

Low risk, high profit: Amid rising taxes, fake cigarettes flood Kochi

Jose K Joseph, 10 Feb 2026

Counterfeit products are produced in unregulated factories abroad and smuggled into Kerala.



While the government continues to raise taxes to discourage smoking, an unintended underground economy is flourishing — counterfeit cigarettes.

A TNIE investigation has found that smuggling networks are exploiting India's steep tobacco taxes to push fake Indian cigarette brands into Kerala, with Kochi emerging as a key transit and consumption hub.

Many of India's most popular cigarette brands are being illegally manufactured abroad at less than half the market price. These counterfeit cigarettes are produced in unregulated factories in Indonesia, South Korea and Cambodia. For Kerala, Cambodia has emerged as the principal source.

Despite repeated crackdowns by customs, the supply chain remains resilient. Smuggled cigarettes continue to reach tea shops, kiosks, and bars across Kochi. Customs officials said smugglers increasingly prefer cigarettes as the risk involved is relatively low while profit margins are exceptionally high. Though cigarette smuggling carries hefty fines and imprisonment, what attracts smugglers is the margin of profit.

A senior Customs official said, "In the case of gold, the investment cost is very high, and losses are heavy if a carrier is caught. Cigarettes are different." Officials explained that a single 40-kg check-in luggage can carry cigarettes worth around ₹15 lakh. Since these are manufactured illegally without paying tax, the profit can be more than double the investment. Even if a consignment is seized, smugglers are often able to recover losses through subsequent shipments. Unlike narcotics or gold, cigarette smuggling is widely perceived as a low-risk offence, encouraging networks to use regular passengers, including women, as carriers.

Seizures reveal scale

Data from Kochi airport highlights the magnitude of the problem. During the 2024-25 financial year, customs seized cigarettes worth `8.7 crore. From April 2025 to January 2026, seizures totalled another `1.45 crore. "A major chunk of the seizures involved counterfeit Indian brands and foreign cigarettes without statutory pictorial health warnings," a customs official said.

On Kochi's streets, identifying counterfeit cigarettes is extremely difficult, especially when they are sold loose. The TNIE investigation found that many small kiosks and tea shops avoid selling full packets and instead sell individual sticks.

At a small tea shop in the city, Antony Xavier admitted to selling counterfeit cigarettes. "We don't sell them in packets. We sell them loose," he said. "We make a profit of around `6 per cigarette stick. So far, there have been no complaints.

They are cheap because no tax is paid. Foreign cigarettes are supplied to regular customers at prices ranging from `300 per pack, depending on demand. Many buyers prefer them, as they do not carry the graphic cancer warning images found on Indian cigarette packs."

Several youngsters were seen taking cigarette breaks at the shop, unaware that they were consuming counterfeit products with unknown contents.

Inside the supply chain

While tracing the supply chain, Antony led this correspondent to a bar believed to be part of the distribution network. There, a man identifying himself as Raghu appeared to be a key link in the supply of counterfeit and foreign cigarettes. Raghu was cautious and demanded bank transaction records and a copy of the shop's licence before agreeing to supply cigarettes.

"The government has increased GST on cigarettes. They fall under the 40% tax slab, so demand for counterfeit cigarettes is high. We check bank statements to understand genuine sales, especially since most customