution of CL vends, impact of country liquor smuggling on demand for duty paid liquor etc.

(iii) In case of Country Liquor, the manufacturers were selected as per auction of quota by Excise Department, thus the brands supplied depended on the few[39] manufacturers which make the cut. Massive smuggling of specific brands (e.g. Asli Santra, Raseela Santra) of Country Liquor might be indicative of customer choice as the manufacturers of these brand were not suppliers for Delhi CL quota and were virtually running a parallel supply chain.

Government in its reply stated that the wholesale license for country liquor was awarded through a transparent process where all distilleries were free to participate, and that no preference was given to any manufacturer.

The reply is unsatisfactory as the tendering process was actually restrictive because the "Terms and Conditions of tender for L3 license" explicitly disallowed the participation of suppliers who were willing to supply less

[39] Available Brands of Country Liquor year-wise: 2017-18 – 6 Brands, 2018-19 – 8 Brands, 2019-20 – 7 Brands, 2020-21 – 7 Brands.

than 10 *per cent* of total quota, thus there could only be a maximum of 10 CL brands in a year. This lack of choice for CL was irrational.

Thus, lack of proper demand assessment by the Department together with restrictive terms and conditions of tender for L3 licenses, ignoring customer preferences contributed towards parallel supply of Country Liquor leading to potential loss of revenue to the Government.

6.4 Role of Confiscation Branch and lack of coordination with EIB

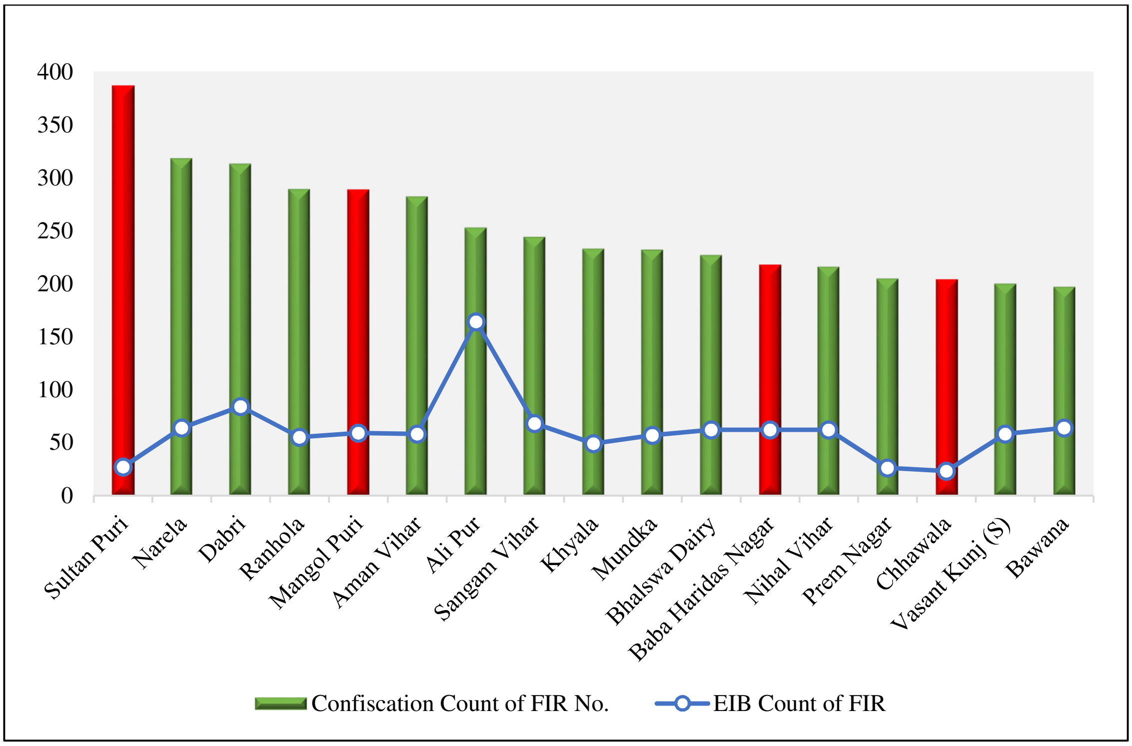
Confiscation data was furnished by the Department for the years 2010 to 2021. Analysis of cases was done for the period January 2017 to December 2021. Total 12,556 FIRs were registered by Delhi Police under Excise Act. The number of FIRs registered under Excise Act has seen a steady increase as per the data furnished. EIB cases were included in the confiscation data as Confiscation Branch maintained records of uptake and disposal of cases registered under Excise Act.

The EIB as well as Delhi Police together (contributing to total confiscation cases) are responsible for seizure of illicit liquor (outside the regulatory purview of Excise Department) being supplied in Delhi.

The confiscation data should be able to provide the hotspots and focus areas where EIB can direct their subsequent efforts. **Chart 6.1** shows that many hotspots were being ignored by EIB as the number of planned raids were not proportionate to cases as revealed by the action of Delhi Police. It is apparent that confiscation data information was not used for planning EIB raids.

It was observed that for some regions/ Police Stations (P.S), EIB contributed a large proportion of total cases (as reflected from confiscation data). For example, Alipur P.S. accounted for 164 EIB cases in a total of 253 cases. However, the same does not hold true for many regions, where Delhi Police had registered a large number of FIRs, but EIB did not seem to prioritize those areas. Sultanpuri P.S. accounted for the highest number of FIRs i.e. 387, but EIB had contributed to only 27 of these. Similarly, lots of hotspots have not seen added thrust from the EIB, which shows a lackluster and uncoordinated/ unplanned operations by EIB. (Refer to the **Chart 6.1**).

Chart 6.1: 2017-21 FIR Comparison



EIB should work in conjunction with Enforcement/ Confiscation Branch of Excise Department since without the EIB's intelligence inputs, the efforts towards prevention of smuggling of liquor gets ineffective and perfunctory.

Government in its reply stated that EIB considers the fact that certain areas are smuggling prone and it accordingly lays emphasis on those areas using local police informers. Performance of EIB teams are monitored regularly (minutes of meeting were not enclosed) and recovery data is analyzed. EIB, after capturing liquor, gives formal complaint to investigating agency i.e. Delhi Police which lodges the FIR and close coordination is maintained. The coordination between EIB, Confiscation, Enforcement and Delhi Police was emphasized, along with identification of hotspots and coordinated raids.

The reply is unsatisfactory as no supporting evidence was provided for such meticulous planning and coordination between EIB, Enforcement Branch and Confiscation Branch. Even the data was maintained in a fragmented manner on excel sheets with numerous data entry errors. The increasing smuggling cases over the years, with same brands figuring in increasing numbers, belies the claim of strictness. Moreover, in certain areas the number of cases taken up by EIB was not proportionate to cases taken up by Delhi Police, which shows a lack of coordination and focus. Lack of coordination with Enforcement Branch is evident from the fact that, despite violations being found in 75 *per cent* (9 out of 12 enforcement raids found violations) of planned enforcement raids at L1, L1F/L31, L32 licensee premises in 2018-19, only two enforcement raids were conducted in 2019-20.

Recommendation 6.1: ESCIMS should be utilised to capture granular data related to EIB, Confiscation and Enforcement cases. Detailed analysis of the case-wise aggregated data of confiscation and EIB cases should be made, to identify liquor smuggling hotspots, brands involved, reasons for smuggling, estimated revenue leakage etc.

6.5 Other lacunae and lack of coordination

Audit test checked 70 FIRs (IMFL-16, FL-20, CL-34) registered during 2017-21, and observed the following:

(i) Audit noticed that the role of EIB was largely disconnected from the functioning of Excise Department in general (issue and management of licenses and regulation thereafter). EIB raids revealed a systematic and very predictable pattern of smuggling of liquor in terms of areas more prone to smuggling, and the type and brands of liquor smuggled etc. The data shows that four IMFL brands manufactured by one distillery (ADS Spirits) comprised of 38 *per cent* of all IMFL seizures and one CL brand pertaining to the same distillery comprised of 69 *per cent* of the total Country Liquor seizures. The smuggled liquor with brand name of “Asli Santra” and “Santra Masaledar” caught in Delhi was almost exclusively marked, “for sale in Haryana”. In case of brand named “Crazy Romeo”, liquor usually seized in Delhi was marked “for sale in Arunachal Pradesh”.

As per the case files, the processing of cases was limited to issuing notices to the accused, auction of vehicle and destruction of liquor. Other important facts that had a bearing on the management/ regulation of supply of liquor were not investigated further to bring out the supply side issues of the problem.

Also, the records available with the department, did not show any analysis conducted regarding the impact of smuggling of some brands on domestic sale of same/ competing brands or its possible impact on revenue.

A concerted action with excise authorities of other States would have been able to gather evidence about the source of liquor being smuggled and in understanding the modus operandi.

(ii) The FIRs and seizure memo were not properly drafted and ignored the exact name of brand smuggled and the manufacturer of said liquor. In two FIRs, discrepancy was noticed between the brands/ quantity mentioned in the FIR, seizure memo and the confiscation notice issued by Excise Department. HI Speed Whisky (Queen Distillery) in FIR was written as Besto Whisky (NV Distillery) in Seizure memo. The number of bottles seized of 'Asli Santra' brand, i.e., 6900 nips, was not mentioned in the notice issued by the Excise Department.

(iii) Between November 2014 and February 2020, Palate Fest Pvt. Ltd. was permitted to buy 7.8 lakh bottles of liquor by issuance of 29 P-10A licenses.

However, on 31 October 2014, Palate Fest Pvt. Ltd. had applied for three permits for three lakh bottles of liquor, to be bought for a three day event and permission for the same was granted. Subsequently an FIR (South Campus) pointed to hoarding of liquor issued on P-10A license to Palate Fest Pvt. Ltd., which went unused and was allegedly being supplied to restaurants (to evade the additional excise duty levied on restaurants). The matter was not investigated further by the Excise Department to examine why the entity was issued such enormous quantity of liquor on a P10A license which was exponentially more than their normal demand pattern for over five years.

In all the 70 test checked FIRs, it was found that in none of the FIRs, the Excise Department tried to address the supply side issue of the confiscated liquor.

Government in its reply stated that there is no role of EIB in grant of licenses as per Excise Act, 2009. It also mentions that the EIB data is utilized and performance of teams is monitored and recovery data is analyzed, and that close coordination is maintained between EIB, Enforcement and Enforcement activities. Regarding poorly drafted FIR, it was said that in spite of diligence, there might have been some inadvertent errors. For reasons for smuggling, it was also suggested that the smugglers might have legally purchased liquor from adjoining states to leverage price differential. It was mentioned that the new Excise Policy for the year 2021-22 will remove the role of manufacturers as they are not licensees. Regarding the alleged misuse of P-10A permit, it was stated that the liquor purchased against P-10A permit is not tagged with the permit and no relation can be established between the liquor and the permit. It was also stated that no restaurant serves Non-Duty paid liquor as it is a major offence.

The reply is not satisfactory, since no supporting evidence was provided for such meticulous planning and coordination between EIB, Enforcement and Confiscation, as emphasized in the reply. Even the data is maintained in a fragmented manner on excel sheets with numerous data entry errors. The increasing smuggling cases over the years, with same brands figuring in increasing numbers, belies the claim of strictness. Further, regarding alleged misuse of P-10A permit, the Department has denied the findings in the FIR and contended that restaurants do not serve NDPL, which is contrary to the findings of enforcement team and EIB. The outcome of investigation following the FIR may be adduced before arriving at any conclusion.

Recommendation 6.2: Feedback from the EIB and Confiscation Branch should be incorporated to strengthen administrative and regulatory function of Excise Department like issue of license and planning enforcement raids.

Recommendation 6.3: Coordinated action, with other states' Excise Departments must be planned to strike at the illicit liquor supply chain.

6.6 Conclusion

The Country Liquor sourcing policy placed a restriction (20 *per cent* of the total supply) on the number of nips in the total quota, which was artificial and prone to encourage smuggling. In the year 2013-14, supply of CL was capped at half of previous year supply on the ground of introducing Delhi Medium Liquor (DML) as a substitute for CL. Though DML project was abandoned in 2015-16, the CL quota was not restored to previous levels. The artificial demand supply gap encourages smuggled liquor. EIB and Confiscation branch were not working in coordination. Confiscation data was not being used for planning EIB raids. FIRs and seizure memos were not properly drafted and usually ignored the exact name of brand smuggled and the manufacturer of said liquor in many cases.

Chapter VII

Enforcement

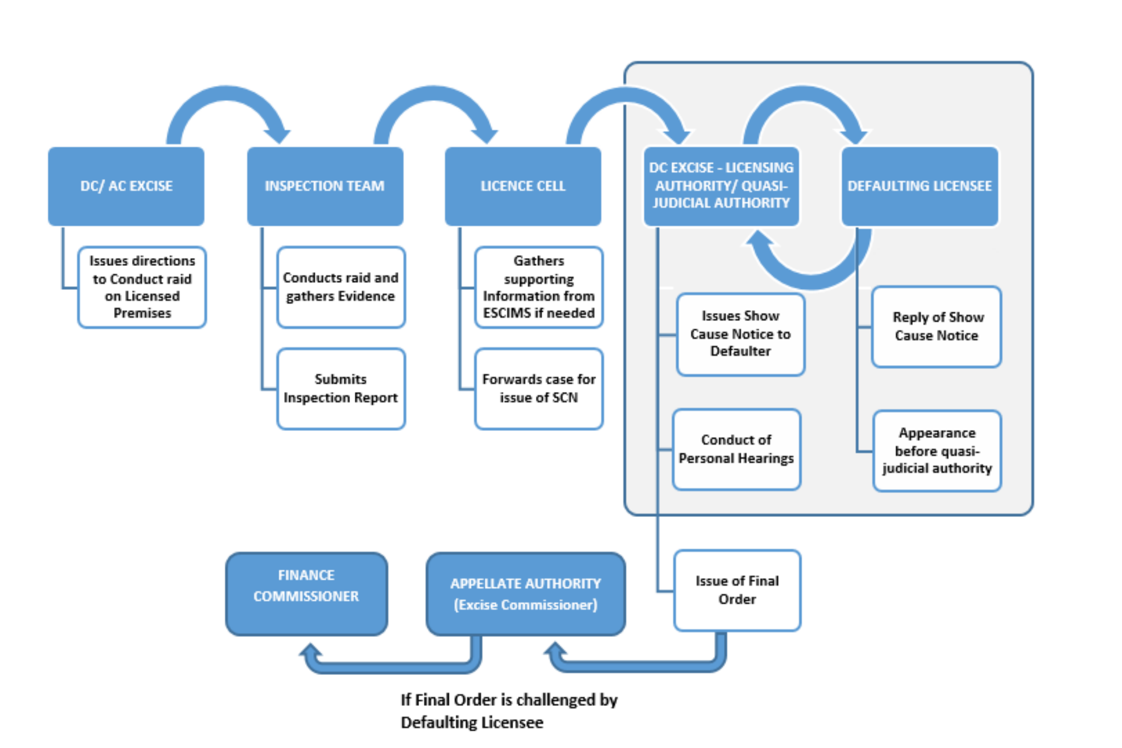
Chapter VII: Enforcement

In exercise of the Quasi-judicial powers vested with the Excise Department, Enforcement Branch has been entrusted with the responsibility of conducting inspections at excise licensed premises and submit its reports along with evidence, for further prosecution, if any violation of Delhi Excise Act/Rules is found during these inspections. Shortcomings were observed at many stages of this process beginning from the planning for inspection to conducting these and subsequent prosecution. The Enforcement inspections were not well planned and coordinated. In the absence of Standard Operating Procedure (SOP), the raids carried out did not follow any reasonable criteria e.g. risk based ranking, system generated red flags, and data discrepancies. Subsequently, it led to weak presentation of cases due to poor evidence collection, deficient Show Cause Notices, inconsistent Inspection Reports, deficient reconciliation methods used in ESCIMS etc. Such unplanned approach renders the Enforcement Branch ineffective in preventing sale of Non-Duty paid liquor and increases the risk of loss of revenue to the Government.

7.1 Introduction

Enforcement Branch is an important wing of Excise Department entrusted with the responsibility of conducting surprise inspections at the Excise Licensed premises and reporting violations (under Excise Act, 2009) thus found. Enforcement teams conduct inspections on the directions of higher authorities or on the basis of complaints against various Licensees. It collects evidence on these violations and prepares an Inspection Report (IR) which forms the basis of further investigation and prosecution as illustrated in the **Chart 7.1**.

Chart 7.1: Investigation and Prosecution Process



The Excise Department is vested with Quasi-Judicial powers of decision making in this regard. The authority issuing the Show Cause Notice and the authority exercising the Quasi-Judicial power is the Deputy Commissioner. Commissioner (Excise) is the Appellate Authority, and in case an appeal is turned down by the Commissioner, the licensee can go to the Court of Finance Commissioner and can further appeal in the Delhi High Court, if unsatisfied with the decision.

The Enforcement Branch maintains yearly registers of inspections conducted by them. Summary of the inspections conducted by the Enforcement Branch for the years 2018-19 and 2019-20 (Inspection registers for the years 2017-18, 2020-21 and 2021-22 were not provided to Audit) is as given in **Table 7.1**.

Table 7.1: Inspections and Violations - Comparison

Period	2018-19		2019-20	
License Type	Number of Inspections	Number of Violations found	Number of Inspections	Number of Violations found
L-15, L16, L17, L18	344	87	98	66
L1/L1F & L31 / L32	12	9	2	1
L6	40	1	55	26
L8	6	1	3	2
L-10	44	10	19	8
L7	26	4	23	13
L-12	14	5	7	6
L3 & L33	0	0	0	0

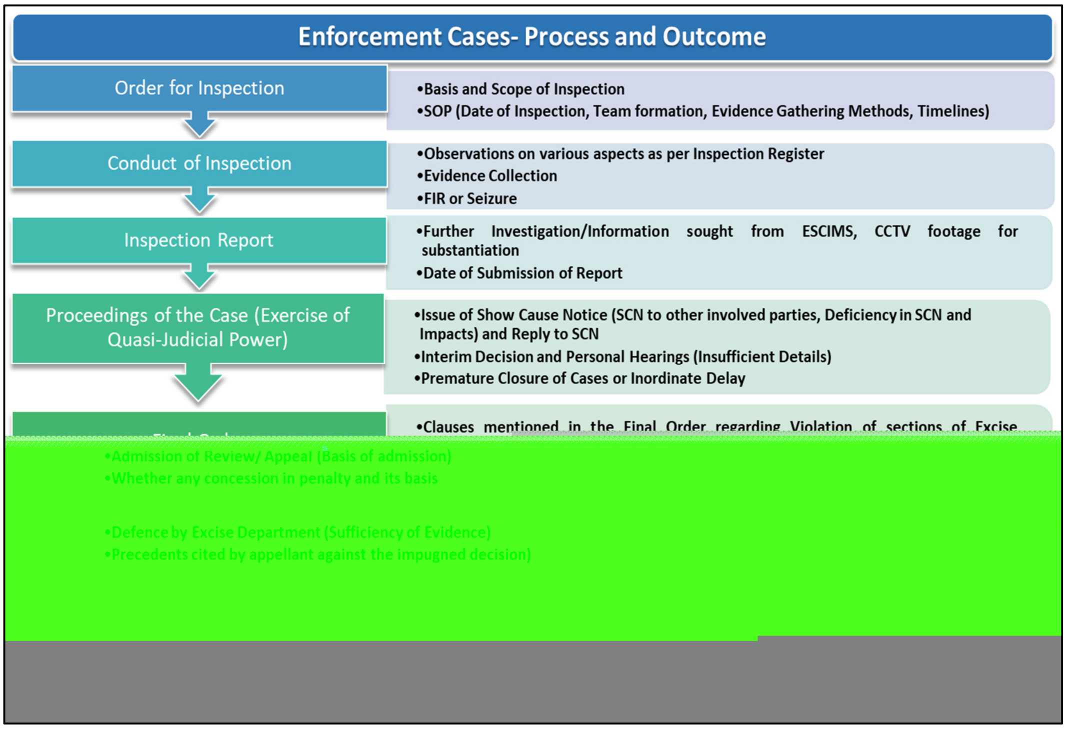
From 37 requisitioned licensee case files, as per sample selection, Audit received 19 licensees cases files only (1 L-1, 2 L-7, 3 L-10 and 12 Restaurants, 1 Club) containing details regarding 38 inspections (hereafter mentioned as "Inspection cases").

The Government in its reply stated that copy of Inspection Register had been provided for the years 2017-18 and 2020-21. However, the same had not been received by Audit and neither copies of the same was found attached with the reply.

7.2 Deficiencies in Enforcement Process and Outcome

It is imperative to gain an understanding of the Enforcement cases' process flow and scope of each stage so that lacuna can be identified. The same has been visually represented in the **Chart 7.2**.

Chart 7.2: Enforcement Cases- Process and Outcome



Various deficiencies observed in enforcement process and documentation are discussed in the succeeding paragraph.

7.2.1 Lack of Planning and laid down procedures for Inspection

For enforcement efforts to be effective, proper planning and laid down proceedings for Inspection are necessary. Audit observed that the Department did not give adequate importance to these aspects.

(i) Planning for Inspection

As per the information provided by the Excise Department, no routine inspections are conducted by Enforcement Branch. Instead, surprise inspections are conducted on the directions of higher authority or based on complaints. In all the cases examined by Audit, it was unclear whether the inspection was initiated based on directions of higher authority or an external complaint and the basis of risk assessment that led to the surprise inspection. No such categorization has been maintained by the Department.

Moreover, planned inspections should be based on tangible intelligence inputs or be data driven. The absence of planned inspection and the non-operation of the EIB module (which contains no data that could have been utilized to plan enforcement raids, as mentioned in **Paragraph 2.4**), poses a risk for the execution of the regulatory function of the Excise Department.

(ii) Absence of Standard Operating Procedure (SOP)

No SOP/ Manual regarding planning and conduct of inspections was formulated. In the absence of any SOP/ Manual, the Inspecting Teams conducted the raids/ inspections in a discretionary, fragmented, and unplanned manner. SOP should address the following critical aspects which were found wanting during audit check:

a) **No Sampling procedure for checking suspected stock**- Sampling procedure was not found in any of the 38 inspection reports test checked by Audit. In some of the inspections, it was mentioned that stock was checked randomly. In some other cases, all the stock was checked. In some cases, it was unclear how many bottles/cases were checked. For those cases where the stocks were checked randomly, method adopted for random selection was not mentioned. In the absence of any documented process, Inspecting Teams were conducting inspections solely on the basis of their judgment and understanding which possess a risk of missing out on critical violations thereby compromising on effectiveness of enforcement function.

b) **Insufficient evidence gathering**- It was observed that evidence gathered was often very poor and did not stand the scrutiny of judicial procedure, resulting in dilution of case or compounding without sufficient justification. Cases with deficiencies in evidence gathering have been discussed in **Paragraph 7.2.2 (iii)**.

c) **Interim Decision**- To reduce the risk of tampering with evidences, decision to be taken like, whether TP needs to be stopped, liquor store sealed or suspension of licensee etc., while the case proceeding is in progress, must be clearly outlined, on the basis of preliminary findings. In one instance, Audit observed that 12 bottles were discovered on the premises of an HCR licensee, with their barcode statuses indicating they were in the "warehouse." The Excise Department failed to block the barcodes of these bottles or halt their Transfer Permits (TPs). Consequently, three months after the inspection, while the investigation was still underway, the same 12 bottles with identical barcodes were dispatched from the warehouse by associating them with a TP, and were subsequently received by the licensee.

d) **Timeline**- Timelines for submission of Inspection Report and supporting evidence and timeline for issuing of Show Cause Notice must be mandated and adhered to.

(iii) Structure of Show Cause Notice- A standard structure of SCN, along with a remarks column, should be mandated which specifically mentions the violations and Sections of Excise Act/ Rules liable to be invoked without which SCNs can be vague and non-consistent thereby weakening the prosecution process.

(iv) Scope of Inspection not defined

In the absence of a well-defined SOP, it is the duty of the authority ordering the inspection to provide a clear mandate to the Inspecting Team for specific cases. This would primarily include a checklist regarding various aspects to be examined during inspection such as NDPL, MSR Gap, Seats beyond approved capacity, non-maintenance of records, Underage drinking etc. The scope should also provide assurance on certain areas which were checked and specifically mention the areas kept out of the purview of current inspection. In none of the cases, such specific mandate was found.

The Government in its reply stated that Standard Operating Procedure (SOP) was not available but a new SOP was being formulated to incorporate all the audit observations, so that efficiency of enforcement branch may be enhanced. As of February 2023, SOP was not finalised.

7.2.2 Conduct of Inspection

Various deficiencies in Inspection were as under:

(i) Poor maintenance of Inspection Register

Inspection Registers were maintained by the Department in a rudimentary manner, mentioning only the date, licensee name, and whether any violation was found or not. Additionally, Inspection Registers were not maintained in the Enforcement Module of ESCIMS. The Enforcement Module provides for additional data fields on type of violations, penalty levied etc., the regular updations of which would have provided a better picture for monitoring of the cases. This is also essential for maintaining the integrity of the Inspection Records.

(ii) Inconsistency in reporting on stock related aspects

The findings reported during Inspection should mention the areas which were checked, and assurance must be provided on the same. In many cases, stock anomalies were not reported in the Inspection Report. It is unclear whether stock was checked, and assurance obtained during inspection. In seven out of a total of 28 cases for HCR, no comments have been made on stock issues. In certain cases a specific comment has been made in the Inspection report- "No NDPL found". The Inspection Report should clearly state the quantity of stock that was randomly checked and explicitly indicate that NDPL found or not, within the examined stock. The basis for such assurance must be mentioned in the report i.e. sampling procedure to arrive at such conclusion along with the barcode status report. Details of these 28 cases are given in **Annexure X**.

The Government in its reply denied the observation stating that if there were no observations pertaining to stock related aspects then stock is checked and found OK. It further mentioned that the new SOP which is being formulated is likely to address the issue.

The reply is unsatisfactory as the assurance on stock cannot be presumed but should be logically deduced from the inspection carried out, which was not possible in the way inspection reports were prepared.

(iii) Poor Evidence Collection

It was observed that, during the Inspection, adequate importance was not given towards substantiating the findings and maintaining evidence which needs to stand scrutiny of Judicial/ Quasi-Judicial procedure. In the absence of proper evidence, the cases were also not investigated to a logical conclusion.

Invalid/ fake/ no barcodes/ other vend bottle/ Expired stock/ MSR Gap (sale of stock already marked as sold) were found but ultimately the charges could not be established beyond doubt and no decisive action could be taken in most of the cases. No attempt was made to properly investigate the findings of Inspection team. In cases with stock variation, conclusive evidence (in the form of time stamped data, mapping of permits and stock found) should have been taken from ESCIMS to corroborate the exact status of barcode.

As Summary of Observations pertaining to stock anomalies and insufficient evidence collection are as under:

Incomplete details of bottles already shown as sold (declared as MSR Gap) but found again at vends during Inspection - If such stocks which have been declared as MSR Gap in ESCIMS, are found at vends during inspection associated barcodes should be meticulously scrutinized, through time stamped data of barcodes/TP/IP etc., to establish/ rule out the possibility of duplicate/ fake barcode. A total of 8,119 suspected bottles were found during 10 Inspections pertaining to seven retail licensees, out of which 1,632 bottles were already shown as sold and declared as "MSR Gap". However, out of three inspections checked by Audit, in which suspected bottles were found in the retail vend, only in one case complete details of such MSR gap marked stock was provided. In all other cases, details were missing from the Inspection Report, SCN or ESCIMS report obtained during hearings. Omission of these crucial details, from the case proceedings, by the Excise Department, inevitably leads to dilution of case against the defaulter.

The Government in its reply stated that such MSR gap marked stocks are found regularly as they were left un-scanned during earlier reconciliation process and hence are assumed to be not NDPL.

The reply confirms the audit observation, because firstly MSR gap introduces a significant loophole in the system, which can be easily exploited to sell Non-Duty paid liquor through use of duplicate barcodes of the stock marked as MSR gap, because it can never be verified conclusively whether the stock was actually sold or not, and secondly such inaccurate MSR defeats the purpose of tracking liquor bottles through ESCIMS and barcode scanning.

Suspected bottles not seized - Suspected bottles refers to any irregular stock found at licensee premises including Non-Duty Paid Liquor, "Sold as MSR-gap", Expired stock not destroyed, "stock of other vends", "stock in transit", "excess stock" etc.

Department did not seize these suspected bottles as evidence, which, if left at the premises of Licensee (after sealing), can be tampered by the Licensee. The Department also did not proceed with testing of these suspected bottles to rule out the possibility of spurious liquor.

Hotels/Restaurants have to pay additional Excise Duty on Liquor served to customers by them. Therefore, Hotels and Restaurants are authorized to buy Liquor from L1 Licensees only. 298 bottles of Vends and 12 bottles of L1 Licensees were found during 11 Inspections at HCR. However, neither specific charges of evasion of Additional Excise Duty was levied on these Hotels/Restaurants nor any Show Cause Notice was issued to Retail Vends and Wholesalers.

Expired bottles of Beer are a major health hazard. If these bottles are served to customers in Hotel/Restaurants, they can lead to serious health issues. During two Inspections of retail licensees, 195 Expired bottles were found and during two Inspections of HCR licensees, 143 Expired bottles were found. However, the same were not seized by the Inspecting team.

The details of the bottles seized/not seized during 10 Inspections, checked by Audit are as given in **Table 7.2**.

Table 7.2: Details of Bottles seized during Inspections

Sl. No.	License Type	No. of Licensee	No. of Inspections	No of suspected bottles found during Inspection	No. of bottles Seized
1	Retail License (L7, L10 & L6)	7	10	8119	53
2	HCR	10	12	3592	52
3	L1	1	1	19428	0

The Government replied that it seizes only NDPL bottles and other suspected bottles falling under the category of minor offence which are sealed at the vend premises and used, if needed, during further investigation.

The reply is unsatisfactory as the Inspection Team, without further investigation, cannot decide if the seized bottles are NDPL or not.

With respect to HCR Licensee, Government replied that the expired stock pertains to Safdarjung Club for the period during COVID lockdown. It had been sealed and would be destroyed after conclusion of proceedings.

The details of suspected bottles related to HCR are given in **Annexure XI**.

7.2.3 Anomalies in Inspection Report (IR)

Audit observed the following deficiencies in the documentation of inspections:

- In case of one L-1 Licensee (Inspection of April 2019), batch number had been reported in the IR instead of "case barcodes".

  The Government in its reply stated that for Licensee, barcodes should have been mentioned instead of batch numbers and that SOP was being formulated.

TCS (ESCIMS service provider) gave a report in this regard to the Excise Department. However, the same was not shared with Audit.

- In case of one L-7 Licensee, during inspection (26 November 2020), 20 Cases and 696 bottles of liquor found at vend were shown as already sold to customers through scanning. However, this important aspect was clubbed in the IR with other stock anomalies.

- In case of another L-10 Licensee, there were two Inspection Reports, one signed by the Vend manager and the other unsigned. If such ambiguity is present in the Inspection Report, it puts the case on a weak footing.

  Regarding presence of two versions of Inspection Reports, it was replied that signed copy (by Vend Manager) of Visit Report is written in Inspection Register kept at vend and the Detailed Visit Report sent back to the Department does not need to be signed by vend manager.

  The reply is not acceptable, as the two Inspection Reports give different versions of the Inspection. One report gives a certificate of "No Non-Duty Paid Liquor found during Inspection" and the other report talks about un-scanned Liquor Bottles. It was also noticed that the first report was further utilized in the prosecution process. Existence of separate versions of Inspection Report is a serious issue which needs to be investigated.

7.2.4 Follow up action on Inspection Reports

For the inspection to be a deterrent for malpractices the violations found during inspections need to be investigated further and the defaulters brought to book. Audit observed that many of the violations were not investigated thoroughly as discussed below:

(i) Irregular stock (ESCIMS & Physical inventory) not investigated

In 10 Inspections, 1077 suspected bottles were found in the premises of seven Retail Licensees. As per ESCIMS logical inventory, out of these 1077 bottles, 330 bottles pertained to L1 Licensees and 15 bottles pertained to other vends. However, no Show Cause Notice was issued to other Licensees (Wholesale and Retail Vends).

55 bottles with ESCIMS status "same barcodes" and bottles with status "Invalid/Not part of ESCIMS" showcases the risk of duplicate barcodes being used to cover up NDPL/Illicit liquor, which should have been dealt with strictly. However, the Inspecting Team did not seize such bottles as evidence to strengthen their case. Also, the Show Cause Notice only present the seized bottles in a combined way as stock variation and the issue was not further investigated.

Bottles belonging to Expired Transport Permit (TP) (stock pertaining to such expired TP are liable to be returned back to respective warehouse) were received and sold at vends, without scanning. It is not clear as to how, despite not returning these bottles to Wholesaler (L1), the bond Inspectors reconciled the stock at Bonded Warehouse. Tracking the Expired TPs is very important as the stock can be easily diverted to Hotels and Restaurants leading to a loss of Additional Excise Duty (20 *per cent*/30 *per cent* of WSP). This aspect was not examined by the Enforcement Branch.

Details of the above mentioned irregular stock relating to retail vends are given in **Annexure XII**.

The Government in its reply denied the possibility of fake barcodes and NDPL without addressing the concerns pointed out by Audit. They also mentioned that the Audit Observations are acknowledged and assured that more care would be taken in future.

(ii) Deficient Show Cause Notice (SCN)

Omission of crucial details from the SCN gives the defaulter first reprieve as he is not held accountable for explanation. The details of some inspections considered in Audit are as under:

- In case of one L-10 Licensee, Inspection dated 11 January 2021, "MSR gap" marked stock was found at the vend but the period during which the bottle was marked MSR (1.5 years ago) was omitted in SCN. This period gives strong indication of fake/duplicate barcode but the licensee pleaded "stock variation", without mentioning as to how such old stock taken as sold could have been found at its vend.

- In one case of L-7 Licensee, inspection status of some bottles were shown as "received at Bonded Warehouse" and "Damaged at Bonded Warehouse" which clearly means that these bottles belonged to Distillery/Warehouse. But the stock details like brand name and the Distilleries it pertained to, were not mentioned in the Inspection Report and no SCN was issued to Distillery/Warehouses involved.

  The Government replied that the Audit Observations have been deeply acknowledged and assured that the observations would be adhered to by IMFL Branch. However, as L-7 licenses have become redundant w.e.f 30 September 2021 due to implementation of New Excise Policy for the year 2021-22, the case cannot be processed further.

  The reply is unsatisfactory because the offence had already been committed under Excise Act when the party was a licensee of extant excise regime. Further, the Government has reverted back to the old policy from 1 September 2022.

- In 10 cases of retail vends, 72 bottles sold earlier through scanning, found again in the retail vend at the time of Inspection, highlights the risk of fake/duplicate barcodes being used. However, specific details of the charges were not mentioned in Show Cause Notice.

- In two cases of L-7 licensees, 632 excess bottles were found and 4,784 bottles were missing in comparison with ESCIMS data. The matter was merely presented as a stock variation in SCN. Nothing was mentioned about the status of 632 excess bottles, whether these were NDPL without barcodes/Illicit liquor/ stock in transit/ stock pertaining to other vends etc.

- In one case relating to L-1 licensee, 19428 bottles were found in excess and 8808 bottles were missing, but SCN showed this issue as just stock variation without getting specific about excess or stock found short at the time of Inspection. SCN was also not specific about the charges made against licensee. Relevant clauses relating to the Delhi Excise Act/Rules, which violated due to the said "stock variation", were not mentioned in the Show Cause Notice.

In another case of the same licensee where Inspection team had noted batch no. of 20 cases instead of 1-D bar code, even after TCS had provided the status of 1D barcode of these 20 cases, the matter was not raised in the Show Cause Notice, which benefitted the L1 Licensee.

The Government replied that inspection report gives an account of logical inventory whereas physical inventory is nil. Missing bottles are due to the non-scanning at the time of sale. The excess bottle is because an employee replaced a broken bottle by purchasing from outside. The reply is not acceptable as it fails to explain why MSR gap marking was not done for the missing stock.

Government further stated in its reply that inspecting team points out the variation as follows:

1. Sold at vend- stock is sealed and kept separately with directions not to sell the said stock. It is considered stock variation
2. At vend- If found at bar counter then sealed and kept separately with directions not to sell. It is considered stock variation
3. Expired beer- sealed and kept separately with directions not to sell and licensee issued SCN.

   The above cases are automatically considered as minor offences and stock is preserved as evidence during departmental proceedings.
4. NDPL- Bottles sealed, seized and handed over to local police with formal complaint and FIR.

The reply is unsatisfactory as it makes no comment regarding the reasons for excess stock. Moreover, in the first three cases, it is automatically considered as a minor offence, whereas, unless ruled out through subsequent investigation, there is a possibility that barcodes found are duplicates and the original stock has already been sold or marked as MSR.

(iii) Show cause notice not issued to other licensees/ vends involved In seven cases, other licensees were involved because of foreign vend bottle or bottle origin, but no SCN was issued to these parties. In such cases, Excise Department failed to perform its regulatory function by not investigating the issue properly and holding all parties accountable. Details are in the **Annexure XIII**.

The Government in its reply acknowledged non-issue of SCN and stated that in future SCN would be issued to all linked licensees.

7.2.5 Punishment not enhanced for repeated violation

Section 53 of the Excise Act mentions provision of "Enhancement of Punishment after previous conviction". 11 cases were observed where the violations observed in the previous inspection were repeated later. Section 53 was not invoked inspite of repeated violation as per the Inspection report. Details as given in **Annexure XIV**.

The Government in its reply acknowledged that Section 53 had not been invoked in above cases and regretted the same.

7.3 Conclusion and Recommendations

Excise Department has been endowed with quasi-judicial powers, efficient exercise of which is contingent on the transparency, integrity and impartiality of the enforcement function. The Enforcement Branch of the Excise Department, tasked with conducting inspections at licensed premises, suffers from significant deficiencies due to lack of planning, absence of Standard Operating Procedures (SOPs), and poor evidence collection. Effectiveness of enforcement function is one of the most important determinants in plugging revenue leakages, acting as effective deterrence for Excise violations and maintaining an effective regulatory regime. The absence of well-coordinated inspections based on risk assessment, alongside inconsistent and deficient reporting, undermines the effectiveness of enforcement activities which increases the risks of non-duty paid liquor sales. The weaknesses and oversight mentioned above must be factored in and remedied to make the enforcement function effective and accountable. All the cases discussed above merits detailed examination and investigation.

Recommendation 7.1: Enforcement functions should be strengthened starting from formulation of Standard Operating Procedure, meticulous evidence collection and investigation and expeditious disposal of cases.

Recommendation 7.2: Enforcement Registers containing granular data regarding details of the case, should be maintained in ESCIMS, which can help analysis of data to generate actionable intelligence.

Recommendation 7.3: Computerization of Inspection Reports and the process followed thereafter should be done to ensure transparency and accountability.

Chapter VIII

Excise Policy 2021-22

Chapter VIII: Excise Policy 2021-22

Delhi Excise Policy 2021-22 was implemented to simplify liquor trade, bring transparency, check monopoly, generate optimum revenue as well as ensure better consumer experience. However, the changes effected to roll out the policy were fraught with shortcomings and the actual implementation was sub optimal. The objectives stated for change in policy were not achieved. Necessary permissions from the Cabinet were not obtained for giving exemptions/relaxations for depositing license fee or for not taking coercive action against defaulters or deciding pricing. The new policy had inherent design issues including the imposed exclusivity arrangement between manufacturers and wholesalers and formation of retail zone with a minimum of 27 wards in each zone, limiting the number of total licensees and increasing the risk of monopolisation and cartel formation.

Several fundamental changes were effected in the Excise policy 2021-22 relating to levy and collection of Excise duty, administration of liquor supply chain and coverage of retail operations. Instead of collecting excise duty on sale of per unit of bottles, in the Excise Policy 2021-22, presumptive excise duty based on the sales figure of 2019-20 and a 10 per cent growth factor was subsumed in zonal license fee. Once Zonal license fee was paid off, there was incentive for retailers to increase the volume of sale (via economy of scale as well as deep discounting) without proportionate revenue gain to the Government. Subsequent implementation issues led to a loss of revenue of approximately ₹ 2,002.68 crore.

There was lack of scrutiny by the Excise Department, with regard to financial capacity, management expertise and ability to survive as a going concern, of the zonal licensees. Instances of relationship between business entities across liquor supply chain were also observed, despite earlier complaints at the Tender evaluation stage, which were not properly investigated. The skewed supply pattern as evidenced by supply chain data showed risk of exclusivity arrangements between licensees and Brand Pushing. Other important measures which were planned in the policy like setting up of liquor testing laboratories, batch testing for rigorous quality assurance, and enhanced monitoring and regulation through creation of a dedicated post were not implemented.

8.1 Introduction

Delhi Excise Policy 2021-22 mentioned the need for a revamped excise policy reasoning that "The current system of excise regime in Delhi is highly cumbersome and the liquor trade is conducted in an archaic manner. The Excise revenue presently generated in Delhi is at sub-optimal level and there is significant potential for revenue augmentation and also providing a decent standard of customer experience".

The Excise Policy 2021-22 with detailed terms and conditions for different type of licenses was implemented from 17 November 2021 and was extended[40] up to 31 August 2022.

The replies to the audit observations were not provided by the Government.

8.1.1 Objectives of the Excise Policy 2021-22

The Excise Policy was framed with the following objectives:

(i) To ensure generation of optimum revenue for the Government, eradicate sale of spurious liquor/non-duty paid liquor in Delhi and transform consumer experience.

(ii) To simplify the highly complex, heavily regulated excise regime ensuring ease of doing business in the overall trade.

(iii) To not allow formation of any monopoly or cartel.

(iv) To allow responsible players in the industry to carry out the trade transparently without resorting to any proxy model.

(v) To ensure equitable access of liquor supply to all the Wards/area of Delhi so that there are no un-served and under-served localities eliminating the problem of spurious/non-duty paid liquor.

(vi) To put in place a simplified duty and pricing mechanism that is periodically reviewed.

(vii) To ensure accountability on part of the licensee in terms of revenue enhancement besides keeping in check emergence of monopolies and cartels.

(viii) Promotion of consumer choice by ensuring availability of popular as well as niche brands so that the customer has a wider choice.

(ix) Systematic measures to check smuggling and bootlegging, such as adequate spread of retail vends and insignificant or no price differential with the neighbouring States thereby eliminating the arbitrage for smuggling.

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[40] 1st Extension- granted for two months, upto 30.05.2022, via circular dated 03.03.2022, of the Excise Department, GNCTD

2nd Extension granted for two months, upto 30.07.2022, via circular dated 24.05.2022, of the Excise Department, GNCTD

3rd Extension granted for one month, upto 31.08.2022, via circular dated 01.08.2022, of the Excise Department, GNCTD

8.1.2 Features of the Excise Policy 2021-22

(i) Role of Delhi Government Corporations was entirely removed from liquor retail business.

(ii) Instead of collecting excise duty on the basis of quantity sold, Excise Duty was subsumed under the reserve price for bidding by zonal license applicants. The reserve price was based on the sales figures of 2019-20 with a 10 *per cent* growth factor.

(iii) Delhi was divided into 32 zones (with equal number of vends in each Zone) for retail sale of liquor and each zone was to be allotted based on tendering. One entity could be awarded a maximum of two zones.

(iv) Wholesale supply of liquor was reserved exclusively for private liquor distributors (other than manufacturers).

(v) Any manufacturer that wishes to sell its product in Delhi will have to choose one of the Licensed L1 distributor holding wholesale license for supply of Indian and Foreign liquor and also holding bonded warehouse licenses in the form of L31 as an exclusive distributor for all its brands.

(vi) Opening of equitably distributed liquor vends, with at least two retail vends in each ward was to be ensured.

Chart 8.1: License Types for Liquor Distribution

Description	License Name	Mode of Selection
Wholesale distributor as an exclusive agent of manufacturer, for selling IMFL and FL.	L-1	Application basis
Warehouse License granted to the same entity for opening associated Bonded Warehouse	L-31	
Zonal Licensee operating private retail vends	L-7Z	Bidding
Retailer (Private Retail vends opened by the respective Zonal Licensee)	L-7V	
Retail of liquor for consumption on the premises	L15 (Hotels), L28 (Clubs), L16, L17 (Restaurant)	Application basis

(vii) Nominal Excise Duty and Value Added Tax (VAT), at one *per cent* each, was collected at the time of actual supply of liquor.

(viii) Pricing mechanism was modified in the light of the change in modality of Excise duty collection as above, with ample scope for discounts on liquor after fixation of Maximum Retail Price (MRP).

8.2 Chronology of events in the Excise Policy 2021-22

The **Chart 8.2** below represents the chronology of events leading to the policy formulation.

Chart 8.2: Chronology of events

04.09.2020	13.10.2020	31.12.2020	05.02.2021	05.02.2021
The Expert Committee was constituted by the order of Govt. of NCT of Delhi	The Expert Committee submitted its report to the Govt.	The Report placed in public domain for comments from public and stakeholders	The Report and the comments from public and stakeholders placed before the Council of Ministers	The Council of Ministers constituted a Group of Ministers (GoM) for State Excise Reforms vide Cabinet Decision No. 2942
22.03.2021	**22.03.2021**	**05.04.2021**	**15.04.2021**	**21.05.2021**
The Council of Ministers accepted the report on Delhi Excise Reforms prepared by the GoM	The Excise Department was directed to implement the report of GoM and prepare Excise Policy 2021-22	The GoM recommended and approved additional clarifications/modifications in the Report which were approved by the Cabinet on 15.04.2021.	The Cabinet had authorized the Finance Minister/Dy. CM to make minor changes within the overall framework of report of the GoM on New Excise Policy, as already approved by the Council of Ministers.	On the advice of Lt. Governor of GNCT of Delhi, the Cabinet vide Cabinet decision no. 3003 had withdrawn the power given to Dy. CM/Finance Minister and made it compulsory to take approval of Council of Ministers in case any amendment is required in the approvals accorded by the Cabinet.

The issues observed in the preparation of the Excise Policy are highlighted below:

8.2.1 Decisions taken without the approval of competent authority

Audit observed that in violation of Cabinet decision no. 3003, certain decisions, mentioned below, which had revenue implications were taken without taking approval from the Cabinet and/or obtaining the opinion of Lieutenant Governor.

(i) Relaxation regarding coercive action against the Licensee in case of any default of payment of license fee within the prescribed/stipulated time

(ii) Waiver/reduction in license fee

(iii) Opening of liquor vends in conforming area in lieu of mandatory liquor vends to be opened in non-conforming wards

(iv) Extension of Excise Policy 2021-22

(v) Refund of Earnest Money Deposit (EMD) in case of Airport Zone

(vi) Correction in formulae for calculating MRP in case of Foreign Liquor.

Details are given in **Annexure XV**.

(b) Further, Excise Rules amended to enable the implementation of Excise Policy 2021-22 had to be laid before Legislative assembly for approval, in accordance with Section 81(4) of Delhi Excise Act, 2009. However, as per the reply received from the Excise Department, the amended rules were not laid before the assembly for approval/ ratification.

8.2.2 Variations between the report of Expert Committee and recommendations of GoM

In order to reform liquor trade in Delhi, an Expert Committee was constituted under the chairmanship of Excise Commissioner with the other members being Deputy Commissioner (Excise) and Additional Commissioner (Trade and Taxes). The mandate of this committee was to suggest measures for:

(i) Augmenting the State Excise Duty Revenue

(ii) Simplifying the liquor pricing mechanism

(iii) Checking malpractices and evasion of duty in liquor trade

(iv) Ensure equitable access to liquor supply

Subsequently, after the submission of Expert Committee report, the Council of Ministers decided to constitute a Group of Ministers (GoM) under the chairmanship of Dy. CM/ Minister (Finance) with other members being, Minister (Urban development) and Minister (Revenue/ Transport). The GoM was mandated to examine all aspects of the current system, report of Expert Committee and stakeholder comments etc.

Substantial variation between the recommendations of Expert Committee and GoM altered the very basis of need for change in Excise Policy. Major differences are given in **Table 8.1** and a few of them are discussed below the Table.

Table 8.1: Comparison between recommendations of Expert Committee and GoM

Sl. No.	Expert Committee Report	GoM Report
1	Fully Government owned State Beverage Corporation for Liquor Wholesale operations.	Wholesale operations to be handled by private entities with prior distribution experience in the liquor trade and minimum turnover of ₹ 250 crore.
2	The Excise Duty on liquor was to be charged on per bottle basis with significant changes in liquor pricing mechanism.	MRP of liquor was to be fixed by Excise Department on the basis of minimum EDP but the Excise Duty and VAT was primarily to be charged, in advance, in the form of License Fee discovered after bidding for retail zones.
3	Government presence in the retail sector could be minimized.	All retail vends should be allotted to private players only.
4	Lottery system for allotting (at Reserve fee) retail licenses, every two years to ensure regular churning of licensees.	Retail zones to be allotted through one-time bidding (above Reserve Fee) and annually renewed thereafter.
5	Only Individuals could apply for the retail vend license, so as to minimize proxy ownership.	Any private legal entity or individual who had proof of filing income tax return for the last three assessment years was eligible to participate in the bid for retail zones.
6	An individual may be allotted a maximum of two vends.	One applicant could get a maximum of two zones which could contain 54 retail vends.
7	Three vends in each ward and one Government corporation vend in each of the 70 assembly constituencies.	Delhi was divided into 32 Zones[41] having nine wards each and each ward was supposed to have three vends. (Total of 849 vends).

No files were provided to Audit wherein the basis of formulation of GoM Report was outlined. In the absence of these records, Audit could not draw assurance regarding the justification of changes introduced in this report.

The major deviations in the GoM report from the Expert Committee Report has been highlighted below.

8.2.2.1 Issue of Wholesale (L1) licenses to private players only

The Expert Committee recommended Government takeover of wholesale trade of liquor, through separate State Beverage/Wholesale Corporation, owing to past instances of dual ownership (Wholesale and retail) through related private entities and probable complicity of wholesaler in facilitating illegal liquor supply through duplicate barcodes. Even the GoM, in its report, accepted the fact that many wholesalers were able to acquire retail licenses through proxy ownership and make it possible to indulge in sale of non-duty paid liquor. Still the GoM recommended issue of L-1 licenses to private players only. The reason provided in the GoM Report for not forming such Government owned

[41] 32 zones -
- 30 zones - consisting MCD area having 272 wards out of these 28 zones have 9 wards each and 2 zones have 10 wards each. However, each zone has exactly 27 vends.
- One zone –consisting NDMC and Cantonment Area having total 29 vends.
- One zone – Delhi Airport having 10 vends.

Wholesale Corporation was that a deep study and implementation of the same would require time and till such time L-1 license should be granted to private players.

Notably, the idea of forming Government owned wholesale corporation was not new in Delhi, and even in the Cabinet Decision No. 1622 (dated 15 February 2010), it was indicated that a decision needs to be taken on takeover of wholesale trade of liquor. Further it was noted from the finally approved Excise Policy for the year 2022-23 that the wholesale operation was proposed to be managed by private players, which belied the claims made by Government that private wholesale operations was only an interim measure.

8.2.2.2 Excise Duty delinked to the actual sale of liquor

The Expert Committee had suggested retention of collection of Excise Duty on per bottle basis, while altering the pricing mechanism. However, the GoM favoured advance collection of excise duty, in the form of License fee, which was practically delinked to the actual sale of liquor.

8.2.2.3 Retail licenses to limited entities

The Expert Committee, in its report, categorically mentioned that most of the retail licenses were concentrated with a few players through proxy ownership. Retail licenses should be given to an individual and maximum of two retail vends should be allotted to one person to prevent cartelisation. The GoM also mentioned in its report that the entire retail market was apparently controlled by very few people through fraudulent proxy model. However, **it still recommended distribution of retail licenses in zones where one entity/person could get upto 54 vends (two zones).** Notably, the Expert Committee had mentioned the drawbacks of granting retail licenses to limited entities as it was highly prone to cartelization and market capture by the limited number of licensees. In the worst case, if retailers and wholesalers were related entities, syndicates could be formed leading to brand pushing by entering into exclusivity arrangements. Moreover, in case of failure/default of the licensee, there would be no easy substitutes to ensure revenue and maintaining the supply chain.

Thus, these deviations increased the risk of concentration of ownership among few private entities and resultant market distortion.

8.2.3 Comparison of Old Excise Policy and New Excise Policy

A comparison between old Excise Policy and the New Policy is given in **Table 8.2**.

Table 8.2: Comparison between old Excise Policy and the New Policy

Sl. No.		Old Excise Policy (prior to 2021-22 policy)	New Excise Policy (2021-22)
	Wholesale License		
1	Wholesale License	Separate wholesale licenses were granted for IMFL and FL. L-1/L31 (IMFL) to Manufacturing unit.	L1/L31 (Wholesale License for both IMFL and FL) were granted to private entities who were **distributors (not manufacturer).**
2	Profit Margin and EDP	Profit Margin of **five *per cent* of Landed price, in case of IMFL,** to the manufacturer (who was also wholesale licensee).	Profit Margin of **12 *per cent* of Landed Price** of IMFL to Distributor (who was not manufacturer) only.
3	Labs in Warehouse	The policy did not contain any such condition.	Each licensee had to set-up Government approved laboratories at their bonded warehouses.
4	DC (Warehouse)	The policy did not contain any such condition.	A new post of DC (Wholesale Operations) had to be created.
	Retail License		
5	Retail vend conditions	1. Each individual was allowed to own only one license. 2. Around 60 *per cent* of Vends in Delhi were operated by four Government Corporations.	1. Delhi was divided into 32 retail zones (L-7Z license). 2. Each zone to have 27 vends. 3. Each Person/Entity was allowed to own maximum of two zones (54 vends). 4. Only private players were allowed to apply for retail licenses.
6	Process of allocation of license.	Licenses granted on the basis of **application**. No new retail licenses were granted after 2016-17.	L7Z allotted to each zone operator through **e-tender and bidding.** Reserve price for License fee was the base for bidding. Reserve price was basically advance collection of Excise Duty assuming the Excise Duty/ VAT/ Additional Excise Duty earned in 2019-20 and a 10 *per cent* year-on-year growth.
7	Revenue Collection	Excise Duty was collected on a per-bottle basis for each unit sold.	Excise Duty was subsumed under the reserve price for bidding by zonal license applicants and collected in advance as a monthly license fee from zonal licenses.
8	Discount	No discount on MRP was allowed.	Discount was allowed.

After withdrawal of the Excise Policy for the year 2021-22 (in August 2022), the Excise Department implemented the same conditions of old policy (existing before Policy year 2021-22) during the Excise Policy for the year 2022-23 with the only change regarding retail vends. Only Government Corporations were allowed to operate retail vends. Before the 2021-22 policy, private vends were also in operation simultaneously with the Government Corporation vends.

8.3 Revenue model in the Excise Policy 2021-22

In the Excise Policy 2021-22, revenue was to accrue primarily through License fee, discovered through bidding on reserve price[42] (₹ 7,039 crore), which subsumed Excise Duty and VAT based on the revenue figures of financial year 2019-20 with a 10 *per cent* increase for growth. The projected annual revenue as per the discovered bid price was ₹ 8,911 crore. This translates to a revenue of ₹ 7,054 crore on account of the upfront license fee for the duration of Policy period i.e. 17th November 2021 to 31st August 2022. Apart from this, actual Excise revenue also comprised of License fee for wholesale licenses, other import passes and permit fees. Moreover, an additional one *per cent* of Wholesale Price was to be charged as Excise Duty and VAT each. The rounding off of the retail price also resulted in additional Excise Duty.

Audit noted that due to a number of issues ranging from weak policy framework to deficient implementation of the policy, as discussed in this Chapter, there was cumulative loss of approximately **₹ 2,002.68 crore** as discussed in **Paragraph 8.5**.

8.4 Design and Award of licenses

The most important aspect of the implementation of the new Policy was the design of a robust framework for the policy to ensure proper implementation, so that the intended objectives could be achieved. However, it was observed that the following issues in the design and award process weakened the framework which resulted in deviation from the intended objectives.

8.4.1 Wholesale Licenses

Following the recommendation of the GoM report, the Excise Policy 2021-22 granted the wholesale license of both IMFL and FL to private entities who were distributors (not manufacturers) in place of creation of a State Warehousing Corporation, as recommended in the report of the Expert Committee. The policy's stated objective was that the wholesale licenses will be granted to high end professional business entities with years of distribution experience

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[42] Reserve Price of a zone consist of

1. Total license fee (as per old policy i.e. ₹ 8 lakh per vend) of all vends in the zone.
2. Total Excise Duty collected from all these vends during 2019-20 excluding country liquor vends.
3. VAT collected during 2019-20 was apportioned pro-rata to the vends in that zone.
4. Total Excise duty collected from HCR during 2019-20 was apportioned pro-rata to the vends in that zone.
5. Excise Duty on the buffer stock that was lying at bonded warehouses on 31.03.2020.
6. Additional 10 *per cent* on the sum of all above components to account for year on year growth.

comparable to that of global industry standards in supply of Indian and Foreign Liquor.

However, following design and process issues were noticed in the way wholesale licenses were granted under the new policy.

8.4.1.1 Process of award of license

Applications were to be invited for the grant of Wholesale licenses to those who fulfilled the eligibility criteria, i.e., having wholesale distribution experience in the liquor trade for at least five years and minimum turnover of ₹ 150 crore every year for preceding three consecutive financial years.

The wholesale licenses were to be awarded on application basis i.e. a public notice was issued whereby applications were invited for grant of wholesale licenses. Any entity/person fulfilling the eligibility criteria could submit application for getting this license. It was for the competent authority to decide on acceptance or rejection of the individual application.

Audit requisition for providing all records related to the entire process was not met. The Department informed that total 18 applications were received for grant of wholesale licenses. It further informed that out of these 18 applications, one application was withdrawn by the applicant, another was rejected due to incorrect application and two other applications were rejected during the process. However, records related to these four applications were not provided to audit. In the absence of these records, audit could not draw an assurance about the veracity of process followed in these cases.

8.4.1.2 Exclusivity arrangement increasing risk of monopoly

The policy framework provided that these wholesalers were to be distributors (not manufacturers), who could tie-up with more than one manufacturer for supply of Liquor. However, manufacturer could supply its brands through one wholesaler only.

Audit observed that this compulsory tie up restricted the manufacturers to supply its brands through one wholesaler only. As a result, Wholesale licenses for supply of IMFL and FL were granted to 14 business entities under the Excise Policy 2021-22, whereas the same were granted to 77 manufacturers of IMFL and 24 suppliers of FL in the old policy (2020-21). This concentration of wholesale supply to few entities increased the risk of monopoly or cartel formation which was against one of the objectives of the new Excise Policy as also mentioned in detail in **Paragraph 8.4.4**.

8.4.1.3 Revenue from Wholesale operations

One of the key objectives of the new policy was to augment the state excise duty revenue. Under the earlier policy, the wholesale license fee was linked with the number of brands and its wholesale value. However, as per the new Excise Policy, the wholesale licensee was to pay an annual license fee of ₹ 5 crore irrespective of the number of brands. So, in the new policy the license fee was delinked with the extent of the operations of the wholesaler licensee. This change should also be viewed in light of the observation made above regarding risk of monopolising the wholesale operation due to exclusivity arrangement.

Further, there was an increase of Wholesaler/ Distributor margin from earlier rate of 5 *per cent* to 12 *per cent* under the new policy. The justification offered by the GoM was that it was necessary to compensate the higher license fee for global distribution standard, quality checking systems which basically meant that every L1 Licensee had to set up a Government approved Laboratory at their Warehouses to randomly check the presence of sub-standard liquor or spurious liquor in each batch of liquor received from the manufacturers. It was also supposed to cover the cost of local transportation.

The justification offered was not supported by quantifying the various counteracting factors and then allowing an appropriate profit margin. The change in distribution standard which was likely to incur higher cost was never explained by GoM. The local transportation charge was not enough to justify the substantial increase in distributor margin. Further, the quality checking labs which were to be set up, with apparently high cost incidence, were not put in place and operationalized (as discussed further in **Paragraph 8.6.5**).

Thus, on one hand the scope of scale of operations and profit margins of the wholesale licensees was enhanced but on the other hand the revenue from license fees was delinked from the same. This should be seen in light of the fact that only three wholesaler accounted for more than 70 *per cent* of the volume of liquor sold as commented in **Paragraph 8.4.4** thereby creating systematic disadvantage for wholesale licensee with smaller operations.

8.4.1.4 Nature of Joint Venture partnerships

The Policy provided that, a Joint Venture between entities was allowed, but at least one of the Joint Venture partner firm should individually have the required experience and turnover. However, the policy did not specify the particulars of such Joint Venture arrangement or the nature of entities and form of partnership between the Joint Venture partners.

From scrutiny of records provided it was noticed that:

- At least two of the Wholesalers entered into a Joint Venture where the entity with requisite liquor distribution experience and turnover had an insignificant stake in the partnership i.e. ranging from one *per cent* to five *per cent*.
- No details relating to the background, financial status and experience of the majority partner/ managing partner, in the applicant partnership firm, were found in the records made available to Audit.

- In one of the above cases, JV partnership agreement explicitly states the "payment of royalty of ₹25,000 to the partner with requisite experience and turnover, in order to make the first party eligible to apply for License". This indicated that the entity, which fulfilled the eligibility criteria, was taken aboard as a matter of formality to make the JV eligible for the license.

Allowing such an arrangement go against the stated objective of high end, professional management of the wholesale operations.

8.4.2 Zonal/Retail Licenses

As per the policy, the objective for the grant of Retail License was to ensure equitable access of liquor supply to all the Wards/areas of Delhi eliminating the possibility for spurious/non-duty paid liquor. Further the objective included ensuring accountability on part of the licensee in terms of revenue enhancement besides keeping in check the emergence of monopolies and cartels.

Allotment was to be made through e-tender with the reserve price as the base license fees. A total of 32 zones were put up for bidding which comprised of 30 zones spread through the 272 municipal wards in Delhi and one zone each for NDMC/Cantt. and Airport. The eligibility conditions to participate in the bidding process included:

- Any private legal entity or individual who had proof of filing Income Tax Returns for the last three assessment years, was eligible to participate in the bid for award of zonal licenses.
- The eligibility condition also mandated a net worth of 6 crore for participation in each zone, whereby a maximum of two zones could be awarded to a single entity.
- The license conditions also mentioned that no manufacturer or wholesale licensee was allowed to bid for zonal licenses.

Tender process was initiated (e-tender was published on 28 June 2021 and the last date for submission of e-bid was 20 July 2021) through a Notice Inviting Tender (NIT) inviting separate tenders for 32 zones via a three cover tender procedure i.e. Pre-Qualification Bid, Technical Bid and Financial bid. Technical bid provision was apparently incorporated with the objective of ensuring that once a bidder is awarded (declared highest bidder) two zones, his financial bid for the other zones will not be opened.

During the first tender, 123 bids were received for 32 zones by 28 bidders (one bidder was later disqualified) which led to award of 19 zones to 13 applicants (H1), with six bidders being awarded two zones each. In case of Airport zone, H1 could not be issued license due to not receiving No-objection Certificate (NOC) from Airport Authority and was awarded to another bidder who got NOC, at the H1 amount. In the second NIT for 12 zones, 92 bids were received for 12 zones by 12 bidders, which led to the award of remaining zones with four bidders getting two zones each. Thus, ultimately 20 out of 32 zones were allotted to 10 applicants, each being awarded two zones.

However, following design and process issues were noticed in the way zonal/retail licenses were granted under the new policy.

8.4.2.1 Increased risk of monopoly due to reduction in number of Retail licensees

One of the objectives of the new Excise Policy was to prevent formation of any monopoly or cartel. The issue of retail market being exclusively controlled by few people was flagged in both the reports i.e. the GoM and the Expert Committee. However, it was noticed that the policy provided for distribution of retail licenses in zones where one entity/person would get minimum 27 vends (1 Zone) as commented in **Paragraph 8.2.2.3**.

For the purpose of Retail Vends, Delhi was divided into 32 Zones (containing 849[43] vends) whose licenses were granted to 22 entities through tendering. Whereas, during the old policy, 377 retail vends were run by four Government Corporations and 262 retail vends were run by private individuals.

Therefore, this mechanism of distribution of retail licenses further concentrated the ownership and control of Retail licenses in very few hands, thus posing an increased risk of monopolization and cartel formation.

8.4.2.2 Viability of Zonal License applications not ensured through bidding documents

In order to ensure that timely Excise Revenue collection is not hampered, the Government needed to ascertain whether the business entity bidding for license is a going concern and is financially sustainable in a way that it can continue operations while complying with the legal and regulatory regime.

The only documents requisitioned for ascertaining the financial position of the bidder were Income Tax Return (ITR) for last three assessment years 2018-2021 and Chartered Accountant (CA) certificate showing Net Worth as on date.

It was noticed that the probable expenditure outgo from the Zonal Licensee included:

- ₹ 30 crore as EMD during bid submission
- 25 *per cent* of the License fee, as Security Deposit, within seven days of bid finalization, before the issue of L7Z license, amounting to an average of ₹ 70 crore[44] for a zone.

[43] Operational Vend during February 2022 were 580 and during July 2022 were 468.
[44] 25 *per cent* of average annual license fee of ₹ 280 crore.

- Monthly license fee as advance before the 7th day of the month amounting to an average of ₹ 23 crore per zone.
- Expenditure on opening of vends with rent/ lease expenses, hiring of staff, furnishing and compliance for fire/ CCTV/ electrical/ design and stocking expenses.

Thus, the licensee would have to incur an upfront expenditure of at least ₹ 100 crore for a zone before revenue could be generated from sales.

Audit observed that the policy prescribed no minimum qualifying criteria regarding the financials of the applicant entity. This posed a risk of financially and managerial incompetent entities being awarded retail licenses, which could hamper the conduct of operations, thus impacting Excise Revenue.

It was further observed that from the documents furnished by the successful bidders that:

- Only 10 out of 22 entities reported an income of more than ₹ 1 lakh in any of the three years.
- Nine entities had reported zero income and/or losses in two of the three years.
- Five[45] entities reporting almost zero income, losses and zero to negligible taxes, were awarded 10 retail zones, two zones each

This indicated that the concomitant financial conditions of the bidders were not considered as red flags while issuing licenses.

8.4.2.3 Renewable nature of L-7Z zonal License

As per the Excise Policy 2021-22, Zonal Licenses granted after due bidding process was renewable without placing any limit to the period for which the same could be extended. License fee could be increased on annual basis to be determined by Government every year on the basis of actual sales. However, Excise Department did not decide the modalities for arriving at the revised license fee in subsequent years.

Further, modalities were not laid down to ensure financial viability of the business entity for second renewable year also, in case the entity was loss making after the first policy year operational period and resulted in low Net Worth, e.g. License of Path2Way HR Solutions was renewed though, the financial statements of the entity for the period 2021-22, showed a loss of ₹ 52 crore approximately and a Net Worth of negative ₹ 37 crore as of March 2022.

[45] Nova Garments, Khao Gali Restaurants, JSN Infratech, Path2way HR solutions and Magunta Agro. Magunta Agro paid income tax of ₹ 2.76 crore for the year 2019-20, however, operation income during the year was zero. It had also reported loss during the year 2020-21.

8.4.2.4 Absence of policy provision for surrender of zonal license

As discussed in **Paragraph 8.4.2.2**, the policy did not prescribe any baseline for financials (except for net worth), which resulted in financially weak entities being awarded zonal licenses. Ultimately majority of the zonal licensee surrendered their licenses before the termination of the Excise Policy, and no retendering was done in any instance.

Moreover, the policy did not contain any provision requiring the licensees to give advance notice for surrendering the zonal license so that the Department could initiate action for retendering. In the absence of such safeguard against sudden surrender of Licensees, there was a risk of substantial revenue loss on account of time taken to re-allot the zonal license through re-tendering during which no license fee will accrue. Thus, the Policy did not contain a contingency plan for avoiding loss due to discontinued operation of the retail zone since retendering for zonal licenses is a time-consuming process.

8.4.2.5 Detailed examination of complaints, received during the tender process, not conducted

Nine complaints were received (in last week of July 2021) against the Tender participants/ bidders during the Tender process. Tender Evaluation Committee was mandated to examine the complaints on the directions of Excise Commissioner. These nine complaints pertained to 14 applicants. While five complaints pertained to the ineligibility of the company to carry out liquor business as per its Memorandum of Association (MOA)/Article of Association (AOA), other complaints pertained to alleged relation of these zonal license applicants to certain distilleries. This was against Clause 2.3 of the eligibility condition in the Tender documents, which specifically mentioned that no manufacturer/wholesaler would be eligible to bid for Retail license and that retail licensees should not have any manufacturing facility in the country or abroad either directly or indirectly, through sister concern/ related entities.

Tender Evaluation Committee (TEC), tasked with examining the complaints by the Excise Commissioner, decided that a copy of these complaints be sent to applicants (without disclosing the identity of complainant) to receive their clarification in this regard, and that the credentials of these firms were to be verified from the Ministry of Corporate Affairs (MCA). Replies/ documents were received from these applicants categorically denying the allegations in the complaints. The TEC in its meeting on 3 August 2021 decided that due to paucity of time and advanced stage of tendering process, the scope of detailed examination/ cross examination of complaints/ documents submitted in response to the complaint was limited. Thus, all the complaints, clarification/ documents of applicants were to be taken on record as the tender conditions enabled punitive action in future, if needed.

Ultimately all the entities were allowed as eligible bidders and 11 out of these 14 entities were allotted 17 retail zones after being declared successful after bidding. It was seen in Audit that no detailed examination was conducted till the end of Excise Policy 2021-22.

Audit comments relating to instances of cross ownership through formation of alliances between L1 and L7Z have been included in the succeeding paragraphs.

8.4.3 Related Business entities holding licenses across the supply chain

Rule 35 of the Delhi Excise Rules, 2010 prescribes, *inter alia*, that no License for retail sale of liquor shall be granted to the holder of Wholesale license and *vice versa*.

New Excise Policy 2021-22 mentions that "Retail license holders should not have any manufacturing facilities/distilleries/breweries/ wineries anywhere in the country or abroad either directly or through any sister concerns/related entities. For this purpose, sister concerns/related entities shall mean that the entities should not have common proprietor or partners or directors. Majority ownership (51 *per cent* or more) of the proprietorship or partnership or company should not lie with the same person in all the entities. The entities should not have a holding-subsidiary relationship or not subsidiaries of the same holding company. Further, holder of L1 license (Wholesale) shall not own directly or indirectly any of the retail vends."

8.4.3.1 Limiting the scope of the criteria for determining relatedness

The relevant provisions in the earlier Excise Policy specifically stated that no person or his family member interested in any distillery or brewery or bottling plant holding license for wholesale distribution shall be given a Retail license. For this purpose, a person interested in the business of distillery, brewery, winery or bottling plant includes every person interested in these businesses as a member of Cooperative Society, Director, Partner, Agent or Employee. While applying for Retail license under the earlier policy, the applicants were also required to declare that it did not have any interest in the business of holder of any license under the Delhi Excise Act, 2009 during the last five years preceding the date of application.

However, the scope of criteria for determining relatedness was diluted in the new policy. The earlier policy criteria regarding "non-relatedness via partner, agent, family member" and "non-relatedness at any time in the past five years", where by the controlling influence could be exercised by one entity over another, e.g., through common minority shareholding, common promoter group or unsecured loans extended through common persons were excluded from the definition of related entities.

Such dilution in the conditions of the Policy resulted in grant of licenses to entities in which same persons were having common interest. Some notable cases where evidence of relationships between licensees/ common beneficial ownership, was observed have been discussed below:

- There was evidence of relationship between M/s Indospirit which was a Wholesale licensee and the Zonal licensee- M/s Khao Gali Restaurants, holding two zones. Khao Gali Restaurants is an associate company of M/s Indospirit Distribution Limited which has 35 *per cent* stake in M/s Indopsirit (wholesale licensee). Further, Director of Khao Gali was a director of an associated company of Indospirit Distribution Ltd.
- Wholesale licensee Mahadev Liquor was linked to the zonal licensee Bhagwati Transformer Corp, holding two zones, through Common Past Partnership in 2021 and family relations.
- In the case of the wholesaler, Gautam Wines, it was found that family shareholding connected it to the Liquor manufacturers, Oasis Distilleries Pvt. Ltd. and Vijeta Beverages Pvt. Ltd.
- The zonal licensee- Popular Spirits LLP was related to a manufacturer Buddy (Punjab) Bottlers Pvt. Ltd. through Common Partner/Director in 2021. Buddy (T1D) Retail Pvt. Ltd., the zonal licensee for Airport zone, was related to the manufacturer- Buddy (Punjab) Bottlers Pvt. Ltd. through Common Directorship in 2021.

Other relevant connections observed via common current/ past directorship, directorship in mediating entities, common shareholding and management etc. have been reported in **Annexure XVI**.

8.4.3.2 Insufficient documentation and analysis to identify relatedness

As per the new policy, the applicant was to only furnish an Affidavit (in the format Annexure B) declaring absence of any connection. The bidding documents requisitioned to assess eligibility for award of zonal licenses, were insufficient for ruling out common beneficial ownership between two business entities.

Further, the Department did not scrutinise the applications properly to ensure compliance to the conditions of the policy relating to related entities. It was noticed that even the subsequent complaints were only taken on record with no follow up as commented in **Paragraph 8.4.2.5**.

Apart from the instances of related business entities, Audit found statistical evidence of skewed supply pattern (as discussed in **Paragraph 8.4.4**) which could be a result of manipulation of normal supply pattern by the Zonal licensee and Wholesale licensee who have common business interests. This poses a risk of exclusivity arrangements and brand pushing.

8.4.4 Risk of exclusivity arrangements and Brand Pushing

Data taken from ESCIMS and the data of Transport Permits (TP) containing brand-wise movement from Wholesaler (L1) licensee to the retail vends in all the 32 zones, owned by 22 different business entities, were analysed to ascertain supply/demand patterns[46].

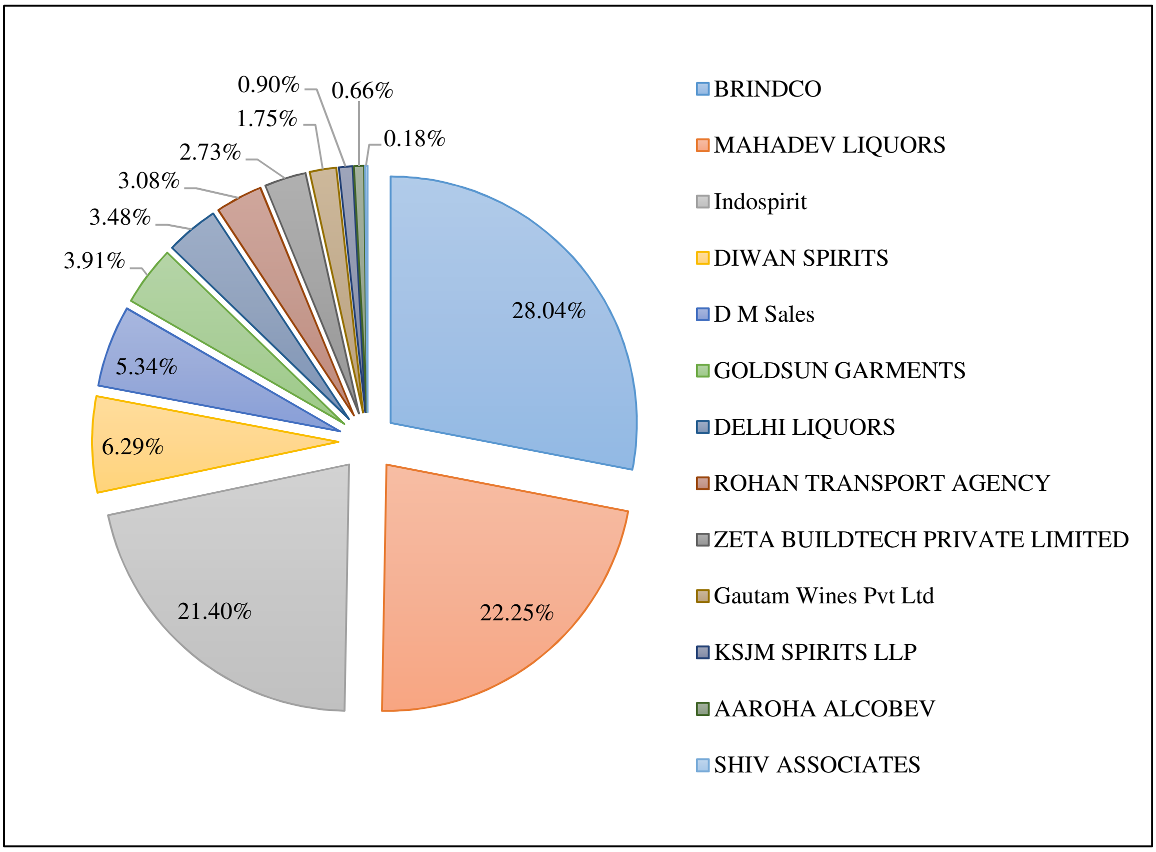
The policy mandated an exclusive arrangement between a manufacturer and wholesalers, which led to the entire supply of all brands of a particular manufacturer being controlled by only one wholesaler. This becomes particularly relevant considering the fact that although 367 IMFL brands were registered in Delhi, very few popular brands formed the bulk of sale volume. Top 10 brands accounted for the sale of 46.46 *per cent* of liquor sold in Delhi whereas top 25 brands accounted for 69.50 *per cent* of the liquor sold. Of these 25 top selling brands, Brindco and Mahadev Liquor exclusively supplied seven brands each, followed by Indospirit which exclusively supplied six brands.

Further, of the 367 brands of IMFL supplied by 13 Wholesale licensees, the highest number of brands were exclusively supplied by Indospirit (76 brands), followed by Mahadev Liquors (71 brands) and Brindco (45 brands). These three wholesalers also accounted for 71.70 *per cent* of volume of Liquor sold in Delhi. A pie chart depicting the relative market share of various wholesale licensees, in terms of volume of liquor sold, is given in **Chart 8.3**.

[46] For the purpose of analysis-

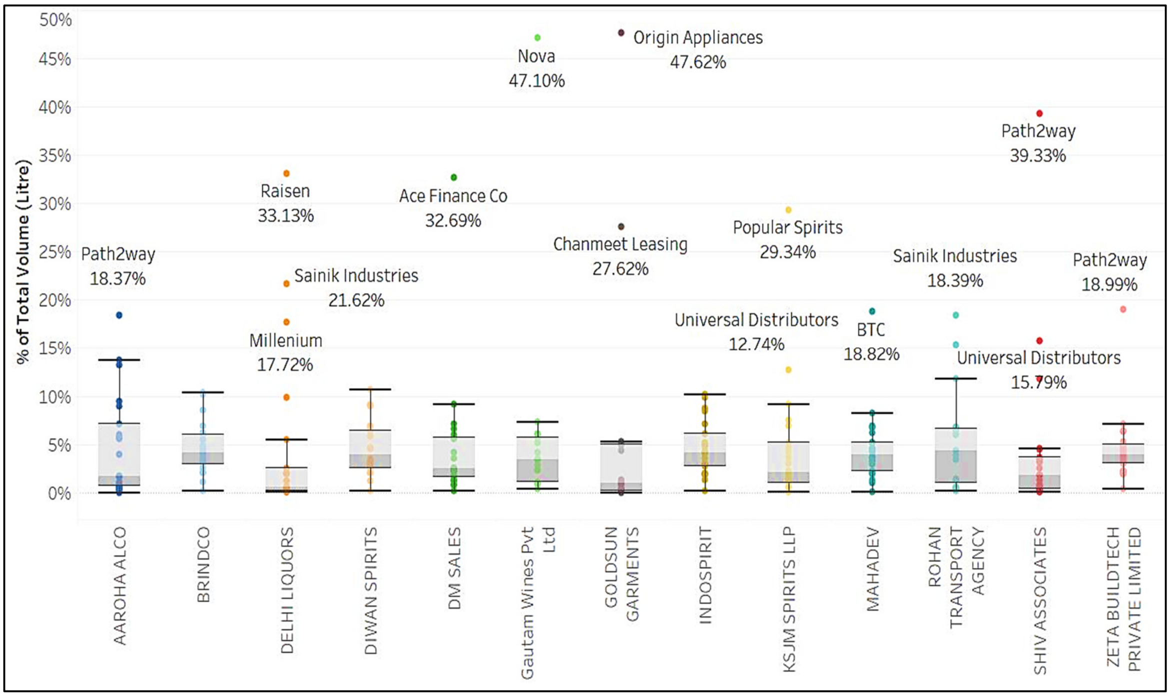
- Volume (in litres) of the liquor has been used as an aggregation metric.
- TP was used as a proxy for sale at vends.
- Consumer choice of brands across zones have been taken as uniform. This is valid for all zones except zone 31 (Organomix Ecosystems) and zone 32 (Buddy T1D retail) as these zones cater to NDMC area (a contiguous zone with no wards) and Airport retail shops respectively, each with likely distinct consumer preferences as compared to other zones.
- Indian Made Foreign Liquor (IMFL) forms an overwhelmingly large proportion of the total sale of liquor. Hence the data has been analysed only for supply of IMFL.
- The data has been taken only for the initial period of Excise Policy 2021-22 i.e. 17 November 2021 to 31 March 2022, during which all the zones were operational. After this period, surrender of different zones during May and July poses issues with comparability.

Chart 8.3: Relative Market Share of Wholesale Licensees



The supply of Liquor from wholesale licensees to the 22 business entities (holding 32 zones) was analysed. As the consumer preferences for 30 zones (excluding NDMC area and Airport zone) are assumed to be similar owing to the distribution of wards across Delhi, the supply from each wholesaler to retail entities, should be an average of 3.33 *per cent* for entities with one retail zone and 6.66 *per cent* for entities with two retail zones. It is normal that supply variations would occur as per normal distribution. However, there is a risk that certain business entities would corner a disproportionately large portion of supply from a specific Wholesale licensee. Thus, the supply distribution from wholesalers (shown at horizontal axis) to retail businesses has been analysed with a box and whisker plot in **Chart 8.4** which brings out outliers. These outliers represent Zonal licensees receiving abnormally high proportion of stock from a particular Wholesaler.

Chart 8.4: Skewed Liquor supply from Wholesaler to retail zones



Wholesalers

Overall analysis of the supply pattern of liquor in Delhi revealed the following:

1. The wholesale distribution of liquor was largely controlled (71.70 *per cent*) by three entities Indospirit, Brindco and Mahadev Liquor. The former two also exclusively supply brands of United Spirits (Diageo), United Breweries (Heineken) and Pernod Ricard, three of the largest domestic manufacturers of liquor.

2. Of the 22 business entities holding 32 retail zones, the top eight[47] business entities (in terms of volume of sale per zone) holding 10 zones, accounted for 44.79 *per cent* of the sale. In contrast, the bottom 10 zones (held by six[48] business entities) accounted for only 16.68 *per cent* of sale.

3. There were instances where a particular wholesaler supplied a statistically large proportion of its stock to a particular zonal Licensee which highlighting the risk of favourable business terms and/or close association between these wholesale licensees and respective zonal licensees. Also, some notable instances have been pointed out where a large proportion of sale of a zonal licensee was sourced from a particular wholesaler. Whereas this might not be an issue per-se in cases of procurement from wholesalers supplying popular brands, it could have

[47] Millenium Infra, Chanmeet Leasing, Popular Spirits, Origin Appliances, Sakriya, Multicity Hospitalities, Bhagwati Tranformer Corp (BTC), Raisen Marketing

[48] Nova Garments, Khao Gali Restaurants, Trident Chemphar, Organomix Ecosystems, Avantika Contractors, Buddy T1(D) Retail.

implications like brand pushing and limited consumer choice. Some examples are mentioned below, as seen from Chart 8.4.

- DM sales supplied 32.69 *per cent* of its total stock to Ace Finance Co. holding Zone 22, whereas the median value for supply was 2.53 *per cent*. Conversely Ace Finance procured 48.46 *per cent* of its total stock from DM sales.
- Delhi Liquors supplied 33.13 *per cent,* 21.62 *per cent* and 17.72 *per cent* of its total stock to three zones, Raisen Marketing (zone 13), Sainik Industries (Zone 17) and Millenium Infra (Zone 9) respectively, whereas the median value of supply was 0.56 *per cent*.
- Gautam Wines supplied 47.10 *per cent* of its stock to Nova Garments (Zone 11 and zone 15), whereas the median value for supply was 2.32 *per cent*.
- Khao Gali Restaurants Pvt. Ltd. (Zone 2 and 3) procured 45.26 *per cent* of its stock from M/s Indospirit. Thes two entities have been reported to be related, in the preceeding section.
- Goldsun Garments supplied 47.62 *per cent* and 27.62 *per cent* of its stock to Origin Appliances (Zones 14 and 16) and Chanmeet Leasing (Zone 28) respectively, whereas the median value of supply was 0.36 *per cent.*
- KSJM Spirits supplied 29.34 *per cent* of its stock to Popular Spirits (Zone 30) whereas the median value of supply was 2.12 *per cent*. Notably, these two entities are also related to each other through common directorship in related entities, as mentioned in Annexure XVI.
- Mahadev Liquors supplied 18.82 *per cent* of its stock to Bhagwati Transformer Corporation (Zone 1 and 27), whereas the median value for supply was 3.94 *per cent*. Conversely Bhagwati Transformer Corp. procured 50.97 *per cent* of its stock from Mahadev Liquor. Notably, Mahadev Liqour and Bhagwati Transformer corp are related by family ties, as pointed out in **Paragraph 8.4.3.1**.
- Shiv Associates supplied 39.33 *per cent* of its total stock to Path2Way (Zone 12 and 25).
- Rohan Transport Agency sold 18.39 *per cent* of its stock to Sainik Industries (Zone 17), whereas the median value for supply is 3.61 *per cent*.

4. Instances highlighting the risk of Brand Pushing were also observed where a large portion (statistical outlier) of a particular brand was sold through a particular zonal Licensee. The brand sales for a particular zone

is as a percentage of total sale of that brand across all Zones. The analysis was conducted for top 100 selling brands (each selling more than 85,785 litre) accounting for a total of 95.25 *per cent* of total liquor sold in the period under consideration. Some examples are mentioned below, where more than 20 *per cent* of a particular brand of liquor was sold by a single zone. These examples highlights links between the zonal licensees and domestic manufacturers of liquor products:

- Ace Finance (Zone 22) sold 23.89 *per cent*, 75.64 *per cent*, 99.20 *per cent* and 54.61 *per cent* of Royal Green, Double Blue, High Impact and Episode Whisky respectively, all supplied by DM Sales and manufactured by ADS Spirits. Other relatively lower selling brands of ADS spirit, Generation Classic Whisky and Moonwalk Vodka were also almost exclusively sold by Ace Finance. Ace Finance also sold more than 20 *per cent* of other brands (e.g. Bee Young beer and Godfather beer) supplied by DM sales.

- Clear pattern also emerges for top selling brands supplied by Delhi Liquors. Raisen Marketing (Zone 13) sold 29.71 *per cent* and 77.65 *per cent* of Hunter beer and Woodpecker beer manufactured by Som Distillers and supplied by Delhi Liquors. The relationship of these two entities, Raisen Marketing (retailer) and Som Distilleries (manufacturer), via shareholding pattern, has also been pointed by audit, as mentioned in Annexure XVI.

- For other top selling brands supplied by Delhi Liquors, Wave beer and Evening special whisky, more than 80 *per cent* of the stock was sold by three zones (Raisen Marketing, Millenium Infra and Sainik Industries) only.

- Gautam Wines supplied two top selling brands manufactured by Oasis Distilleries, All Seasons whisky and Batch 9 whisky, 39.59 *per cent* and 99.41 *per cent* of which were sold by Nova Garments (Zone 11 and Zone 15) only. Nova Garments also sold more than 90 *per cent* of other relatively lower selling products manufactured by Oasis distilleries. The relationship between these two entities, Nova Garments (retailer) and Oasis Distilleries (manufacturer), via common directorship, has also been pointed by audit, as mentioned in Annexure XVI.

- Universal Distributors (Zone 19 and 29) sold 46.67 *per cent* of Party Special Whisky, manufactured by NV Distilleries.

- For four brands manufactured by Empire Alcobrev under “Old Habbit” and “Bottoms Up” brand names, Chanmeet leasing

(Zone 28) and Origin Appliances (Zone 14 and 16) sold more than 75 *per cent* of total supply.

Existence of related entities in the Wholesale and Retail licenses resulted in skewed distribution of various brands of liquor. This was not in line with the objective of providing choice to consumers as per the Excise Policy 2021-22.

8.5 Losses amounting to approximately ₹ 2,002.68 crore

8.5.1 Loss of revenue of about ₹ 941.53 crore due to not taking timely permissions

Prior to the implementation of Master Plan Delhi (MPD)-2021 in 2007, four Government Corporations were allowed to open 116 retail vends in non-conforming[49] areas over the years. MPD-2021 prohibited opening of liquor shops in mixed land use/non-conforming areas. Since then, no new retail vend was allowed in non-conforming areas. Only these 116 Retail vends were renewed till 2016-17 which was further reduced to 51 and their licenses were renewed up to 31 March 2021.

It was made mandatory in the Excise Policy 2021-22 to open at least two retail vends in each ward to ensure equitable coverage so that there was no instance of un-served and underserved areas in Delhi. However, as per the Tender document, vends were not to be located in a non-conforming area and in case the proposed vend was in a non-conforming area, the same had to be considered with the prior approval of the Government.

Audit observed that in spite of being aware of the fact that vends were required to be opened in non-conforming wards, the Department did not take timely action to work out modalities for the same before tendering. Excise Policy for the year 2021-22 and Terms and Conditions of licenses were approved on 24 May 2021. Initial tender was floated on 28 June 2021 without taking comments from Delhi Development Authority (DDA) or Municipal Corporation of Delhi (MCD) and licenses were allotted in August 2021 even before this issue was sorted out. Vends were scheduled to start operations from 17 November 2021. However, DDA vide letter dated 16 November 2021 disallowed opening of liquor shops in non-conforming wards as it would be against the spirit of the Delhi Master Plan.

The licensees approached High Court which granted them exemption on 9 December 2021 from paying any license fee in respect of mandatory vends in 67 non-conforming wards. This resulted in exemption of license fee of ₹ 114.50 crore per month. Non sorting out of the issue of vends in non-conforming areas

[49] Non-conforming areas are areas which do not conform to land use norms for opening of liquor vends.

before NIT, resulted into this exemption and a cumulative loss of nearly ₹ 941.53[50] crore.

8.5.2 Re-tendering of surrendered zones not done leading to loss of revenue of around ₹ 890.15 crore

It was observed that 19[51] zonal licensees had surrendered their licenses before the policy expired in August 2022, four in March 2022, five in May 2022 and ten Zones in July 2022. However, no retendering process was initiated by the Excise Department to operationalize the retail vends in these zones. Consequently, no Excise Revenue accrued as License fee from these zones in the months after surrender. Notably, no other contingent arrangement was put in place to continue liquor retail in these zones.

The Excise Department suffered a loss of approximately ₹ 890.15 crore on account of License fee from these zones owing to their surrender and failure of the Department in re-tendering. Loss of Excise Revenue has been calculated on the basis of actual license fee for the months[52] for which surrendered zones were non-operational and after accounting for the waiver offered on account of non-conforming wards.

This issue is reflective of mismanagement of the Department in its inability to timely introduce new policy, its inability to retender after discontinuation of a retail license at the term end and failing to put an enabling clause in the terms and condition of license to accommodate such eventuality.

8.5.3 Loss of revenue of ₹ 144 crore owing to irregular grant of waiver on account of COVID to zonal licensees

A representation was received by the Excise Department from L-7Z Licensees for proportionate waiver/ reduction in license fee due to COVID restrictions issued by the DDMA orders dated 28 December 2021 and 4 January 2022. The representation was submitted by the licensees in pursuance of the Hon'ble High Court order dated 06 January 2022 which directed the Department to pass a speaking and reasoned orders in this regard.

The Excise Department and Finance Department of GNCT of Delhi had examined the representation and after examination, the following were stated:

1) Clause 27.1 of tender documents dated 13 August 2021, inter-alia, mentioned that any commercial risks shall lie with the Licensee.

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50 The revenue was collected for some vends, erroneously opened, in non-conforming areas for short periods of time. This amount is difficult to calculate precisely and could lead to the downward revision of approximated figure of ₹ 941.53 crore by a very limited extant.

51 Out of the 10 business entities who had been awarded two zones each, seven entities surrendered one zone each in either March 2022 or May 2022 while retaining the other zone for operation. One licensee surrendered both the zones in July 2022 and only two entities could continue operating both zones till the end of policy period in August 2022.

52 Five months -Four licensees, Three months – Five licensees, One month – Ten licensees.

2) During pre-bid meeting, the Department had informed the prospective bidders that there is no provision for force majeure in the tender documents and the Government may issue appropriate orders at later stage.
3) The Excise Department categorically stated that there is no provision in tender document for reduction of license fees of the licensees on grounds like decreasing in sales hour/ opening of vends on the basis of odd-even rules/ restriction in social gathering and complete lockdown on weekends. These restrictions are in the nature of commercial risks as categorically stated in clause 27.1 of tender document mentioned *ibid*, which do not justify the claim of reduction in license fee much in the same manner as an increase in the sales during festival/ marriage season does not entail an increase in the demand of license fee from the licensee. Moreover, the relaxation granted by the Government to the HCR segment in previous lockdown regarding the payment of license fee cannot be compared to the current retail license fees as the two license regimes are entirely different in nature.
4) Further, the Excise Department stated that there is a decrease of sales of liquor bottles by nine *per cent* during the period 28 December 2021 to 6 January 2022 as against the sale of liquor bottles from 1 December 2021 to 27 December 2021. However, the reduction in sales is also not uniform across all zones as some of the zones have also experienced increased average sale during this period. This analysis is also not conclusive because the number of vends opened during the month of December varied and gradually increased as more and more vends opened in December. Hence, the demand of licensees for relaxation of license fees on the pretext of COVID restriction does not hold merit as there is no significant impact on volume of sales in Liquor in Delhi during the COVID restriction period as compared to the pre-COVID restriction period.

With the above reasons, the Excise and Finance Departments proposed that proportionate waiver/ reduction in license fee due to COVID restrictions may not be considered as there is no provision in the Tender Document with regard to the reduction of license fee in any such circumstances. This proposal was turned down by the Minister in charge of the Department and grant of waiver to each Zonal licensee for the closed vends during the period from 28 December 2021 to 27 January 2022 was approved with the reasons that during the previous COVID related lockdown period, the Government had given the benefit of pro-rata fee waiver to restaurants. This resulted into the loss of approximately ₹ 144 crore to the Government. The relaxation granted to the HCR segment in previous lockdown regarding the payment of license fee cannot be compared to the current retail license fee as the two license regimes were entirely different in nature. Moreover, as per the Cabinet Note No 3003 (dated 21.05.2021) any amendment made at the time of implementation may be placed before the

Council of Ministers at the time of implementation. However, this wavier to licensees was granted before taking approval from the Council of Ministers.

8.5.4 Incorrect collection of Security Deposit from zonal Licensees, leading to loss of revenue of around ₹ 27 Crore

Clause 3.1.3 of the tender conditions cited Rule 48(12) of Delhi Excise Rules and mentioned that the Security Deposit "to match 25 *per cent* of the pro rata annual license fee" was to be submitted by the zonal licensees within seven days of the issue of Letter of Acceptance. However, Rule 48(12) of the Delhi Excise Rules mentions 25 *per cent* of the Annual License Fee and not of pro-rata annual license fee.

Security Deposit with the Excise Department provides it a risk cover against a possible default by the zonal licensee. The amount of 25 *per cent* of Annual License fee, in essence provided a risk cover for three months against a possible default scenario i.e. if the licensee defaulted on payments and could not clear his dues till the end of a month, punitive action against the licensee could be initiated and process to retender for Zone could be done or alternative option could be explored to continue operations in the Zone within three months so that the Department would not incur losses on account of foregone revenue due to discontinued operations.

As the zonal retail operations could begin only in mid-November, after substantial delay in the rollout of Excise Policy 2021-22, the policy year 2021-22 was effective for four and a half month only. The License fee was charged on a pro rata basis and so was the security deposit @ 25 *per cent* of pro-rata License Fee. This security cover therefore ensured risk cover for only about one month. Thus, the Department became more vulnerable against default by the licensee. Excise Department decided on 20 January 2022 (without taking approval from Cabinet) not to take any coercive action of cancellation of license due to any default of payment of license fee till the end of Excise Year 2021-22. This led to an increased risk of losing Excise revenue if the licensee suddenly discontinued operations. The feasibility of retendering or exploring viable alternative for continuing operations in the intervening period was even less

Audit observed two cases where the Zonal licensees abruptly surrendered license and failed to pay the pending license fee even after adjustment of Security Deposit. In case of Zone 8, the licensee discontinued operation in March 2022 without paying complete dues. As per the Excise Department, the cumulative dues as owed to the Department as on 17 March 2022, was ₹ 47.46 crore and the Security Deposit with the Department was only ₹ 30 crore leaving ₹ 17.46 crore recoverable at the end of March 2022. Similarly, the licensee of Zone 30 discontinued operation in the mid of July 2022 and as per the Excise Department, ₹ 9.82 crore was pending after adjustment of Security Deposit. This resulted in a cumulative unrealised amount of ₹ 27 crore.

Audit also observed that the amount of outstanding dues recoverable from the above two zonal licensees, as worked out by the Excise Department, was not correct and has been discussed in **Paragraph 8.6.3**.

8.6 Other issues

8.6.1 Tender not floated for Super Premium vends resulting in a loss of opportunity to earn additional revenue

As per Delhi Excise Policy 2021-22, licenses in the form of five Super Premium (L7-SP1) vends (with larger floor area of 2500 sq. ft. with 10 *per cent* space for selling ancillary products) were to be issued to a single entity through a separate tender. These vends were to have a minimum License Fee equal to two and half times of the average reserve license fee of a vend in Delhi. These vends were to be opened in the same retail zones awarded earlier through conversion of one or more retail vends into super premium vends and adjustment of License fee accordingly. However, tendering for these vends was not done. Failure of the Department in tendering for these super premium vends led to loss of opportunity to earn additional license fee from these vends based on proposed reserve price for these vends.

8.6.2 Irregular opening of vends in non-confirming wards

MPD-2021 prohibited opening of liquor shops in mixed land use/non-conforming areas. Cabinet had approved the proposal of Excise Department to open vends in non-conforming wards on 5 November 2021 and the same was approved by the Lieutenant Governor on 15 November 2021 subject to the condition that approval from concerned MCD and DDA is mandatory.

Audit selected four zones (Zone 3, 14, 23 and 25) through random sampling for detailed examination. Audit observed that out of these four Zones, four Vends of Zone 23 were opened in non-conforming wards. In Zone 23, there were three non-conforming Wards 33N, 30S and 97S. Details of four vends opened in these Wards are given in **Annexure XVII**. The Department had allowed retailers to open these four Vends in non-conforming Wards without getting any approval from DDA and MCD.

Audit further noticed that Inspection teams were formed to conduct Inspections of proposed shops to assess the suitability of the premises for vends as per the provisions of the Delhi Excise Act, Delhi Excise Rules, terms and conditions and Excise Policy. In all four Wards mentioned in **Annexure XVII**, inspection team declared that premises were situated in conforming/commercial area. Audit observed that:

- In applications for two vends (Sl. Nos. 1 and 2 of Annexure XVII), licensee itself mentioned that land use category of the shop was "mixed land use"/"residential". Further, the Licensee provided an Urban Development (UD) Department notification of commercial road/street as supporting documents for these vends but Audit noticed that location of vend at Sl.

No. 1 was around 10 km away[53] and location of vend at Sl. No. 2 was around three km away[54].

- For vend at Sl. No. 3 of Annexure-XVII, licensee had submitted the conversion charge slip as proof of shop being commercial but that did not confirm whether that conversion slip was for mixed land use or commercial land. The licensee also did not submit any certificate from MCD declaring that the shop comes under commercial area.

All these four vends were sealed by the MCD in January-February 2022. The manner of ascertaining that these vends were located in conforming area by the inspection team clearly shows that Inspection team did not properly scrutinise the above mentioned documents before declaring that premises were located in conforming area.

8.6.3 Discrepancies in calculating the pending License fee amount

As per the tender conditions, licensees were required to pay the license fee in advance by the 7th of the month in which he begins his business. Failure to pay fee in time attracted interest on the amount due at 12 *per cent* per annum and also penalty at the rate of 0.1 *per cent* per day, if the default continued beyond the 15th day of the month. Failure to pay all the dues by the last day of the month entailed forfeiture of security deposit, cancellation of license and prohibition from participating in any other tendering process for a period of two years.

Licensees of Zone 8 and 30 had surrendered the zonal licenses without paying their pending dues including license fee, interest and penalty on 17 March 2022 and 12 July 2022 respectively. Audit observed discrepancies in calculation of dues in respect of these zones. For Zone 8, during calculation of interest of pending amount of license fee of conforming wards for the month of November and December 2021, Excise Department had not calculated the interest and penalty up to 17 March 2022 as done in respect of other months. Also, for the month of January 2022, the licensee had paid partial license fee before due date but interest for six days on the partially paid amount was wrongly included in the dues. Besides, in the months of February and March 2022, there was excess calculation of interest on outstanding amount due to levy of interest from first date of the month instead of from the date next following the due date. Net effect of errors in calculation was inflation of dues by ₹ 24.20 lakh.

Similarly, in case of Zone 30, in some months, there was excess calculation of interest on outstanding amount due to levy of interest from first date of the month instead of from the date next following the due date. This resulted in inflation of dues by ₹ 4.65 lakh.

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53 from the Sector-18, Rohini, whose reference was taken from UD Department notification

54 from the main Badarpur Market whose reference was taken from UD Department notification

8.6.4 Critical post of DC (Wholesale Operations) for monitoring and regulation not designated

As per Clause 3.1.11 of Delhi Excise Policy for the year 2021-22 "An officer to be designated as Deputy Commissioner (Wholesale Operations). The officer shall have the following responsibilities: - (i) To prevent unfair trade practices, to monitor operations and ensure overall supervision of wholesale dealers, (ii) To constantly monitor demand supply patterns, assure normalization of supplies, (iii) To prevent supply of spurious and adulterated liquor by manufacturers, vend owners and wholesale distributors (iv) To ensure equitable distribution of stock among all vends by wholesalers, (v) To ensure no wholesale licensee encourage brand pushing, (vi) To ensure no branding violations are encouraged by wholesalers, (vii) To ensure track and trace under ESCIMS." Clause of 4.6.2 of Delhi Excise Policy for the year 2021-22 also makes provision regarding appointment of DC (Wholesale Operations).

It is evident from the above that the post of DC (Wholesale Operations) was an important one, as envisaged by the policy. DC (Wholesale Operations) was supposed to perform a wide range of functions relating to monitoring and regulation, which had implications on quality of liquor, brand pushing etc. However, as per reply received from the Department, there was "no work assigned as *"Wholesale Operation"* in respect of Deputy Commissioner". Thus, no officer was designated as DC (Wholesale Operations) during the Excise year 2021-22, which pointed to non-adherence of the provisions in the policy.

8.6.5 Quality of liquor supplied not ensured

(i) Laboratory at warehouse, Batch Testing & Uploading of reports onto ESCIMS

As per Rule 55(10) of Delhi Excise (Amendment) Rules, 2021, every L-1 Licensee shall set up a Government approved laboratory at their warehouses to randomly check the presence of sub-standard liquor or spurious liquor in each batch of liquor received from the manufacturers and mandatorily inform the Excise Department in case any sub-standard liquor or spurious liquor is found in the supplies. As per Excise Policy 2021-22, Excise Department had to issue Standard Operating Procedure (guidelines) in this regard separately.

The licensees were required to set up the laboratories before granting the license. However, Excise Department issued guidelines for setting up of Laboratory on 9 November 2021 whereas the Excise Policy was to be implemented from 17 November 2021. One of the licensees had made representation and asked for six to eight weeks' time for setting up laboratories.

The essential pre-condition to set up laboratories to ensure quality of liquor supplied was not enforced by the Excise Department due to delay in issuing guidelines by the Department. The licensees were allowed extension of two months till 16 January 2022 initially for setting up of the laboratory even though there was no provision for this in the Policy. Further extension till 31 March 2022 was granted citing reasons related to COVID. Even after this extension, laboratories were set up only in 19[55] out of 62 warehouses and even in these laboratories, batch testing was not started.

Audit test check of the records relating to one warehouse each of five L-1 licensees (M/s Indospirits, M/s Brindco Sale Pvt. Ltd., M/s Mahadev Liquors, M/s DM Sales & M/s Delhi Liquors) revealed that the laboratories were setup between 17 January 2022 to 29 March 2022, i.e. with delays ranging from 61 to 132 days. There was further delay in inspection of these laboratories by the Excise Department as these were done between 15 March 2022 and 4 April 2022 which delayed batch testing in these labs, as testing could not begin before the inspection.

The licensees were also required to upload data of all test results of samples on regular basis on ESCIMS portal. However, the ESCIMS module to upload the test reports was not made functional in the Excise year 2021-22 which was under implementation. As per the records made available to Audit, the last communication in this regard was dated 20 July 2022.

- Moreover, as per Excise Department order dated 30 December 2021, Import Permit module i.e. rights of L-1 licensees to import liquor were to be blocked if status of labs were not furnished by expiry date i.e. 16 January 2022. Similarly, as per circular dated 16 March 2022, Transport Permit generation was to be stopped if labs were not setup by 31 March 2022. It is evident from this that there was provision for action against licensees if labs were not set up, and Excise Department was not informed about the setting up of the lab by L1 licensee. The Department had not informed Audit whether any action was taken against the licensees for not setting up the labs even after the extended deadline of 31 March 2022.
- The provision relating to establishment of lab at warehouse was not retained in the Terms & Conditions for the grant of L1 license in the Excise year 2022-23. Thus, the essential condition of batch testing at labs of warehouses was not implemented during Excise year 2021-22, and further the important requirement of having labs at warehouses was itself removed from the Terms & Conditions in the year 2022-23.

The conditions for setting up of labs at warehouses and batch testing were incorporated in the Rules, Policy and Terms and Conditions for the Excise Year 2021-22 to ensure that liquor received from manufacturers/distilleries are of required quality and no spurious liquor is sent to the retail vends and HCRs in Delhi, and consumers do not consume substandard liquor. Ensuring the quality of liquor supplied in Delhi is consonant with the primary objective of Excise Department i.e., to regulate, control and monitor the sale and consumption of liquor.

However, all the above Audit observations establish the fact that the Excise Department did not ensure that the essential requirement of establishment of

[55] Set up between 17 January 2022 to 31 March 2022

laboratory at warehouses and batch testing was enforced, as mandated by amended Excise Rules, Excise policy and Terms & Conditions for L-1 for the Excise Year 2021-22.

(ii) State-of-the-art lab not set up

As per clause 4.6.4 of Delhi Excise Policy for the year 2021-22, "Supply of spurious liquor is a serious public health hazard. To keep this in check the Government of Delhi will setup a state-of-the-art lab which will specialize in detecting spurious and counterfeit liquor." However, no state-of-the-art-lab was set up by Excise Department as mandated in the policy for the Excise year 2021-22. This further established the fact that the provisions to ensure the quality of liquor were not taken seriously by the Department.

(iii) Special Teams for Sample Collection not constituted

As per clause 4.6.3 of Delhi Excise Policy for the year 2021-22, "Constitution of special teams for sample collection: Teams will be set up to systematically pick up samples from bonded warehouses, retail vends, hotels, clubs and restaurants across all brands and the report of the same will be published on the website. Any L-1 license holder or retail shop owner found in possession of spurious liquor will lose their entire license and will be subject to criminal proceedings as per applicable laws. They will be permanently blacklisted and barred from operating in Delhi and in good faith, the information of the same will be provided to the Excise Department of all other States."

Information regarding Constitution of Special Teams for Sample Collection was requisitioned from the Department. However, no reply was provided to Audit in spite of multiple reminders. Hence, it could not be verified by Audit that such special teams were eve constituted by Excise Department during the Excise year 2021-22.

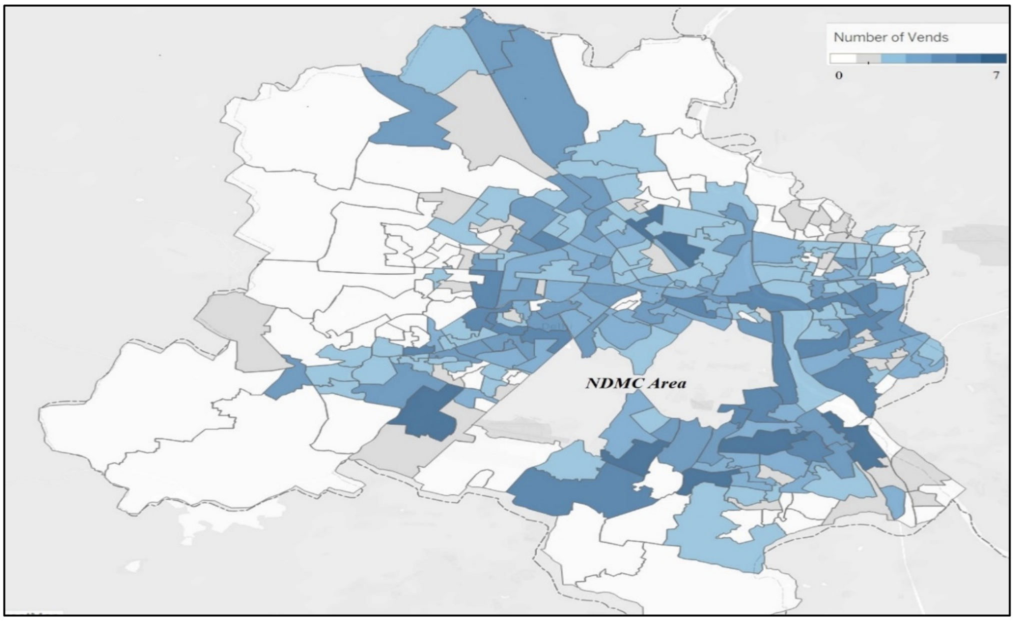
8.6.6 Trends in sales of liquor and Geographical Distribution of the retail vends across the geographical area of Delhi

The sale during the nine months spanning December 2021 to August 2022, when the new policy remained in place, was 64.82 crore bottles compared to 58.19 crore bottles sold during the comparable period of December 2018 to August 2019[56]. Thus, the new policy witnessed an increased sale of around 11.40 *per cent* compared to the previous regime. However, the new policy did away with the levy and collection of revenue on per bottle basis, in favour of advance revenue collection on presumptive sales figure based on financial year 2019-20. This emphasis on presumptive revenue collection through bidding also gave an incentive to retailers to ramp up the volume of sale (via Economy of scale as well as deep discounting) without concomitant revenue to Government.

[56] This period between December 2018 and August 2019 has been used to compare because it is the most recent relevant period encompassing same months during which the sale was not affected due to COVID-19 induced restrictions.

One of the cornerstones of the Excise Policy 2021-22 was equitable distribution of liquor retail vends across Delhi to facilitate access to quality liquor and to discourage illegal sale. However, this objective could not be fulfilled in practice because vends could not be opened as planned due to circumstances discussed in **Paragraph 8.5.1**. The actual vend distribution (February 2022) has been visually shown in the **Chart 8.5**. The wards marked with white did not have a single vend and the wards with shaded colour scale contains vends ranging from 1 to 5 from light to dark.

Chart 8.5: Geographical distribution of vends in Delhi (February 2022)



The distribution shows that certain wards were over-served as they contained many liquor retail vends whereas the others had no retail vends

8.6.7 Excise Intelligence Bureau and Confiscation

Data for Excise Intelligence Bureau (EIB) & Confiscation for the Excise Year 2021-22 was requisitioned from the Excise Department. However, no reply was provided to Audit in spite of multiple reminders. Therefore, audit could not review the functioning of EIB including checking of interstate smuggling of various intoxicants as well as detection of illegal liquor trade.

8.7 Conclusion

Several fundamental changes were effected in the Excise policy 2021-22 relating to levy and collection of Excise duty, administration of liquor supply chain, and coverage of retail operations. The actual policy contained provisions which were at variance with the underlying objectives for change in policy and the Expert Committee report. Necessary permissions from the Council of Ministers were found lacking in some decisions which had revenue implications. The new policy was fraught with design issues as the imposed exclusivity arrangement between manufacturers and wholesalers and formation of retail zone with a minimum of 27 wards each, increased the risk of monopolisation and cartel formation.

Actual implementation was sub-optimal and objectives behind the policy were not achieved. Vends in non-conforming wards could not be opened and equitable distribution of retail vends could not be achieved. Issue and management of zonal licenses had major shortcomings. There was lack of scrutiny of the business entities with regards to their financial wherewithal and management expertise. Instances of related business entities holding licenses across the liquor supply chain were noticed. Liquor supply data indicates exclusivity arrangements between zonal licensees and wholesalers and Brand Pushing. Surrender of zonal licenses during the extended policy period further led to substantial revenue loss. Other important measures which were planned in the policy, like setting up of laboratories and batch testing for quality assurance, setting up of super premium vends etc., were not implemented. Responsibility and accountability should be fixed for the lapses observed and the Enforcement mechanism should be strengthened.

New Delhi **(AMAN DEEP CHATHA)**
Dated: 03 March 2024 **Principal Accountant General (Audit), Delhi**

Countersigned

New Delhi **(GIRISH CHANDRA MURMU)**
Dated: 04 March 2024 **Comptroller and Auditor General of India**

Annexures

Annexure I
(Referred to in paragraph 1.4)
Sampling Criteria

Category	License Type	Description of License Type	No of Unique Licensee (2017-21)	Sampling Criteria (Percentage selection as per Simple Random Sampling)	No. of licensees selected for detailed scrutiny	No. of licensees selected for detailed scrutiny. (After rounding)	Total licenses of selected licensee during 2017-21	Files (related to no. of licensees selected for detailed scrutiny) provided to Audit
Manufacturer and Bonded Warehouse of IMFL & FL	L1 & L31	Indian Liquor	111	10%	11.1	11	44	11
	L1F & L32	Foreign Liquor	34	10%	3.4	3	12	3
Retail vends of IMFL & FL	L7	Private Vend	87	5%	4.35	4	16	4
	L-10	Private Vend (shopping mall)	178	5%	8.9	9	36	8
	L6	Corporation Vend	385	5%	19.25	19	76	8
Hotels, Clubs and Restaurants (HCR)	L-17/16/15/28	Service of Liquor in Independent Restaurants/ Restaurants/Hotel Rooms/Clubs	1332	1%	13.32	13	52	12
Total						**59**	**236**	**46**

Annexure II
(Referred to in paragraph 2.2.2)
Cases with high percentage of sale without scanning

Sl. No.	Retail vend Name (L7/L10)	Sale without scanning i.e., MSR gap (in lakhs)	Sale through Scanning (in lakhs)	Percentage of sale without scanning	Duration of reporting (2019)
1	Brooks Magazines Pvt. Ltd.	10.29	0.21	98	3rd quarter
2	Vrindavan Apparels Pvt. Ltd.	12.04	0.60	95	August, September and October
3	Kavinder	10.39	2.33	82	January to December
4	Pristine Exports Pvt. Ltd.	17.10	6.61	72	January to December
5	Deep Mohan Singh Arneja	13.69	3.60	79	July to December
6	Chitaranjan Suri	7.35	1.05	88	3rd quarter
7	Fortune Plus Marketing Solutions Pvt. Ltd.	23.83	4.97	83	July to December
8	Ashok T. Gularajni	12.06	2.85	81	3rd quarter
9	Goldenline Developers Pvt. Ltd.	4.99	0.45	92	September
10	Satish Kumar Aggarwal	6.32	2.74	70	3rd quarter
11	Surinder Gupta	13.05	3.01	81	April and May
12	Glow Infocom Pvt. Ltd.	8.60	1.12	88	April and November
13	Joy Securities & Services Pvt. Ltd.	1.76	0.05	97	January

Annexure III
(Referred to in paragraph 3.2)
Common Directors (same years)

Company Group	Sl. No.	Name of common directors	DIN	Company / Licensee Name	License Type	CIN /LLPIN	Licence Issue Date	Licence Expiry Date	Original date of appointment	Date of cessation
Buddy - Veetrag	1	**2018-19**								
	1.1	**Amit Arora**	**01760784**	Buddy (T3 Delhi) Retail Private Limited	L10	U52590DL2008PTC178935	24th April 2018	21st February 2019	1st May 2013	18th July 2021
				Buddy(Punjab) Bottlers (P) Ltd	L1, L31	U15129PB2016PTC045550	14th February2019	15th August 2019	25th July 2016	16th October 2020
	2	**2019-20**								
	2.1	**Amit Arora**	**01760784**	Buddy (T3 Delhi) Retail Private Limited	L10	U52590DL2008PTC178935	21st February 2019	21st February 2020	1st May 2013	18th July 2021
				Buddy(Punjab) Bottlers (P) Ltd	L1, L31	U15129PB2016PTC045550	25th October 2019	25th June 2020	25th July 2016	16th October 2020
Adie - AB_Grain	1	**2019-20**								
	1.1	**Harinder Pal Singh Bhatia**	**00217313**	Adie Broswon Breweries Pvt Ltd	L1, L31	U74120DL2010PTC200149	16th August 2019	30th June 2020	15th March 2010	-
				AB Grain Spirits Pvt. Ltd..	L1, L31	U15500PB2005PTC027841	14th January 2020	30th June 2020	24th August 2005	-
	1.2	**Jasdeep Kaur Chadha**	**00096530**	Adie Broswon Breweries Pvt Ltd	L1, L31	U74120DL2010PTC200149	16th August 2019	30th June 2020	19th November 2012	-
				AB Grain Spirits Pvt. Ltd.	L1, L31	U15500PB2005PTC027841	14th January 2020	30th June 2020	19th November 2012	-

	2	**2020-21**								
	2.1	**Harinder Pal Singh Bhatia**	**00217313**	Adie Broswon Breweries Pvt Ltd	L1, L31	U74120DL2010PTC200149	2nd July 2020	31st March 2021	15th March 2010	-
				AB Grain Spirits Pvt. Ltd.	L1, L31	U15500PB2005PTC027841	13th July 2020	31th March 2021	24th August 2005	-
	2.2	**Jasdeep Kaur Chadha**	**00096530**	Adie Broswon Breweries Pvt Ltd	L1, L31	U74120DL2010PTC200149	2nd July 2020	31st March 2021	19th November 2012	-
				AB Grain Spirits Pvt. Ltd.	L1, L31	U15500PB2005PTC027841	13th July 2020	31st March 2021	19th November 2012	-
Indospirit - A2Z	1	**2017-18**								
	1.1	**Sameer Mahandru**	**00860038**	Indospirit Beverages Pvt.Ltd	L1, L31	U15100DL2014PTC263174	2nd February 2018	9th August 2018	7th January 2014	28th June 2019
				Indospirit Distribution Limited - New Delhi	L1F, L32	U51909DL2006PLC155940	6th February 2018	19th August 2018	28th November 2006	28th June 2019
				Indospirit Bars Pvt. Ltd.	HCR	U51220DL2014PTC263173	11th July 2017	27th February2018	7th January 2014	9th December 2017
	1.2	**Nitin Kapoor**	**01847324**	A 2 Z Trade Links Pvt Ltd	L10	U51909DL2004PTC130377	13th June 2017	4th May 2018	15th November 2007	9th December 2017
				Indospirit Bars Pvt. Ltd.	HCR	U51220DL2014PTC263173	11th July 2017	27th February 2018	2nd May 2016	12th July 2019
	1.3	**Sudarshan Lal Mahandru**	**02327811**	Indospirit Beverages Pvt.Ltd	L1, L31	U15100DL2014PTC263174	2nd February 2018	9th August 2018	9th December 2017	19th July 2021
				Indospirit Distribution Limited - New Delhi	L1F, L32	U51909DL2006PLC155940	6th February 2018	19th August 2018	11th August 2008	15th July 2021
				Indospirit Marketing Private Limited	L1F, L32	U51228DL2014PTC262950	2nd February 2018	18th September 2018	9th December 2017	9th July 2018

	1.4	**Geetika Mahandru**	**00860061**	Indospirit Distribution Limited - New Delhi	L1F, L32	U51909DL2006PLC155940	6th February 2018	19th August 2018	28th November 2006	-
				Indospirit Marketing Private Limited	L1F, L32	U51228DL2014PTC262950	2nd February 2018	18th September 2018	1st January 2014	22nd July 2019
				Indospirit Bars Pvt. Ltd.	HCR	U51220DL2014PTC263173	11th July 2017	27th February 2018	7th January 2014	20th February 2018
	2	**2018-19**								
	2.1	**Geetika Mahandru**	**00860061**	Indospirit Marketing Private Limited DELHI	L1F, L32	U51909DL2006PLC155940	20th August 2018	15th August 2019	28th November 2006	-
				Indospirit Marketing Private Limited	L1F, L32	U51228DL2014PTC262950	19th September 2018	15th August 2019	1st January 2014	22nd July 2019
	2.2	**Rahul Taneja**	**08174880**	Indospirit Marketing Private Limited	L1F, L32	U51228DL2014PTC262950	19th September 2018	15th August 2019	9th July 2018	16th February 2021
				A 2 Z Trade Links Pvt Ltd	L10	U51909DL2004PTC130377	4th May 2018	27th February 2019	9th July 2018	15th September 2018
	3	**2019-20**								
	3.1	**Nitin Kapoor**	**01847324**	Indospirit Marketing Private Limited	L1F, L32	U51228DL2014PTC262950	18th October 2019	30th June 2020	3rd March 2020	13th March 2021
				Indospirit Bars Pvt. Ltd.	HCR	U51220DL2014PTC263173	1st April 2019	31st March 2020	2nd May 2016	12th July 2019

Annexure IV
(Referred to in paragraph 3.2)
Common Directors (Last five years)

I. Buddy – Veetrag																
Sl. No.	**Name**	**DIN**	**License Type**	**Company / Licensee Name**	**CIN / LLPIN**	**License Start Date**	**License End Date**	**License Start Date minus 5 years**	**Original date of appoint-ment**	**Date of cessation**	**"Other" License Type of this director**	**"Other" Company/ Licensee Name**	**"Other" Company CIN / LLPIN**	**"Other" Company (Original date of appoint-ment)**	**"Other" Company (Date of cessation)**	**Whether linked to "other" company in the last 5 years?**
	2018-19															
1																
1.1	**Amit Arora**	**01760784**	L1/L31	BUDDY(PUNJAB) BOTTLERS (P) LTD	U15129PB2016PTC045550	14th February 2019	15th August 2019	15th February 2014	25th July 2016	16th October 2020	L10	BUDDY DISTRIBUTION PVT LTD	U51228DL1989PTC035797	10th May 2010	10th April 2017	YES
											L10	BUDDY (T3 DELHI) RETAIL PRIVATE LIMITED	U52590DL2008PTC178935	01st May 2013	18th July 2021	YES
											L10	BUDDY MANTRA HOSPITALITY PRIVATE LIMITED	U93030DL2010PTC198501	29th January 2010	25th May 2016	YES
1.2	**Ashwani Bhatia**	**03386026**	L1/L31	BUDDY(PUNJAB) BOTTLERS (P) LTD	U15129PB2016PTC045550	14th February 2019	15th August 2019	15th February 2014	10th August 2018	14th July 2021	L10	BUDDY T1 DELHI RETAIL	U52590DL2002PTC118181	30th May 2012	13th December 2017	YES

												PVT. LTD.				
											L10	BUDDY MANTRA RETAIL PVT. LTD.	U52599DL2009PTC195530	25th May 2015	29th September 2017	YES
											L10	VEETRAG CONSTRUCTIONS PVT LTD	U55100DL2004PTC130291	02nd August 2013	24th May 2016	YES
											L10	BUDDY MANTRA HOSPITALITY PRIVATE LIMITED	U93030DL2010PTC198501	14th September 2013	25th May 2016	YES
	2019-20															
2																
2.1	**Amit Arora**	**01760784**	L1/L31	BUDDY(PUNJAB) BOTTLERS (P) LTD	U15129PB2016PTC045550	25th October 2019	25th June 2020	26th October 2014	25th July 2016	16th October 2020	L10	BUDDY DISTRIBUTION PVT LTD	U51228DL1989PTC035797	10th May 2010	10th April 2017	YES
											L10	BUDDY (T3 DELHI) RETAIL PRIVATE LIMITED	U52590DL2008PTC178935	01st May 2013	18th July 2021	YES

											L10	BUDDY MANTRA HOSPITALITY PRIVATE LIMITED	U93030 DL2010 PTC198501	29th January 2010	25th May 2016	YES
2.2	**Ashwani Bhatia**	**03386026**	L1/L31	BUDDY(PUNJAB) BOTTLERS (P) LTD	U15129PB2016PTC045550	25th October 2019	25th June 2020	26th October 2014	10th August 2018	14th July 2021	L10	BUDDY T1 DELHI RETAIL PVT. LTD.	U52590 DL2002 PTC118181	30th May 2012	13th December 2017	YES
											L10	BUDDY MANTRA RETAIL PVT. LTD.	U52599 DL2009 PTC195530	25th May 2015	29th September 2017	YES
											L10	VEETRAG CONSTRUCTIONS PVT LTD	U55100 DL2004 PTC130291	02nd August 2013	24th May 2016	YES
											L10	BUDDY MANTRA HOSPITALITY PRIVATE LIMITED	U93030 DL2010 PTC198501	14th September 2013	25th May 2016	YES

II. Adie-AB Grain

Sl. No.	Name	DIN	License Type	Company/ Licensee Name	CIN / LLPIN	License Start Date	License End Date	License Start Date minus 5 years	Original date of appoint-ment	Date of cessation	"Other" License Type of this director	"Other" Company/ Licensee Name	"Other" Company CIN / LLPIN	"Other" Company (Original date of appoint-ment)	"Other" Company (Date of cessation)	Whether linked to "other" company in the last 5 years?
	2017-18															
1																
1.1	**Harinder Pal Singh Bhatia**	**00217313**	L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	05th January 2018	02nd August 2018	06th January 2013	15th March 2010	-	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	24th August 2005	-	YES
1.2	**Jasdeep Kaur Chadha**	**00096530**	L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	05th January 2018	02nd August 2018	06th January 2013	19th November 2012	-	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	19th November 2012	-	YES
	2018-19															
2																
2.1	**Harinder Pal Singh Bhatia**	**00217313**	L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	03rd August 2018	15th August 2019	04th August 2013	15th March 2010	-	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	24th August 2005	-	YES

2.2	**Jasdeep Kaur Chadha**	**00096530**	L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	03rd August 2018	15th August 2019	04th August 2013	19th November 2012	-	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	19th November 2012	-	YES
	2019-20															
3																
3.1	**Gurbir Singh Bindra**	**02083854**	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	14th January 2020	30th June 2020	15th January 2015	19th October 2011	-	L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	19th October 2011	14th December 2016	YES
3.2	**Harinder Pal Singh Bhatia**	**00217313**	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	14th January 2020	30th June 2020	15th January 2015	24th August 2005	-	L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	15th March 2010	-	YES
			L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	16th August 2019	30th June 2020	17th August 2014	15th March 2010	-	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	24th August 2005	-	YES
3.3	**Jasdeep Kaur Chadha**	**00096530**	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	14th January 2020	30th June 2020	15th January 2015	19th November 2012	-	L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	19th November 2012	-	YES

			L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	16th August 2019	30th June 2020	17th August 2014	19th November 2012	-	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	19th November 2012	-	YES
	2020-21															
4																
4.1	**Gurbir Singh Bindra**	**02083854**	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	13th July 2020	31st March 2021	15th July 2015	19th October 2011	-	L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	19th October 2011	14th December 2016	YES
4.2	**Harinder Pal Singh Bhatia**	**00217313**	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	13th July 2020	31st March 2021	15th July 2015	24th August 2005	-	L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	15th March 2010	-	YES
		00217313	L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	02nd July 2020	31st March 2021	04th July 2015	15th March 2010	-	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	24th August 2005	-	YES
4.3	**Jasdeep Kaur Chadha**	**00096530**	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	13th July 2020	31st March 2021	15th July 2015	19th November 2012	-	L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	19th November 2012	-	YES

		00096530	L1/L31	ADIE BROSWON BREWERIES PVT. LTD.	U74120DL2010PTC200149	02nd July 2020	31st March 2021	04th July 2015	19th November 2012	-	L1/L31	AB GRAIN SPIRITS PVT. LTD.	U15500PB2005PTC027841	19th November 2012	-	YES

III. Indospirit-A2Z

Sl. No.	Name	DIN	License Type	Company/ Licensee Name	CIN / LLPIN	License Start Date	License End Date	License Start Date minus 5 years	Original date of appoint-ment	Date of cessa-tion	"Other" License Type of this director	"Other" Company/ Licensee Name	"Other" Company CIN / LLPIN	"Other" Company (Original date of appoint-ment)	"Other" Company (Date of cessation)	Whether linked to "other" company in the last 5 years?
	2017-18															
1																
1.1	**Sameer Mahandru**	**00860038**	L1, L31	INDOSPIRIT BEVERAGES PVT.LTD	U15100DL2014PTC263174	02nd February 2018	09th August 2018	03rd February 2013	07th January 2014	28th June 2019	HCR	INDOSPIRIT BARS PVT. LTD.	U51220DL2014PTC263173	07th January 2014	09th December 2017	YES
											L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	01st January 2014	09th December 2017	YES
											L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	28th November 2006	28th June 2019	YES
			L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	06th February 2018	19th August 2018	07th February 2013	28th November 2006	28th June 2019	HCR	INDOSPIRIT BARS PVT. LTD.	U51220DL2014PTC263173	07th January 2014	09th December 2017	YES

											L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	01st January 2014	09th December 2017	YES
1.2	**Sudarshan Lal Mahandru**	**02327811**	L1, L31	INDOSPIRIT BEVERAGES PVT.LTD	U15100DL2014PTC263174	02nd February 2018	09th August 2018	03rd February 2013	09th December 2017	19th July 2021	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	09th December 2017	09th July 2018	YES
											L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	11th August 2008	15th July 2021	YES
			L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	06th February 2018	19th August 2018	07th February 2013	11th August 2008	15th July 2021	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	09th December 2017	09th July 2018	YES
			L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	02nd February 2018	18th September 2018	03rd February 2013	09th December 2017	09th July 2018	L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	11th August 2008	15th July 2021	YES
1.3	**Geetika Mahandru**	**00860061**	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	02nd February 2018	18th September 2018	03rd February 2013	01st January 2014	22nd July 2019	HCR	INDOSPIRIT BARS PVT. LTD.	U51220DL2014PTC263173	07th January 2014	20th February 2018	YES
											L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	28th November 2006	-	YES

			L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	06th February 2018	19th August 2018	07th February 2013	28th November 2006	-	HCR	INDOSPIRIT BARS PVT. LTD.	U51220DL2014PTC263173	07th January 2014	20th February 2018	YES
											L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	01st January 2014	22nd July 2019	YES
	2018-19															
2																
2.1	**Sameer Mahandru**	**00860038**	L1, L31	INDOSPIRIT BEVERAGES PVT.LTD	U15100DL2014PTC263174	10th August 2018	15th August 2019	11th August 2013	07th January 2014	28th June 2019	HCR	INDOSPIRIT BARS PVT. LTD.	U51220DL2014PTC263173	07th January 2014	09th December 2017	YES
											L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	01st January 2014	09th December 2017	YES
											L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	28th November 2006	28th June 2019	YES
			L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	20th August 2018	15th August 2019	21st August 2013	28th November 2006	28th June 2019	HCR	INDOSPIRIT BARS PVT. LTD.	U51220DL2014PTC263173	07th January 2014	09th December 2017	YES
											L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	01st January 2014	09th December 2017	YES

2.2	**Sudarshan Lal Mahandru**	**02327811**	L1, L31	INDOSPIRIT BEVERAGES PVT.LTD	U15100DL2014PTC263174	10th August 2018	15th August 2019	11th August 2013	09th December 2017	19th July 2021	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	09th December 2017	09th July 2018	YES
											L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	11th August 2008	15th July 2021	YES
			L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	20th August 2018	15th August 2019	21st August 2013	11th August 2008	15th July 2021	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	09th December 2017	09th July 2018	YES
2.3	**Geetika Mahandru**	**00860061**	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	19th September 2018	15th August 2019	20th September 2013	01st January 2014	22nd July 2019	HCR	INDOSPIRIT BARS PVT. LTD.	U51220DL2014PTC263173	07th January 2014	20th February 2018	YES
											L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	28th November 2006	-	YES
			L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	20th August 2018	15th August 2019	21st August 2013	28th November 2006	-	HCR	INDOSPIRIT BARS PVT. LTD.	U51220DL2014PTC263173	07th January 2014	20th February 2018	YES
											L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	01st January 2014	22nd July 2019	YES

2.4	**Rahul Taneja**	**0817 4880**	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	19th September 2018	15th August 2019	20th September 2013	09th July 2018	16th February 2021	L10	A 2 Z TRADE LINKS PVT LTD	U51909DL2004PTC130377	09th July 2018	15th September 2018	YES
	2019-20															
3																
3.1	**Nitin Kapoor**	**0184 7324**	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	18th October 2019	30th June 2020	19th October 2014	03rd March 2020	13th March 2021	L10	A 2 Z TRADE LINKS PVT LTD	U51909DL2004PTC130377	15th November 2007	09th December 2017	YES
											HCR	INDOSPIRIT BARS PVT. LTD.	U51220DL2014PTC263173	02nd May 2016	12th July 2019	YES
3.2	**Sudarshan Lal Mahandru**	**0232 7811**	L1, L31	INDOSPIRIT BEVERAGES PVT.LTD	U15100DL2014PTC263174	20th August 2019	30th June 2020	21st August 2014	09th December 2017	19th July 2021	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	09th December 2017	09th July 2018	YES
											L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	11th August 2008	15th July 2021	YES
			L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	30th September 2019	30th June 2020	01st October 2014	11th August 2008	15th July 2021	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	09th December 2017	09th July 2018	YES

3.3	**Geetika Mahandru**	**0086 0061**	L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909 DL2006 PLC155 940	30th September 2019	30th June 2020	01st October 2014	28th November 2006	-	HCR	INDOSPIRIT BARS PVT. LTD.	U51220D L2014PT C263173	07th January 2014	20th February 2018	YES
											L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228D L2014PT C262950	01st January 2014	22nd July 2019	YES
3.4	**Rahul Taneja**	**0817 4880**	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228 DL2014 PTC262 950	18th October 2019	30th June 2020	19th October 2014	09th July 2018	16th February 2021	L10	A 2 Z TRADE LINKS PVT LTD	U51909D L2004PT C130377	09th July 2018	15th September 2018	YES
	2020-21															
4																
4.1	**Nitin Kapoor**	**0184 7324**	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228 DL2014 PTC262 950	17th July 2020	31st March 2021	19th July 2015	03th March 2020	13th March 2021	L10	A 2 Z TRADE LINKS PVT LTD	U51909D L2004PT C130377	15th November 2007	09th December 2017	YES
											HCR	INDOSPIRIT BARS PVT. LTD.	U51220D L2014PT C263173	02nd May 2016	12th July 2019	YES
4.2	**Sudarshan Lal Mahandru**	**0232 7811**	L1, L31	INDOSPIRIT BEVERAGES PVT.LTD	U15100 DL2014 PTC263 174	04th July 2020	31st March 2021	06th July 2015	09th December 2017	19th July 2021	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228D L2014PT C262950	09th December 2017	09th July 2018	YES
											L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909D L2006PL C155940	11th August 2008	15th July 2021	YES

			L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	16th July 2020	31st March 2021	18th July 2015	11th August 2008	15th July 2021	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	09th December 2017	09th July 2018	YES
4.3	**Geetika Mahandru**	**00860061**	L1F, L32	INDOSPIRIT DISTRIBUTION LIMITED - NEW DELHI	U51909DL2006PLC155940	16th July 2020	31st March 2021	18th July 2015	28th November 2006	-	HCR	INDOSPIRIT BARS PVT. LTD.	U51220DL2014PTC263173	07th January 2014	20th February 2018	YES
											L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	01st January 2014	22nd July 2019	YES
4.4	**Rahul Taneja**	**08174880**	L1F, L32	INDOSPIRIT MARKETING PRIVATE LIMITED	U51228DL2014PTC262950	17th July 2020	31st March 2021	19th July 2015	09th July 2018	16th February 2021	L10	A 2 Z TRADE LINKS PVT LTD	U51909DL2004PTC130377	09th July 2018	15th September 2018	YES

Annexure V
(Referred to in paragraph 3.2)
Suspected Multiple Retail Licenses

Group No.	Year	Licence Type	Licence ID	Licensee ID	Licensee Name	Licensee Address	Payee Code
1	2019-20	L7	L7/2003/000026	9VG1	Vinod Garg	Shop No-07, DDA Market Ground Floor, block & Pocket Bc, Csc Shalimar Bagh, New Delhi - 110088	5200031
	2019-20	L7	L7/2004/000038	9VG3	Vinod Garg	Shop No A1/6, Bhajanpura, Wazirabad Road, New Delhi - 110053	5200038
	2019-20	L7	L7/2004/000039	9VG4	Vinod Garg	17, 18 & 19 Asian Market Push Vihar, MB Road, New Delhi - 110017	5200039
2	2019-20	L7	L7/2004/000040	9SC3	Shymlee Chandel	Shop No.G-1, G-2, Nidhi Plaza, Gulabi Bagh, New Delhi - 110052	5200040
	2019-20	L7	L7/2003/000029	9SC1	Shyamlee Chandel 1	Shop No-29, Hudson Lines, Kingsway Camp, New Delhi - 110009	5200027
	2019-20	L7	L7/2003/000030	9SC2	Shyamlee Chandel 2	5419, Aarya Samaj Road, Karol Bagh, New Delhi - 110005	5200028
3	2019-20	L7	L7/2003/000012	9RD1	Ram Diya 1	Plot No. 2/724, Babarpur Road, Shahdara, New Delhi - 110032	5200020
	2019-20	L7	L7/2003/000024	9RD2	Ramdiya2	G-3 & G-4 Ground Floor, 2286-87, Arya Samaj Road Karol Bagh, Delhi- 110005	5200021
4	2019-20	L7	L7/2004/000044	9BPH	Braham Prakash	Shop No-2,5,6, Ground Floor, Durga Complex, Plot No.-11, Lsc Pkt-B, Mayur Vihar, Delhi - 110091	5200045
	2019-20	L7	L7/2004/000042	9BPR	Braham Prakash	Shop No A-2, Part-2 Kh No. 571, Rajpark Main Sultanpur Road, Sultanpuri, New Delhi - 110086	5200043
5	2019-20	L10	L10/2015/03002	PV02881	Manoj Kumar	Sop No. 2 &2a Situated On Ground Floor-Mall Plot No A-1, Netaji Subhash Place Pitampura, Delhi - 110034	PV02728
	2019-20	L10	L10/2016/03396	PV03217	Manoj Kumar	Shop No.G-41,42, W Mall, Plot No-9, Mangalam Place, Sector-3 Rohini, Delhi-110085	PV04220

Annexure VI
(Referred to in paragraph 4.2.1)
Decline in Excise Revenue due to discretionary increase in EDP and resultant decline in sale

Sl. No.	Name of L1	Brand	Size (ml)	Year	EDP (per case) (in ₹)	Landed Price (per case) (in ₹)	Profit Margin (per case) (in ₹)	WSP per bottle (in ₹)	Total Excise Revenue per bottle (in ₹)	Total number of cases sold	Total number of bottles (xi*no. of bottles in a case)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)
1	Mohan Gold water	Carls Elephant S.S. Beer (650 Ml)	650 (bottle*12)	2017-18	461	488.58	24.43	43.00	68.51	1,62,206	19,46,472
		Carls Elephant S.S. Beer (650 Ml)		2018-19	525	560.79	28.04	49.32	78.09	74,505	8,94,060
		Carls Elephant S.S. Beer (650 Ml)		2019-20	525	560.79	28.04	49.32	78.09	55321	6,63,852
		Carls Elephant S.S. Beer (500 Ml Can)	500 (Can*24)	2017-18	724	760.77	38.04	33.41	54.25	72,998	17,51,952
		Carls Elephant S.S. Beer (500 Ml Can)		2018-19	857	906.38	45.32	39.78	63.78	26,901	6,45,624
		Cals Elephant S.S. Beer (500 Ml Can)		2019-20	857	906.38	45.32	39.78	63.78	21,828	5,23,872

Total Excise Revenue (in ₹) (xii*x)	Total Profit (As per records) (in ₹) (viii*xi)	Benefit due to increase in EDP (over the base year) (in ₹) {(EDP of particular year – EDP of base year of that brand)*xi}	Net Benefit due to increase in profit margin (in ₹) {(Profit margin of particular year – Profit margin of base year of the brand)*xi}	Net Benefit (in ₹) (xiv + xv)	MRP (in ₹) per bottle	Decrease in Excise Revenue due to increase in EDP (Base Year 2017-18) (in ₹) (Total Excise Revenue of base year - Total Excise Revenue of particular year of the brand)	Increase in Net Benefit due to increase in EDP (Base Year 2017-18) (in ₹) (Net Benefit of particular year – Net Benefit of base year of that brand)
(xiii)	**(xiv)**	**(xv)**	**(xvi)**	**(xvii)**	**(xviii)**	**(xix)**	**(xx)**
13,33,52,796.72	39,62,692.58			39,62,692.58	140		
6,98,17,145.40	20,89,120.20	47,68,320.00	2,68,963.05	68,57,440.20	160	6,35,35,651.32	28,94,747.62
5,18,40,202.68	15,51,200.84	35,40,544.00	1,99,708.81	50,91,744.84	160	8,15,12,594.04	11,29,052.26
9,50,43,396.00	27,76,843.92			27,76,843.92	110		
4,11,77,898.72	12,19,153.32	35,77,833.00	1,95,839.28	47,96,986.32	130	5,38,65,497.28	20,20,142.40
3,34,12,556.16	9,89,244.96	29,03,124.00	1,58,907.84	38,92,368.96	130	6,16,30,839.84	11,15,525.04

Sl. No.	Name of L1	Brand	Size (ml)	Year	EDP (per case) (in ₹)	Landed Price (per case) (in ₹)	Profit Margin (per case) (in ₹)	WSP per bottle (in ₹)	Total Excise Revenue per bottle (in ₹)	Total number of cases sold	Total number of bottles (xi*no. of bottles in a case)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)
2	**Empire Alcobrew**	Old Habbit Vodka	750 (bottle* 12)	**2018-19**	1,088	1,147.59	57.38	100.66	179.21	42,653	5,11,836
				2019-20	1,277	1,337.16	66.86	117.25	192.63	35,464	4,25,568
		Old Habbit XXX Rum	750 (bottle* 12)	**2017-18**	899	956.34	47.82	83.93	165.95	94,537	11,34,444
				2018-19	993	1,052.31	52.62	92.33	172.53	54,793	6,57,516
				2019-20	1,135	1,194.73	59.74	104.79	182.58	66,753	80,1036

Total Excise Revenue (in ₹) (xii*x)	Total Profit (As per records) (in ₹) (viii*xi)	Benefit due to increase in EDP (over the base year) (in ₹) {(EDP of particular year – EDP of base year of that brand)*xi}	Net Benefit due to increase in profit margin (in ₹) {(Profit margin of particular year – Profit margin of base year of the brand)*xi}	Net Benefit (in ₹) (xiv+xv)	MRP (in ₹)	Decrease in Excise Revenue due to increase in EDP (Base Year 2017-18) (in ₹) (Total Excise Revenue of base year - Total Excise Revenue of particular year of the brand)	Increase in Net Benefit due to increase in EDP (Base Year 2017-18) (in ₹) (Net Benefit of particular year – Net Benefit of base year of that brand)
(xiii)	(xiv)	(xv)	(xvi)	(xvii)	(xviii)	(xix)	(xx)
9,17,26,129.56	24,47,429.14			24,47,429.14	360		
8,19,77,163.84	23,71,123.04	67,02,696.00	3,36,198.72	90,73,819.04	400	97,48,965.72	66,26,389.90
18,82,60,981.80	45,20,759.34			45,20,759.34			
11,34,41,235.48	28,83,207.66	51,50,542.00	2,63,006.40	80,33,749.66	340	7,48,19,746.32	35,12,990.32
14,62,53,152.88	39,87,824.22	1,57,53,708.00	7,95,695.76	1,97,41,532.22	370	4,20,07,828.92	1,52,20,772.88

Sl. No.	Name of L1	Brand	Size (ml)	Year	EDP (per case) (in ₹)	Landed Price (per case) (in ₹)	Profit Margin (per case) (in ₹)	WSP per bottle (in ₹)	Total Excise Revenue per bottle (in ₹)	Total number of cases sold	Total number of bottles (xi*no. of bottles in a case)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)
3	**ADS Spirits**	THE GENERATION DELUXE BLENDED WHISKY_ TGDB	750 ml(bottle *12)	**2018-19**	2,967	3,035.90	151.79	265.89	309.11	4,656	55,872
				2019-20	3,262	3,325.11	166.26	291.2	325.47	1,768	21,216
		ROYAL GREEN DELUXE BLENDED WHISKY_ RGD	750 ml(bottle *12)	**2018-19**	1,321	1,384.96	69.25	121.43	195.95	10,89,501	1,30,74,012
				2019-20	1,518	1,575.88	78.79	138.14	209.23	10,69,033	1,28,28,396
		Double Blue premium Blended Whisky	750 ml(bottle *12)	**2017-18**	943	1,004.15	50.21	88.11	169.27	42,100	5,05,200
				2018-19	989	1,051.96	52.6	92.3	172.57	33,129	3,97,548
				2019-20	1,328	1,385.31	69.27	121.46	195.92	18,705	2,24,460
		Episode Superior Grain Whisky	750 ml(bottle *12)	**2017-18**	706	766.43	38.32	67.31	152.56	47,847	5,74,164
				2018-19	752	814.25	40.71	71.5	155.87	51,066	6,12,792
				2019-20	806	861.74	43.09	75.65	159.22	43,629	5,23,548

Total Excise Revenue (in ₹) (xii*x)	Total Profit (As per records) (in ₹) (viii*xi)	Benefit due to increase in EDP (over the base year) (in ₹) {(EDP of particular year – EDP of base year of that brand)*xi}	Net Benefit due to increase in profit margin (in ₹) {(Profit margin of particular year – Profit margin of base year of the brand)*xi}	Net Benefit (in ₹) (xiv+xv)	MRP(in ₹)	Decrease in Excise Revenue due to increase in EDP (Base Year 2017-18) (in ₹) (Total Excise Revenue of base year - Total Excise Revenue of particular year of the brand)	Increase in Net Benefit due to increase in EDP (Base Year 2017-18) (in ₹) (Net Benefit of particular year – Net Benefit of base year of that brand)
(xiii)	(xiv)	(xv)	(xvi)	(xvii)	(xviii)	(xix)	(xx)
1,72,70,593.92	7,06,734.24			7,06,734.24	750		
69,05,171.52	2,93,947.68	5,21,560.00	25,582.96	8,15,507.68	800	1,03,65,422.40	1,08,773.44
2,56,18,52,651.40	7,54,47,944.25			7,54,47,944.25	410		
2,68,40,85,295.08	8,42,29,110.07	21,05,99,501.00	1,01,98,574.82	29,48,28,611.07	450	-12,22,32,643.68	21,93,80,666.82
8,55,15,204.00	21,13,841.00			21,13,841.00	330		
6,86,04,858.36	17,42,585.40	15,23,934.00	79,178.31	32,66,519.40	340	1,69,10,345.64	11,52,678.40
4,39,76,203.20	12,95,695.35	72,01,425.00	3,56,517.30	84,97,120.35	450	4,15,39,000.80	63,83,279.35
8,75,94,459.84	18,33,497.04			18,33,497.04	280		
9,55,15,889.04	20,78,896.86	23,49,036.00	1,22,047.74	44,27,932.86	290	-79,21,429.20	25,94,435.82
8,33,59,312.56	18,79,973.61	43,62,900.00	2,08,110.33	62,42,873.61	300	42,35,147.28	44,09,376.57

Sl. No.	Name of L1	Brand	Size (ml)	Year	EDP (per case) (in ₹)	Landed Price (per case) (in ₹)	Profit Margin (per case) (in ₹)	WSP per bottle (in ₹)	Total Excise Revenue per bottle (in ₹)	Total number of cases sold	Total number of bottles (xi*no. of bottles in a case)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)
4	**Buddy (Punjab) Bottlers**	Director's Special Black Deluxe Whisky	750 ml(bottle*12)	**2018-19**	900	956.30	47.81	83.93	165.95	2722	32664
				2019-20	1043	1,099.55	54.98	96.46	175.92	7219	86628

Total Excise Revenue (in ₹) (xii*x)	Total Profit (As per records) (in ₹) (viii*xi)	Benefit due to increase in EDP (over the base year) (in ₹) {(EDP of particular year – EDP of base year of that brand)*xi}	Net Benefit due to increase in profit margin (in ₹) {(Profit margin of particular year – Profit margin of base year of the brand)*xi}	Net Benefit (in ₹) (xiv+xv)	MRP (in ₹)	Decrease in Excise Revenue due to increase in EDP (Base Year 2017-18) (in ₹) (Total Excise Revenue of base year - Total Excise Revenue of particular year of the brand)	Increase in Net Benefit due to increase in EDP (Base Year 2017-18) (in ₹) (Net Benefit of particular year – Net Benefit of base year of that brand)
(xiii)	(xiv)	(xv)	(xvi)	(xvii)	(xviii)	(xix)	(xx)
54,20,590.80	1,30,138.82			1,30,138.82	320		
1,52,39,597.76	3,96,900.62	10,32,317.00	51,760.23	14,29,217.62	350	-98,19,006.96	12,99,078.80

Sl. No.	Name of L1	Brand	Size (ml)	Year	EDP (per case) (in ₹)	Landed Price (per case) (in ₹)	Profit Margin (per case) (in ₹)	WSP per bottle (in ₹)	Total Excise Revenue per bottle (in ₹)	Total number of cases sold	Total number of bottles (xi*no. of bottles in a case)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)
5	**N V Distilleries**	Party Special Rare Whisky	750 ml(bottle*12)	**2017-18**	758	814.06	40.7	71.48	155.89	4,73,217	56,78,604
				2018-19	805	861.2	43.06	75.6	159.28	4,06,352	48,76,224
				2019-20	948	1,004.63	50.23	88.15	169.22	3,10,166	37,21,992
		Party Special Platinum Whisky	750 ml(bottle*12)	**2017-18**	948	1,004.63	50.23	88.15	169.22	4,68,807	56,25,684
				2018-19	1,043	1,099.9	55	96.49	175.88	5,19,404	62,32,848
				2019-20	1,138	1,195.2	59.76	104.83	182.53	4,25,902	51,10,824
		Blue Moon Premium Vodka	750 ml(bottle*12)	**2017-18**	948	1,004.63	50.23	88.15	169.22	64,262	7,71,144
				2018-19	1,090	1,147.05	57.35	100.62	179.26	41,277	4,95,324
				2019-20	1,280	1,337.62	66.88	117.29	192.58	26,960	3,23,520
		Blue Moon Premium Duet Lime N Gin	750 ml(bottle*12)	**2017-18**	948	1,004.63	50.23	88.15	169.22	1,06,974	12,83,688
				2018-19	1,090	1,147.05	57.35	100.62	179.26	47,951	5,75,412
				2019-20	1,280	1,337.62	66.88	117.29	192.58	20,743	2,48,916
		Crazy Romeo Deluxe Rum	750 ml(bottle*12)	**2017-18**	948	1,004.63	50.23	88.15	169.22	4,496	53,952
				2018-19	1,090	1,147.05	57.35	100.62	179.26	18,517	2,22,204
				2019-20	1,280	1,337.62	66.88	117.29	192.58	17,661	2,11,932
		Discovery Elite Whisky	750 ml(bottle*12)	**2018-19**	1,328	1,385.77	69.29	121.5	195.87	1,27,109	15,25,308
				2019-20	1,517	1,575.33	78.77	138.09	209.29	1,24,331	14,91,972
		Blue Moon Premium Extra Dry Gin	750 ml(bottle*12)	**2018-19**	3,261	3,324.57	166.23	291.15	325.52	1,885	22,620
				2019-20	4,412	4,479.02	223.95	392.16	391.17	1568	18,816

Total Excise Revenue (in ₹) (xii*x)	Total Profit (As per records) (in ₹) (viii*xi)	Benefit due to increase in EDP (over the base year) (in ₹) {(EDP of particular year – EDP of base year of that brand)*xi}	Net Benefit due to increase in profit margin (in ₹) {(Profit margin of particular year – Profit margin of base year of the brand)*xi}	Net Benefit (in ₹) (xiv+xv)	MRP (in ₹)	Decrease in Excise Revenue due to increase in EDP (Base Year 2017-18) (in ₹) (Total Excise Revenue of base year - Total Excise Revenue of particular year of the brand)	Increase in Net Benefit due to increase in EDP (Base Year 2017-18) (in ₹) (Net Benefit of particular year – Net Benefit of base year of that brand)
(xiii)	(xiv)	(xv)	(xvi)	(xvii)	(xviii)	(xix)	(xx)
88,52,37,577.56	1,92,59,931.90			1,92,59,931.90	290		
77,66,84,958.72	1,74,97,517.12	1,90,98,544.00	9,58,990.72	3,65,96,061.12	300	10,85,52,618.84	1,73,36,129.22
62,98,35,486.24	1,55,79,638.18	5,89,31,540.00	29,55,881.98	7,45,11,178.18	330	25,54,02,091.32	5,52,51,246.28
95,19,78,246.48	2,35,48,175.61			2,35,48,175.61	330		
1,09,62,33,306.24	2,85,67,220.00	4,93,43,380.00	24,77,557.08	7,79,10,600.00	350	-14,42,55,059.76	5,43,62,424.39
93,28,78,704.72	2,54,51,903.52	8,09,21,380.00	40,58,846.06	10,63,73,283.52	370	1,90,99,541.76	8,28,25,107.91
13,04,92,987.68	32,27,880.26			32,27,880.26	330		
8,87,91,780.24	23,67,235.95	58,61,334.00	2,93,892.24	82,28,569.95	360	4,17,01,207.44	50,00,689.69
6,23,03,481.60	18,03,084.80	89,50,720.00	4,48,884.00	1,07,53,804.80	400	6,81,89,506.08	75,25,924.54
21,72,25,683.36	53,73,304.02			53,73,304.02	330		
10,31,48,355.12	27,49,989.85	68,09,042.00	3,41,411.12	95,59,031.85	360	11,40,77,328.24	41,85,727.83
4,79,36,243.28	13,87,291.84	68,86,676.00	3,45,370.95	82,73,967.84	400	16,92,89,440.08	29,00,663.82
91,29,757.44	2,25,834.08			2,25,834.08	330		
3,98,32,289.04	10,61,949.95	26,29,414.00	1,31,841.04	36,91,363.95	360	-3,07,02,531.60	34,65,529.87
4,08,13,864.56	11,81,167.68	58,63,452.00	2,94,055.65	70,44,619.68	400	-3,16,84,107.12	68,18,785.60
29,87,62,077.96	88,07,382.61			88,07,382.61	410		
31,22,54,819.88	97,93,552.87	2,34,98,559.00	11,78,657.88	3,32,92,111.87	450	-1,34,92,741.92	2,44,84,729.26
73,63,262.40	3,13,343.55			3,13,343.55	800		
73,60,254.72	3,51,153.60	18,04,768.00	90,504.96	21,55,921.60	1000	3,007.68	18,42,578.05

Sl. No.	Name of L1	Brand	Size (ml)	Year	EDP (per case) (in ₹)	Landed Price (per case) (in ₹)	Profit Margin (per case) (in ₹)	WSP per bottle (in ₹)	Total Excise Revenue per bottle (in ₹)	Total number of cases sold	Total number of bottles (xi*no. of bottles in a case)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)
6	**Rock & Storm**	Dennis Special Whisky	750 ml(bottle*12)	**2017-18**	948	1,004.35	50.22	88.13	169.24	9,47,325	1,13,67,900
				2018-19	1,043	1,099.64	54.98	96.47	175.91	8,11,205	97,34,460
				2019-20	1,138	1,194.92	59.75	104.81	182.56	6,38,645	76,63,740
		Revolution Original Vodka	750 ml(bottle*12)	**2017-18**	901	957.21	47.86	84.01	165.86	41,663	4,99,956
				2018-19	1,090	1,146.78	57.34	100.59	179.29	24,688	2,96,256
				2019-20	1,280	1,337.35	66.87	117.27	192.61	15,337	1,84,044
		Revolution Green Apple Vodka	750 ml(bottle*12)	**2017-18**	901	957.21	47.86	84.01	165.86	39,955	4,79,460
				2018-19	1,090	1,146.78	57.34	100.59	179.29	27,007	3,24,084
				2019-20	1,280	1,337.35	66.87	117.27	192.61	13,491	1,61,892
		Revolution Duet Gin N Lime	750 ml(bottle*12)	**2017-18**	901	957.21	47.86	84.01	165.86	27,105	3,25,260
				2018-19	1,090	1,146.78	57.34	100.59	179.29	16,743	2,00,916
				2019-20	1,280	1,337.35	66.87	117.27	192.61	4,808	57,696
		Revolution Premium XXX Rum	750 ml(bottle*12)	**2017-18**	901	957.21	47.86	84.01	165.86	23,811	2,85,732
				2018-19	1,090	1,146.78	57.34	100.59	179.29	11,551	1,38,612
				2019-20	1,138	1,194.92	59.75	104.81	182.56	10,588	1,27,056
		Big Boss Premium Whisky	750 ml(bottle*12)	**2017-18**	758	813.78	40.69	71.46	155.92	1,18,064	14,16,768
				2018-19	806	861.93	43.1	75.67	159.2	1,32,911	15,94,932

				2019-20	948	1,004.35	50.22	88.13	169.24	98,772	11,85,264
		Blue Eyes Pure Grain Vodka	750 ml(bottle*12)	**2018-19**	1,280	1,337.35	66.87	117.27	192.61	20,041	2,40,492
				2019-20	1,518	1,576.06	78.8	138.16	209.21	16,716	2,00,592
		Blue Eyes Green Apple Flavoured Vodka	750 ml(bottle*12)	**2018-19**	1,470	1,527.92	76.4	133.94	205.94	19,231	2,30,772
				2019-20	1,708	1,766.63	88.33	154.83	222.53	19,088	2,29,056

Total Excise Revenue (in ₹) (xii*x)	**Total Profit (As per records) (in ₹) (viii*xi)**	**Benefit due to increase in EDP (over the base year) (in ₹) {(EDP of particular year – EDP of base year of that brand)*xi}**	**Net Benefit due to increase in profit margin (in ₹) {(Profit margin of particular year – Profit margin of base year of the brand)*xi}**	**Net Benefit (in ₹) (xiv+xv)**	**MRP(in ₹)**	**Decrease in Excise Revenue due to increase in EDP (Base Year 2017-18) (in ₹) (Total Excise Revenue of base year - Total Excise Revenue of particular year of the brand)**	**Increase in Net Benefit due to increase in EDP (Base Year 2017-18) (in ₹) (Net Benefit of particular year – Net Benefit of base year of that brand)**
(xiii)	**(xiv)**	**(xv)**	**(xvi)**	**(xvii)**	**(xviii)**	**(xix)**	**(xx)**
1,92,39,03,396.00	4,75,74,661.50			4,75,74,661.50	330		
1,71,23,88,858.60	4,46,00,050.90	7,70,64,475.00	38,61,335.80	12,16,64,525.90	350	21,15,14,537.40	7,40,89,864.40
1,39,90,92,374.40	3,81,59,038.75	12,13,42,550.00	60,86,286.85	15,95,01,588.75	370	52,48,11,021.60	11,19,26,927.25
8,29,22,702.16	19,93,991.18			19,93,991.18	320		
5,31,15,738.24	14,15,609.92	46,66,032.00	2,34,042.24	60,81,641.92	360	2,98,06,963.92	40,87,650.74
3,54,48,714.84	10,25,585.19	58,12,723.00	2,91,556.37	68,38,308.19	400	4,74,73,987.32	48,44,317.01
7,95,23,235.60	19,12,246.30			19,12,246.30	320		
5,81,05,020.36	15,48,581.38	51,04,323.00	2,56,026.36	66,52,904.38	360	2,14,18,215.24	47,40,658.08
3,11,82,018.12	9,02,143.17	51,13,089.00	2,56,463.91	60,15,232.17	400	4,83,41,217.48	41,02,985.87
5,39,47,623.60	12,97,245.30			12,97,245.30	320		
3,60,22,229.64	9,60,043.62	31,64,427.00	1,58,723.64	41,24,470.62	360	1,79,25,393.96	28,27,225.32
1,11,12,826.56	3,21,510.96	18,22,232.00	91,400.08	21,43,742.96	400	4,28,34,797.04	8,46,497.66
4,73,91,509.52	11,39,594.46			11,39,594.46	320		
2,48,51,745.48	6,62,334.34	21,83,139.00	1,09,503.48	28,45,473.34	360	2,25,39,764.04	17,05,878.88
2,31,95,343.36	6,32,633.00	25,09,356.00	1,25,891.32	31,41,989.00	370	2,41,96,166.16	20,02,394.54
22,09,02,466.56	48,04,024.16			48,04,024.16	290		
25,39,13,174.40	57,28,464.10	63,79,728.00	3,20,315.51	1,21,08,192.10	300	-3,30,10,707.84	73,04,167.94
20,05,94,079.36	49,60,329.84	1,87,66,680.00	9,41,297.16	2,37,27,009.84	330	2,03,08,387.20	1,89,22,985.68
4,63,21,164.12	13,40,141.67			13,40,141.67	400		
4,19,65,852.32	13,17,220.80	39,78,408.00	1,99,421.88	52,95,628.80	450	43,55,311.80	39,55,487.13
4,75,25,185.68	14,69,248.40			14,69,248.40	440		
5,09,71,831.68	16,86,043.04	45,42,944.00	2,27,719.84	62,28,987.04	490	-34,46,646.00	47,59,738.64

Sl. No.	Name of L1	Brand	Size (ml)	Year	EDP (per case) (in ₹)	Landed Price (per case) (in ₹)	Profit Margin (per case) (in ₹)	WSP per bottle (in ₹)	Total Excise Revenue per bottle (in ₹)	Total number of cases sold	Total number of bottles (xi*no. of bottles in a case)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)
7	**United Breweries**	Kingfisher Premier Lager Beer	650 ml(bottle*12)	**2017-18**	333	342.88	17.14	30.25	49.45	7,91,489	94,97,868
				2018-19	406	416.1	20.8	36.66	58.94	6,74,272	80,91,264
				2019-20	406	416.1	20.8	36.66	58.94	5,15,976	61,91,712

Total Excise Revenue (in ₹) (xii*x)	Total Profit (As per records) (in ₹) (viii*xi)	Benefit due to increase in EDP (over the base year) (in ₹) {(EDP of particular year – EDP of base year of that brand)*xi}	Net Benefit due to increase in profit margin (in ₹) {(Profit margin of particular year – Profit margin of base year of the brand)*xi}	Net Benefit (in ₹) (xiv+xv)	MRP(in ₹)	Decrease in Excise Revenue due to increase in EDP (Base Year 2017-18) (in ₹) (Total Excise Revenue of base year - Total Excise Revenue of particular year of the brand)	Increase in Net Benefit due to increase in EDP (Base Year 2017-18) (in ₹) (Net Benefit of particular year – Net Benefit of base year of that brand)
(xiii)	(xiv)	(xv)	(xvi)	(xvii)	(xviii)	(xix)	(xx)
46,96,69,572.60	1,35,66,121.46			1,35,66,121.46	100		
47,68,99,100.16	1,40,24,857.60	4,92,21,856.00	24,67,835.52	6,32,46,713.60	120	-72,29,527.56	4,96,80,592.14
36,49,39,505.28	1,07,32,300.80	3,76,66,248.00	18,88,472.16	4,83,98,548.80	120	10,47,30,067.32	3,48,32,427.34

Sl. No.	Name of L1	Brand	Size (ml)	Year	EDP (per case) (in ₹)	Landed Price (per case) (in ₹)	Profit Margin (per case) (in ₹)	WSP per bottle (in ₹)	Total Excise Revenue per bottle (in ₹)	Total number of cases sold	Total number of bottles (xi*no. of bottles in a case)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)
8	**Bacardi**	Bacardi Apple Deluxe Original Apple Rum	750 ml(bottle*12)	**2017-18**	2,176	2,242.44	112.12	196.46	255.92	4,313	51,756
				2018-19	2,366	2,433.01	121.65	213.14	269.23	4,403	52,836
				2019-20	2,698	2,766	138.3	242.28	292.59	4,634	55,608
		Bacardi Limon deluxe Original Citrus Rum	750 ml(bottle*12)	**2017-18**	2,176	2,242.44	112.12	196.46	255.92	15,625	1,87,500
				2018-19	2,366	2,433.01	121.65	213.14	269.23	19,108	2,29,296
				2019-20	2,698	2,766	138.3	242.28	292.59	23,709	2,84,508
		Bacardi Orange Deluxe Original Orange Rum	750 ml(bottle*12)	**2017-18**	2,176	2,242.44	112.12	196.46	255.92	3,678	44,136
				2018-19	2,366	2,433.01	121.65	213.14	269.23	3,767	45,204
				2019-20	2,698	2,766	138.3	242.28	292.59	3,848	46,176
		Bacardi Carta Blanca Superior White Rum	750 ml(bottle*12)	**2018-19**	2,602	2,670.99	133.55	233.96	285.92	27,049	3,24,588
				2019-20	2,697	2,766.27	138.31	242.3	292.57	28,867	3,46,404
		Bacardi Black Original Premium Crafted Rum	750 ml(bottle*12)	**2018-19**	1,273	1,338	66.9	117.32	192.55	35,692	4,28,304
				2019-20	1,368	1,433.28	71.66	125.66	199.21	58,245	6,98,940
		Bacardi Carta Oro Superior Gold Rum	750 ml(bottle*12)	**2018-19**	2,744	2,813.41	140.67	246.42	295.97	1,788	21,456
				2019-20	2,851	2,920.73	146.04	255.81	302.52	1,875	22,500
		Bacardi Premium + Cranberry	275 ml(bottle*24)	**2018-19**	643	651.49	32.57	28.63	47.1	9,556	2,29,344

				2019-20	680	688.6	34.43	30.25	49.45	8,191	1,96,584
		Bacardi Premium + Lemonade	275 ml(bottle*24)	**2018-19**	643	651.49	32.57	28.63	47.1	5,581	1,33,944
				2019-20	680	688.6	34.43	30.25	49.45	4,485	1,07,640
		Bacardi Premium + Cola	275 ml(bottle*24)	**2018-19**	643	651.49	32.57	28.63	47.1	4,234	1,01,616
				2019-20	680	688.6	34.43	30.25	49.45	2,404	57,696
		Bacardi Premium + Orange	275 ml(bottle*24)	**2018-19**	643	651.49	32.57	28.63	47.1	7,102	1,70,448
				2019-20	680	688.6	34.43	30.25	49.45	5,852	1,40,448
		Breezer Premium Blackberry Crush	275 ml(bottle*24)	**2018-19**	643	651.49	32.57	28.63	47.1	19,546	4,69,104
				2019-20	680	688.6	34.43	30.25	49.45	16,010	3,84,240
		Breezer Premium Blueberry	275 ml(bottle*24)	**2018-19**	643	651.49	32.57	28.63	47.1	12,752	3,06,048
				2019-20	680	688.6	34.43	30.25	49.45	11,328	2,71,872
		Brezzer Premium Jamaican Passion	275 ml(bottle*24)	**2018-19**	643	651.49	32.57	28.63	47.1	26,091	6,26,184
				2019-20	680	688.6	34.43	30.25	49.45	22,572	5,41,728
		Breezer Premium Tropical Cranberry	275 ml(bottle*24)	**2018-19**	643	651.49	32.57	28.63	47.1	36032	864768
				2019-20	680	688.6	34.43	30.25	49.45	30438	730512
		Breezer Premium Tropical Orange	275 ml(bottle*24)	**2018-19**	643	651.49	32.57	28.63	47.1	20,860	5,00,640
				2019-20	680	688.6	34.43	30.25	49.45	19,159	4,59,816

Total Excise Revenue (in ₹) (xii*x)	Total Profit (As per records) (in ₹) (viii*xi)	Benefit due to increase in EDP (over the base year) (in ₹) {(EDP of particular year – EDP of base year of that brand)*xi}	Net Benefit due to increase in profit margin (in ₹) {(Profit margin of particular year – Profit margin of base year of the brand)*xi}	Net Benefit (in ₹) (xiv+xv)	MRP (in ₹)	Decrease in Excise Revenue due to increase in EDP (Base Year 2017-18) (in ₹) (Total Excise Revenue of base year - Total Excise Revenue of particular year of the brand)	Increase in Net Benefit due to increase in EDP (Base Year 2017-18) (in ₹) (Net Benefit of particular year – Net Benefit of base year of that brand)
(xiii)	**(xiv)**	**(xv)**	**(xvi)**	**(xvii)**	**(xviii)**	**(xix)**	**(xx)**
1,32,45,395.52	4,83,573.56			4,83,573.56	590		
1,42,25,036.28	5,35,624.95	8,36,570.00	41,960.59	13,72,194.95	630	-9,79,640.76	8,88,621.39
1,62,70,344.72	6,40,882.20	24,18,948.00	1,21,318.12	30,59,830.20	700	-30,24,949.20	25,76,256.64
4,79,85,000.00	17,51,875.00			17,51,875.00	590		
6,17,33,362.08	23,24,488.20	36,30,520.00	1,82,099.24	59,55,008.20	630	-1,37,48,362.08	42,03,133.20
8,32,44,195.72	32,78,954.70	1,23,76,098.00	6,20,701.62	1,56,55,052.70	700	-3,52,59,195.72	1,39,03,177.70
1,12,95,285.12	4,12,377.36			4,12,377.36	590		
1,21,70,272.92	4,58,255.55	7,15,730.00	35,899.51	11,73,985.55	630	-8,74,987.80	7,61,608.19
1,35,10,635.84	5,32,178.40	20,08,656.00	1,00,740.64	25,40,834.40	700	-22,15,350.72	21,28,457.04
9,28,06,200.96	36,12,393.95			36,12,393.95	680		
10,13,47,418.28	39,92,594.77	27,42,365.00	1,37,406.92	67,34,959.77	700	-85,41,217.32	31,22,565.82
8,24,69,935.20	23,87,794.80			23,87,794.80	400		
13,92,35,837.40	41,73,836.70	55,33,275.00	2,77,246.20	97,07,111.70	420	-5,67,65,902.20	73,19,316.90
63,50,332.32	2,51,517.96			2,51,517.96	710		
68,06,700.00	2,73,825.00	2,00,625.00	10,068.75	4,74,450.00	730	-4,56,367.68	2,22,932.04
1,08,02,102.40	3,11,238.92			3,11,238.92	95		
97,21,078.80	2,82,016.13	3,03,067.00	15,235.26	5,85,083.13	100	10,81,023.60	2,73,844.21

63,08,762.40	1,81,773.17			1,81,773.17	95		
53,22,798.00	1,54,418.55	1,65,945.00	8,342.10	3,20,363.55	100	9,85,964.40	1,38,590.38
47,86,113.60	1,37,901.38			1,37,901.38	95		
28,53,067.20	82,769.72	88,948.00	4,471.44	1,71,717.72	100	19,33,046.40	33,816.34
80,28,100.80	2,31,312.14			2,31,312.14	95		
69,45,153.60	2,01,484.36	2,16,524.00	10,884.72	4,18,008.36	100	10,82,947.20	1,86,696.22
2,20,94,798.40	6,36,613.22			6,36,613.22	95		
1,90,00,668.00	5,51,224.30	5,92,370.00	29,778.60	11,43,594.30	100	30,94,130.40	5,06,981.08
1,44,14,860.80	4,15,332.64			4,15,332.64	95		
1,34,44,070.40	3,90,023.04	4,19,136.00	21,070.08	8,09,159.04	100	9,70,790.40	3,93,826.40
2,94,93,266.40	8,49,783.87			8,49,783.87	95		
2,67,88,449.60	7,77,153.96	8,35,164.00	41,983.92	16,12,317.96	100	27,04,816.80	7,62,534.09
4,07,30,572.80	11,73,562.24			11,73,562.24	95		
3,61,23,818.40	10,47,980.34	11,26,206.00	56,614.68	21,74,186.34	100	46,06,754.40	10,00,624.10
2,35,80,144.00	6,79,410.20			6,79,410.20	95		
2,27,37,901.20	6,59,644.37	7,08,883.00	35,635.74	13,68,527.37	100	8,42,242.80	6,89,117.17

Sl. No.	Name of L1	Brand	Size (ml)	Year	EDP (per case) (in ₹)	Landed Price (per case) (in ₹)	Profit Margin (per case) (in ₹)	WSP per bottle (in ₹)	Total Excise Revenue per bottle (in ₹)	Total number of cases sold	Total number of bottles (xi*no. of bottles in a case)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)
9	**Batra Breweries**	Officer's Choice Blue Deluxe Grain Whisky	750 ml(bottle*12)	**2017-18**	994	1,051.81	52.59	92.28	172.59	10,15,558	1,21,86,696
				2018-19	1,040	1,099.63	54.98	96.47	175.91	10,88,063	1,30,56,756
				2019-20	1,135	1,194.91	59.75	104.81	182.56	8,98,534	1,07,82,408
		Jolly Roger Premium XXX Rum	750 ml(bottle*12)	**2017-18**	899	956.53	47.83	83.95	165.93	43,941	5,27,292
				2018-19	945	1,004.35	50.22	88.13	169.24	36,643	4,39,716
				2019-20	1,277	1,337.34	66.87	117.27	192.61	12,686	1,52,232
		Sterling Reserve B7 Rare Blended Whisky	750 ml(bottle*12)	**2018-19**	1,325	1,385.48	69.27	121.48	195.89	1,33,974	16,07,688
				2019-20	1,515	1,576.06	78.8	138.15	209.22	2,09,474	25,13,688

Total Excise Revenue (in ₹) (xii*x)	Total Profit (As per records) (in ₹) (viii*xi)	Benefit due to increase in EDP (over the base year) (in ₹) {(EDP of particular year – EDP of base year of that brand)*xi}	Net Benefit due to increase in profit margin (in ₹) {(Profit margin of particular year – Profit margin of base year of the brand)*xi}	Net Benefit (in ₹) (xiv+xv)	MRP (in ₹)	Decrease in Excise Revenue due to increase in EDP (Base Year 2017-18) (in ₹) (Total Excise Revenue of base year - Total Excise Revenue of particular year of the brand)	Increase in Net Benefit due to increase in EDP (Base Year 2017-18) (in ₹) (Net Benefit of particular year – Net Benefit of base year of that brand)
(xiii)	(xiv)	(xv)	(xvi)	(xvii)	(xviii)	(xix)	(xx)
2,10,33,01,862.64	5,34,08,195.22			5,34,08,195.22	340		
2,29,68,13,947.96	5,98,21,703.74	5,00,50,898.00	26,00,470.57	10,98,72,601.74	350	-19,35,12,085.32	5,64,64,406.52
1,96,84,36,404.48	5,36,87,406.50	12,66,93,294.00	64,33,503.44	18,03,80,700.50	370	13,48,65,458.16	12,69,72,505.28
8,74,93,561.56	21,01,698.03			21,01,698.03	320		
7,44,17,535.84	18,40,211.46	16,85,578.00	87,576.77	35,25,789.46	330	1,30,76,025.72	14,24,091.43
2,93,21,405.52	8,48,312.82	47,95,308.00	2,41,541.44	56,43,620.82	400	5,81,72,156.04	35,41,922.79
31,49,30,002.32	92,80,378.98			92,80,378.98	410		
52,59,13,803.36	1,65,06,551.20	3,98,00,060.00	19,96,287.22	5,63,06,611.20	450	-21,09,83,801.04	4,70,26,232.22
		1,14,78,68,627.00				**1,65,00,00,706.32**	**1,13,90,18,501.85**

Annexure VII
(Referred to in paragraph 5.3)
Details of Testing Laboratories

Sl. No.	Laboratory	Remarks
1	Bali Laboratory	The Laboratory is not NABL accredited
2	Diageo (in-house)	United Spirits Technical Centre (Diageo) not NABL Accredited Diageo India (not approved by NABL)(lab is related to United Spirit)
3	FICCI Research and Analysis Centre, Dwarka	NABL accredited (For testing of Alcohol)
4	Interstellar testing Centre	NABL accredited (For testing of Alcohol)
5	ITA Lab, Goa	Not authorized to conduct biological analysis on Alcohol
6	Jagdamba Laboratories, Jaipur	NABL accredited (For testing of Alcohol)
7	Public Analyst, Punjab	Govt. Lab, not NABL authorized
8	SGS	SGS Not authorized to conduct test on Alcohol
9	Shree Ram Testing Laboratories	Not authorized for testing by NABL on Alcohol
10	The Research Institute Of Material Sciences, New Delhi	NABL accredited (For testing of Alcohol)
11	Vasantdada Sugar Institute	Not authorized to conduct biological analysis on alcohol. The test sample has been submitted in Pune by Allied Blenders Aurangabad. Sample quantity is 1 litre (likely not from batch)
12	Fare Labs Pvt. Ltd	NABL accredited (For testing of Alcohol)
13	Delhi Analytical Research Laboratory	NABL accredited (For testing of Alcohol)
14	AGSS Analytical Research Lab.	NABL accredited (For testing of Alcohol)
15	Sophisticated Industrial Material Analytic Labs Pvt. Ltd	Not authorized to conduct chemical analysis on Alcohol

Annexure VIII
(Referred to in paragraph 5.4.1)
Details of Test Reports of L1 Licensees

1. Adherence of Tests to BIS Standard (L1)

Category	No. of companies	No. of Brands	No. of tests to be done as per BIS	No. of tests actually done as per BIS	No. of tests not done at all	Not done as per BIS/partially done	No detection limit mentioned or vague
Whisky	8	43	516	262	161	0	93
Rum	5	27	378	262	104	9	3
Beer	3	31	356	169	171	16	0
Gin	2	9	126	50	40	6	30
Vodka	3	19	247	147	82	3	15
Wine	1	8	160	36	111	13	0
Low Alcoholic Beverage	2	36	540	285	194	0	61
	Sum	**173**	**2323**	**1211**	**863**	**47**	202
			Percentage	**52%**	**37%**	**2%**	9%

2. Details of water quality (L1)

Category	No. of companies	No. of Brands	No. of tests to be done as per BIS	No. of tests actually done as per BIS	No. of tests not done at all	Partially done
Whisky	8	43	43	0	43	0
Rum	5	27	27	0	21	6
Beer	3	31	31	0	31	0
Vodka	3	19	19	0	18	1
Wine	1	8	8	0	8	0
Low Alcoholic Beverage	2	36	36	0	36	0
Gin	2	9	9	0	9	0
		Sum	**173**	**0**	**166**	**7**
				Percentage	96%	4%

3. Details of Microbiological Tests (L1)

Category	Company	Brands	No. of tests as per BIS	No. of tests actually done	No. of tests not done
Beer	3	31	31	6	25
Wine	1	8	8	0	8
	Sum	**39**	**39**	**6**	**33**
	Percentage			**15%**	**85%**

4. Details of Harmful Ingredients (L1)

Category	Company	Brands	No. of tests to be done as per BIS	No. of tests actually done	No. of tests not done	Not as per BIS/Partially done
Beer	3	31	31	0	31	0
Gin	2	9	9	0	9	0
Rum	5	27	27	0	24	3
Vodka	3	19	19	0	19	0
Wine	1	8	8	0	8	0
Low Alcoholic Beverages	2	36	36	13	23	0
Whisky	8	43	43	0	43	0
		Sum	**173**	**13**	**157**	**3**
			Percentage	**8%**	**91%**	**2%**

5. Details of Methyl Alcohol Test (L1)

Category	Company	Brands	No. of tests to be done as per BIS	No. of tests actually done	No. of tests not done	Not as per BIS/ Partially done	No detection limit/ Vague
Beer	3	31	31	29	2	0	
Gin	2	9	9	3			6
Rum	5	27	27	26	1		
Vodka	3	19	19	15	1	0	3
Wine	1	8	8	8			
Low Alcoholic Beverages	2	36	36	14	0		22
Whisky	8	43	43	18			25
		Sum	**173**	**113**	**4**	**0**	**56**
			Percentage	**65%**	**2%**	**0%**	**32%**

Annexure IX
(Referred to in paragraph 5.4.2)
Details of Test Reports of L1F Licensees

1. Summary of Test Report – Testing as per BIS / International Standard (L 1F)

	Total number of test reports[1]	Number of Tests to be done	Number of tests done, but not done as per BIS/ International Standard	Number of tests done as per correct BIS/ International Standard	Number of tests not done at all	Number of tests done partially	Number of tests done, where value/detection limit not provided
Whisky	130	1560	4	650	904	2	0
Beer	51	576	0	162	414	0	0
Wine	127	2540	0	862	1675	3	0
Rum	4	56	0	16	40	0	0
Vodka	26	338	0	106	231	1	0
Gin	15	210	0	86	124	0	0
	353	**5280**	**4**	**1882**	**3388**	**6**	**0**
			0.07%	35.64%	64.17%	0.11%	0.00%

2. Summary of Test Report – Independent Lab, Report not in English, International Standards (L 1F)

	Total number of test reports	Number of reports where lab not independent or Report not provided	Number of reports not in English (and hence not included in summary of test results as per BIS etc.)	Number of reports OLDER than 1 year prior to application date or Test Date not mentioned or Report not provided	Number of reports where International standards not applied / standards not mentioned or Report not provided
Whisky	130	98		69	88
Beer	51	46		22	40
Wine	159	44	32	84	92
Rum	4	2		2	2
Vodka	26	24		14	22
Gin	15	12		5	10
	385	**226**	**32**	**196**	**254**
		58.70%	8.31%	50.91%	65.97%

3. Details of Methyl Alcohol Test (L1F)

	Total number of test reports[2]	Methyl test done
Whisky	130	82
Beer	51	5
Wine	127	27
Rum	4	2
Vodka	26	19
Gin	15	11
	353	**146**
	Methyl test data not provided	**207**
		58.64%

1 32 Test reports which were not in English have not been included in the summary.
2 32 Test reports which were not in English have not been included in the summary.

4. Details of Microbiological Tests (L1F)

	Total number of test reports[3]	Microbiological test done	Microbiological test data not provided	Percentage
Beer	51	11	40	78.43 %
Wine	127	2	125	98.43 %
	178	**13**	**165**	

5. Details of Old Test Report (L1F)

	Total number of test reports	No Report or OLD report
Whisky	130	18
Beer	51	7
Wine	159	2
Rum	4	2
Vodka	26	4
Gin	15	2
	385	**35**

[3] 32 Test reports which were not in English have not been included in the summary.

Annexure X
(Referred to in paragraph 7.2.2 (ii))
Summary of Stock related comments in Inspection Report

Sl. No.	Type of Licence	Case Reference (Licensee / Date of Inspection)	Comments made in Inspection report	Whether any comment related to Stock issues mentioned in Inspection Report
1	HCR	M/s Roar (31st August 2019)	1. Five suspected liquor bottles 2. Seven empty bottles with no barcode. 3. Full bottle served 4. Brand promotion.	Yes
2	HCR	M/s Roar (13th October 2019)	1.Empty bottle of other vend 2.DVR was not installed	No (there is no comment on overall stock related issue despite empty bottles of other vend found during inspection)
3	HCR	M/s Roar (28th March 2021)	1. Served liquor to underage person 2. Full bottle served 3. Liquor store and bar counter was randomly checked and found valid 4. T.P folder was checked randomly and found valid 5. CCTV cameras found 6. seat cover found as approved	Yes
4	HCR	By the Bay (18th April 2019)	1. Liquor stock checked randomly and found valid. 2. Brand promotion 3. Stock register maintained 4. TP folder found in order	Yes
5	HCR	Raasta (12th September 2016)	Name change of restaurant	No
6	HCR	Raasta (23rd September 2017)	1. Liquor store at bar counter and store was checked randomly and found valid. 2. No NDPL and expire bottle found. 3. No case of sale to underage found. 4. No brand promotion 5. Seat covers were within permissible limit 6. Warning board was not found 7. No seat cover at terrace 8. Name change 9. CCTV camera found 10. Fire sprinklers was found 11. stock register was maintained	Yes
7	HCR	Raasta (25th November 2017)	1. Name change 2. Liquor at bar counters and store was checked randomly and found valid 3. More seat covers found than approved 4. Two bar counters found 5. Liquor was served at open terrace 6. No case of serving liquor to underage found	Yes
8	HCR	Raasta (17th February 2019)	1.Total seats were found to be 116 against the approved 48 2. Liquor served on terrace 3. Two operational bar counters 4. Liquor found outside storage area. 5. Expired beer found during random check of stock 6. Brand Promotion observed	Yes

Sl. No.	Type of Licence	Case Reference (Licensee / Date of Inspection)	Comments made in Inspection report	Whether any comment related to Stock issues mentioned in Inspection Report
9	HCR	Hall of Fame (5th September 2015)	1. Liquor served beyond 1:00 AM, Chargeable entry. 2. team scanned 20 liquor bottles lying in the bar counter through HHT; all those bottles were transported through valid TP	No (Comment made only for the liquor found at bar counter. No comments made of liquor found at store.)
10	HCR	Hall of Fame (18th September 2016)	1. Name Change of Restaurant 2. Operation beyond permissible timing 3. 17 Liquor bottle without barcodes	No (there is no comment on overall stock related issue despite 17 liquor bottles without barcode found)
11	HCR	Hall of Fame (15th October 2017)	1. Liquor store at bar counter and store was checked randomly and found valid. 2. No NDPL and expire bottle found. 3. No case of sale to underage found. 4. Dry store was attached with L-16 store 5. Seat covers were within permissible limit 6. Warning board was not found 7. Name change 8. CCTV camera found 9. Fire sprinklers was found 10. stock register was maintained	Yes
12	HCR	Hall of Fame (24th January 2018)	1. Liquor store at bar counter and store was checked randomly and found valid. 2. No NDPL and expire bottle found. 3. Two Bar counters 4. Dry store was attached with L-16 store 5. Seat covers were within permissible limit 6. No case of serving to underage 7. Name change 8. CCTV camera found 9. stock register was maintained	Yes
13	HCR	Hall of Fame (12th April 2018)	1. Name Change of Restaurant 2. Liquor stock randomly checked and found 200 bottles pertains to other vend 3. No NDPL found 4. No case of serving to underage 5. seat covers were found within permissible limit 6. stock register was maintained	Yes
14	HCR	Uncultured, (5th April 2019)	1. Liquor stock was randomly checked and 47 no. of expired beers found. 2. Two bar counters found 3. Extra Seat cover	Yes
15	HCR	Uncultured, (1st June 2019)	1.Two Bar counters 2. Extra seat covers found Liquor was served on third floor open to sky 3. Liquor stock was checked randomly and found valid 4. Stock register was maintained 5. TP folder was maintained	Yes

Sl. No.	Type of Licence	Case Reference (Licensee / Date of Inspection)	Comments made in Inspection report	Whether any comment related to Stock issues mentioned in Inspection Report
16	HCR	Uncultured, (25th February 2021)	1.License was approved for 2nd and 3rd floor but liquor was served in open area and upper terrace. 2. Extra seat covers found 3. Two bar counters found 4. Liquor stock was checked randomly and bottles pertains to other vend found 5. bottles with damaged bar code found	Yes
17	HCR	M/s DA Code (2nd December 2018)	1.Time of closure 2. Underage drinking 3. Excess seat 4. No CCTV footage 5. Refusal to sign Inspection report	No
18	HCR	M/s DA Code - L17-(13th June 2019)	1.Obstruction to inspection 2. Timing of closure. 3.NDPL 4. During random check of stock bottles of Other Vend stock found 5. Tampering of Billing system	Yes
19	HCR	M/s Barshala (A unit of Indospirits Bars Pvt Ltd) at 2, Community Centre, East of Kailash'-(16th August 2016)	1.Serving Nips and Miniatures of various brands 2. During random check of stock 12 beer bottles with status shown at "Warehouse" found 3. Non-updation of Stock register 4. Brand promotion 5. Non-availability of CCTV footage 6. No statutory warning at Bar counter	Yes
20	HCR	My Bar- HQ-17/09/2016	1. Seat covers ok 2. Stock checked randomly and found valid 3. Other vend bottles 4. CCTV found 5. Fire extinguishers found 6. No instance of underage found	Yes
21	HCR	My Bar- HQ- (24th November 2017)	50 cases outside the store	No
22	HCR	My Bar- HQ- (8th November 2019)	1.Serving liquor to underage 2. Brand promotion 3. Liquor outside 4. Stock checked randomly and found valid 5. Stock register was maintained 6. TP folder was maintained	Yes
23	HCR	My Bar- HQ- (20th October 2020)	1.Tampering Of Inspection register 2. Brand promotion 3. Seat covers were under limit 4. Stock checked randomly and found valid.	Yes
24	HCR	My Bar- Paharganj-(24th July 2016)	1.Expired TP bottles 2. Name change of restaurant	No
25	HCR	Nukkad Cafe & Bar (16th September 2017)	1.48 seat covers including open area instead of approved 36 seat cover 2. Liquor stock was checked randomly and found valid	Yes
26	HCR	Safdarjung Enclave (25th August 2020)	1.Stock variation 2. Excess Stock	Yes

Sl. No.	Type of Licence	Case Reference (Licensee / Date of Inspection)	Comments made in Inspection report	Whether any comment related to Stock issues mentioned in Inspection Report
27	HCR	Lord of Drink (22nd January 2020)	TP received physically and only bottle pertain to the T.P was present at the shop whose status was showing "in transit"	No (Only stock related to expired TP was checked)
28	HCR	Imperfecto (23rd November 2019)	1.Serving of liquor to underage person 2. Name was different with separate portion 3. Seat covers found in two places 4. Three bar counters found 5. Staff served full bottle to customer 6. Brand promotion 7. Liquor stock checked randomly and found valid	Yes

Annexure XI
(Referred to in paragraph 7.2.2 (iii))
Status of Suspected Bottles (HCR)

Type of Licensee		**Hotel**	**Club**	**Grand Total**
Number of Licensees		9	1	10
Number of Inspections in which bottles found		11	1	12
Total Number of suspected bottles		548	3044	3592
Status of suspected bottles as per Inspection Report/TCS Report/Show Cause Notice	MSR Gap/ Stock take sold (Declared sold earlier by Licensee)	0	0	0
	Status "shown at warehouse"	12	0	12
	status "shown as sold at some other vend"	298	0	298
	Barcode not found	25	0	25
	Damaged Barcode/ non-scannable	6	0	6
	Expired bottles	143	0	143
	Bottles belongs to the Expired T.P	7	0	7
	Suspected bottle (no reason provided for suspicion)	5	0	5
	Bottle seizure	0	0	0
	Stock Variation (Excess bottle found)	0	1	1
	Stock Variation (less bottle found at vend)	0	3043	3043
	Number of barcodes declared fake/duplicate after investigation	0	0	0
	Number of bottles declared NDPL	52	0	52
	Number of bottles seized	52	0	52

Annexure XII
(Referred to in paragraph 7.2.4 (i))
Status of Suspected Bottles (retail vends)

Type of Licensee		L-10	L-7	L-6	Total
Number of Licensees		2	2	3	**7**
Number of Inspections		5	2	3	**10**
Total Number of suspected bottles		1391	6699	29	**8119**
Status of suspected bottles as per Inspection Report/TCS Report/Show Cause Notice	**MSR Gap/ Stock take sold (Declared sold earlier by Licensee**	869	763		**1632**
	Bottles of other vends	15	0	0	**15**
	Invalid/Not part of ESCIMS	21	1	0	**22**
	Dispatched from Distillery/ Received at BWH/Damaged at BWH	0	330	0	**330**
	Bottles belongs to the Expired T.P (present at vend)	300	0	0	**300**
	Sold at vend earlier found in the vend at time of Inspection	72	0	0	**72**
	Expired Bottles	120	75	0	**195**
	Shown as stock variation (Excess stock found)	0	632	0	**632**
	Stock variation (Missing stock)	0	4784	0	**4784**
	Suspected bar codes (same 1D& 2D barcode/bottles with same barcode/Printed and scanned barcode not same)	0	55	0	**55**
	Returned at vend	0	59	0	**59**
	Low quality Liquor	0	0	4	**4**
	Sold without scanning to decoy customer	0	0	1	**1**
	Liquor sold beyond limit (To Decoy Customer)	0	0	24	**24**
	Number of bottles seized as evidence or for further investigation	1	48	4	**53**
	Declared NDPL/Illicit Liquor after investigation	0	0	0	**0**
	Number of barcodes declared fake after investigation	0	0	0	**0**
	Number of bottles mentioned in the inspection report but not taken in SCN	2	0	0	**2**

Annexure XIII
(Referred to in paragraph 7.2.4 ((iii))
Status of SCN issued to other Vends

Sl.No.	Type of Licence	Case Reference (Licensee / Date of Inspection)	Violations noted during Inspection.	Whether SCN issued to other involved licensee
1	HCR	M/s Roar (13th October 2019)	Empty bottle of Other vend, No DVR installed	No SCN Issued
2	HCR	Hall of Fame (12th April 2018)	Name Change, 200 Foreign Vend Bottles	No SCN Issued
3	HCR	Uncultured (25th February 2021)	Liquor Served on Open Terrace, Seats beyond approved capacity, Additional Bar Counter, One Foreign Vend Bottle, Eight Barcodes not found (being searched in archived data), Six unscannable/damaged barcodes	No SCN Issued
4	HCR	M/s DA Code (13th June 2019)	Obstruction to inspection, Timing of closure, NDPL, Other Vend stock, Tampering of Billing system	No SCN issued
5	HCR	M/s Barshala (A unit of Indospirits Bars Pvt Ltd) at 2, Community Centre, East of Kailash' (16th August 2016)	Serving Nips and Miniatures of various brands, 12 beer bottles with status shown at "Warehouse", non-updation of Stock register, brand promotion, unavailability of CCTV footage, and no statutory warning at Bar counter (TCS Report = As per the report 1 bottle was received at warehouse, one bottle was damaged at warehouse and 10 were shown as sold to Barshala on 29th November 2016)	No SCN issued
6	L-10	Berch Holding- (11th October 2017)	Other Vend bottle, Expired beer, Case barcode "invalid"	No SCN issued
7	L10	M/s Big Way Export Pvt. Ltd. (15th June 2015)	Five bottles of whisky could not be scanned (The inspecting team, on the basis of scrutiny of some record and Transport Permit, showed the status of these bottles in the Inspection Report as "At Vend")	Show Cause Notice was issued to M/s Brindco Sales Ltd on 30th June 2015 but no Show Cause Notice was issued to M/s Indospirit Distribution Ltd.

Annexure XIV
(Referred to in paragraph 7.2.5)
Summary of Repeat Violations

Sl. No.	Type of Licence	Case Reference (Licensee / Date of Inspection)	Violations noted during Inspection	Quantum of Penalty	Whether Similar Violations noted in future for this particular licensee?	Violations Noted during future Inspection	Quantum of Penalty imposed for violations noted during future Inspection
1	HCR	M/s Roar (31 August 2019)	Five Suspected Liquor bottles, Seven bottles with no barcode, Brand Promotion, Full bottle served	₹ 31.88 lakh (₹ 1.25 lakh for 100% of license fee and ₹ 10.63 lakh for round the clock service)	Yes	Full Bottle served (Inspection dated 28 March 2021)	₹ 0.50 lakh
2	HCR	Raasta (12 September 2016)	Name Change of Restaurant	₹ 0.63 (10% of License Fee)	Yes	**Name Change of Restaurant** and No display of statutory warning (Inspection dated 23 September 2017) **Name change of restaurant**, Liquor served on open terrace, total seats were 128 against the approved 48, two operational bar counters (Inspection dated 25 November 2019)	No action taken for inspection dated 23 September 2017 ₹ 7.00 lakh collective penalty for all violations noticed in inspection dated 25 November 2019
3	HCR	Raasta (25 November 2017)	Name Change of restaurant, **Liquor served on open terrace, Total seats were 128 against the approved 48, Two operational bar counters**	₹ 7.00 lakh	Yes	**Liquor served on open terrace, Two operational bar counters, Total seats were found 116 against the approved 48** (Inspection dated 17 February 2019)	₹ 9.37 lakh (collective for all violations)
4	HCR	Hall of Fame (5 September 2015)	**Liquor served beyond 1:00 AM**, Chargeable entry	Warning	Yes	Name Change of Restaurant, **Liquor served beyond 1.00 AM**, 17 Liquor bottle without barcodes (Inspection dated 18 September 2016)	₹ 2.50 lakh collective for all violations

Sl. No.	Type of Licence	Case Reference (Licensee / Date of Inspection)	Violations noted during Inspection	Quantum of Penalty	Whether Similar Violations noted in future for this particular licensee?	Violations Noted during future Inspection	Quantum of Penalty imposed for violations noted during future Inspection
5	HCR	Hall of Fame (18 September 2016)	**Name Change of Restaurant**, Liquor served beyond 1.00 AM, 17 Liquor bottle without barcodes	₹ 2.50 lakh	Yes	**Name Change of Restaurant**, Dry Store attached to L-16 store (Inspection dated 15 October 2017) **Name Change**, Two operational Bar counters, Dry store attached to L-16 store (Inspection dated 24 January 2018) **Name change of Restaurant**, 200 bottle of different vend (Inspection dated 12 April 2018)	No action taken in Inspection dated 15 October 2017 and 24 January 2018. ₹ 5.00 lakh collective for all violations (Inspection dated 12 April 2018)
6	HCR	Hall of Fame (15 October 2017)	Name Change of Restaurant, Dry Store attached to L-16 store	No action taken	Yes	Name Change, Two operational Bar counters, Dry store attached to L-16 store (Inspection dated 24 January 2018)	No action taken
7	HCR	Hall of Fame (24th January 2018)	Name Change, Two operational Bar counters, Dry store attached to L-16 store	No action taken	Yes	Name change of Restaurant, 200 bottle of different vend (Inspection dated 12 April 2018)	₹ 5.00 lakh collective for all violations (Inspection dated 12 April 2018)
8	Restaurant	Uncultured (5th April 2019)	Expired Beer, Liquor Served on Open Terrace, Seats beyond approved capacity, Additional Bar Counter	₹ 3.96 lakh (Expired beer - ₹ 0.10 lakh, Additional Bar counter - ₹ 0.10 lakh, Extra Seats - 50% of License Fee i.e. ₹ 3.76 lakh)	Yes	Liquor Served on Open Terrace, Seats beyond approved capacity, Additional Bar Counter (Inspection dated 1 June 2019) Liquor Served on Open Terrace, Seats beyond approved capacity, Additional Bar Counter, bottle belong to other vend and bottles with damaged bar codes (Inspection dated 25 February 2021)	₹ 8.37 lakh (10% of License Fee for additional bar counter- ₹ 0.84 lakh, 100% of License Fee difference- ₹ 7.52 lakh) for (Inspection dated 1 June 2019) ₹ 9.70 lakh (₹ 8.28 lakh for extra seat covers, 10% of license fee for additional bar counter - ₹ 0.92 lakh and ₹ 0.50 lakh for liquor served at open sky)

Sl. No.	Type of Licence	Case Reference (Licensee / Date of Inspection)	Violations noted during Inspection	Quantum of Penalty	Whether Similar Violations noted in future for this particular licensee?	Violations Noted during future Inspection	Quantum of Penalty imposed for violations noted during future Inspection
9	Restaurant	Uncultured 1st June 2019)	Liquor Served on Open Terrace, Seats beyond approved capacity, Additional Bar Counter	₹ 8.37 lakh (10% of License Fee for additional bar counter-₹ 0.84 lakh, 100% of License Fee difference- ₹ 7.52 lakh)	Yes	Liquor Served on Open Terrace, Seats beyond approved capacity, Additional Bar Counter, bottle belong to other vend and bottles with damaged bar codes (Inspection dated 25 February 2021)	₹ 9.70 lakh (₹ 8.28 lakh for extra seat covers, 10% of license fee for additional bar counter - ₹ 0.92 lakh and ₹ 0.50 lakh for liquor served at open sky)
10	Restaurant	M/s DA Code (2nd December 2018)	**Restaurant was found open beyond permissible time**, Underage drinking, Excess seat, No CCTV footage, Refusal to sign Inspection report	₹ 3.99 lakh	Yes	**Restaurant was found open beyond permissible time**, bottle found pertaining to other vend, wrong time was set in the billing system deliberately (Inspection dated 13 June 2019)	License was cancelled by Excise Department but later on High Court allowed the licensee to apply for new license
11	Restaurant	My Bar-HQ (24th November 2017)	50 cases outside the store	₹ 0.10 lakh	Yes	Liquor served to underage, Brand promotion**, Liquor stock was found kept outside the store** (Inspection dated 8 November 2019)	₹ 1.00 lakh collective for all violations

Annexure XV
(Referred to in paragraph 8.2.1)
Decision taken without approval of Cabinet and/or obtaining the opinion of Lieutenant Governor

1. **Relaxation regarding coercive action against the Licensee in case of any default of payment of license fee within prescribed stipulated time** - As per the clause 4.1.3(iii) of the policy, if the licensee fails to pay all the dues (including interest and penalty for late payment) by the last day of the month then security deposit shall be forfeited and the license shall be cancelled and retendered. However, the licensees, in regular course, were not paying license fee even by the end of the month in which all payments were due. Regarding this, the proposal that coercive action amounting to cancellation of license, due to any default in payment of dues, be kept in abeyance till the end of the Excise Year 2021-22 was approved by the Department on 20 January 2022. This decision was taken and implemented without taking approval of Cabinet and opinion of Lieutenant Governor. Notably, two licensees defaulted in payment of license fee as mentioned in Paragraph no. 8.5.4

2. **Waiver/reduction in license fee –**Waiver of ₹ 144 crore as license fee of January 2022 due to COVID restrictions imposed vide DDMA orders was granted to retail licensees without taking approval of the Cabinet.

3. **Opening of liquor vends in conforming area in lieu of mandatory liquor vends to be opened in non-conforming wards-** Lieutenant Governor had constituted a Committee under the chairmanship of Vice-Chairman, DDA to examine the issue of opening of liquor vends in non-conforming and to give suitable recommendations. The Committee recommended opening of additional vends in conforming wards in lieu of vends falling in non-conforming wards. Subsequently, the licensees were permitted to open the additional vends in lieu of non-conforming wards in one month's period, without requisite approval of either the Cabinet or opinion of the Lieutenant Governor.

4. **Extension of Excise Policy 2021-22-** As per Rule 34(2) of the Delhi Excise Rule, 2010 "the Government may extend duration of any non-renewable license (e.g. wholesale license) expiring on 31 March in any year for such further period or periods as deemed fit on payment, in advance, of such fees as may be fixed". However, Excise Policy 2021-22 (which included non-renewal license) was initially extended up to 31 May 2022 and then up to 31 July 2022 without either taking approval of the Cabinet or seeking opinion of Lieutenant Governor.

5. **Refund of Earnest Money Deposit (EMD) in case of Airport Zone** –The tender for Airport Zone was floated on 28 June 2021. Subsequently, in response to the pre-bid queries, it was ordered on 9 July 2021 that EMD should be refunded if the applicant fails to obtain NOC for opening of liquor vends from Airport Authorities within 30 days. Tender conditions were changed accordingly without approval from the Cabinet.

6. **Correction in formulae for calculating MRP in case of Foreign Liquor**- On 1 November 2021, the proposal regarding correction in formulae for calculating the rates of beer and foreign liquor was approved. While approving the proposal, it was mentioned that ratification can be done later by GoM and the Cabinet. This was in violation of Rule 54(1) of the Delhi Excise Rules, 2010, according to which the criteria for fixation of wholesale or MRP of liquor for each licensing year shall be decided by the Excise Commissioner, with the approval of the Government (i.e. Lieutenant Governor).

Annexure XVI
(Referred to in paragraph 8.4.3.1)
Cross Ownership

Licensee Name	Licensee type	Linkage with Entity	Linked Entity Type	Remarks
Mahadev Liquors	L1	Medusa Beverages Pvt. Ltd.	Manufacturer/ Distillers	Sunny Marwah, a partner in Mahadev Liquor and was a director in Medusa Beverages till August 2019.
Mahadev Liquors	L1	Gemini Distilleries (Patiala) Pvt. Ltd.	Manufacturer/ Distillers	Arpan Sood, a partner in Mahadev Liquor was a director of Gemini Distilleries, Patiala till April 2021.
Mahadev Liquors	L1	Bhagwati Transformer Corporation	L7Z	Sunny Marwah, a partner in Mahadev Liquor is the son of Kulvinder Nath Marwah who is a partner in Bhagwati Transformer Corp. Sunny Marwah is also a retiring partner in Bhagwati Transformer Corp as per partnership deed dated July 2021.
M/s Indospirits	L1	Indospirit Beverages Pvt. Ltd.	Manufacturer/ Distillers	Sameer Mahandru, a partner in M/s Indospirits through Indospirit Distribution, was also a director of Indospirit Beverages till June 2019. Vibhooti Sharma, a director of Indospirit Beverages was director of Indospirit distribution till July 2021.
M/s Indospirits	L1	Indospirit Bars Pvt. Ltd. (HCR)	HCR	Geetika Mahandru is a director in Indospirit Distribution which declares Indospirit Bars as an associate company.
M/s Indospirits	L1	Khao Gali Restaurants Pvt Ltd.	L7Z	Shyam Kundan Lal Kapur (Director of Khao Gali) was Director of Karamchand Domestic Products (an associated company of Indospirt Distribution ltd.) in 2021. Indospirit distribution is a partner in M/s Indospirit.
Popular Spirits	L7Z	Buddy (Punjab) Bottlers Pvt. Ltd.	Manufacturer/ Distillers	Sahil Arora, a designated partner in Popular spirits was the director of Buddy (Punjab) bottlers till July 2021.
Popular Spirits	L7Z	Buddy (T1D) Retail Pvt. Ltd.	L7Z	Sahil Arora, a designated partner in Popular spirits was the director of Buddy (T1D) Retail Pvt. Ltd. till July 2021.
KSJM Spirits	L1	Buddy (T1D) Retail Pvt. Ltd.	L7Z	Amit Arora, a designated partner in KSJM spirits till July 2021, is the active director of Buddy (T1D) Retail Pvt. Ltd.
KSJM Spirits	L1	Buddy (Punjab) Bottlers Pvt. Ltd.	Manufacturer/ Distillers	Ashwani Bhatia was designated partner in KSJM spirits and director in Buddy (Punjab) bottlers till July 2021.
Nova Garments	L7Z	Oasis Distilleries Limited	Manufacturer/ Distillers	Erawat Singh, a director in Nova Garments till March 2021 is an active director in Oasis Distilleries. He is also an active director in two shareholding companies (Sandhu Electronics and Ganpati Detergents) of Nova Garments.
Gautam Wines	L1	Oasis Distilleries, and Vijeta Beverages Ltd.	Manufacturer/ Distillers	Common Shareholding and Management of Dimpy Malhotra, Gautam Maholtra etc.

Licensee Name	Licensee type	Linkage with Entity	Linked Entity Type	Remarks
Organomix Ecosystems	L7Z	Nethravathi Distilleries Pvt. Ltd.	Manufacturer/ Distillers	Vaibhav Duvvur was a director of Organomix till July 2021 and director of Nethravathi Distilleries till June 2021.
Raisen Marketing	L7Z	Som Distilleries Pvt. Ltd.	Manufacturer/ Distillers	Som Group was promoter of Raisen Marketing in 2019-20. Later a shareholder (Avinash Chalana) of Som distillery was a majority stakeholder in Raisen Marketing through Avinash Chalan & co.
Khao Gali Restaurants Pvt. Ltd.	L7Z	Magunta Agro Farms Pvt. Ltd.	L7Z	For Khao Gali Restaurants, a portion of EMD (₹ 15 crore) was paid by Zainab Trading, and for Magunta Agro Farms Pvt. Ltd., EMD was paid by Hiwide Enterprises (₹ 5 crore), Primus Enterprises (₹ 30 crore) and Bubbly Beverages (₹ 25 crore). Notably, Zainab trading and Hiwide Enterprises share the same business address and a common Director. Similarly, Bubbly Beverages shares the same business address with Khao Gali Restaurants and is linked to Indospirit Group companies through past directorship.

Annexure XVII
(Referred to in paragraph 8.6.2)
Vends of Zone-23 opened in non-conforming wards

Sl. No.	Zone	Ward	Address	Document submitted by licensee regarding location status of shop	Inspection date and status of location of shop provided by inspection team	Date of issue of License	Shop sealed by MCD because of non-conforming ward
1	23	33 N	Plot no 1, Khasra no. 10/9, G.F, Block – B, Rajeev Nagar, Village Begumpur, Delhi-110086	1.Affidavit 2. Mentioned mixed land use as land use premises of proposed shop in application form 3. UD notification of commercial street –Sector-18 rohini internal road – from B-8/64 to B-2/1.	8 Nov 2021 Conforming Area	19 Nov 2021	Yes, in Jan 2022
2	23	97 S	shop no. 5,6,7,8 GF, I-Block, Gali no 21, Main Tanki Road Nagar Market, Hari Nagar Extension – III, Delhi - 110044	1.Affidavit 2. Mentioned residential as land use premises of proposed shop in application form. 3. UD notification of commercial street –main badarpur market, Badarpur.	8 Nov 2021 Commercial	23 Nov 2021	Yes, in Feb 2022
3	23	30 S	A-49-A, Dashrath Puri, Delhi-110045	1.Affidavit 2. Mentioned commercial as land use premises of proposed shop. 3. MCD conversion charge slip and house tax slip.	8 Nov 2021 Conforming Area on the basis of conversion slip	16 Nov 2021	Yes, in Jan 2022
4.	23	30 S	1-A, Khasra no 14/13, First Floor and Second Floor, Village Dabri Colony, Harijan Basti, Delhi -110045	1.Affidavit 2. Mentioned commercial as land use premises of proposed shop. 3. UD notification of commercial street from Ambedkar Smriti Smarak to S.K. Telecom Centre (R.H.S.)	8 Nov 2021 Conforming Area	17 Nov 2021	Yes, in Jan 2022

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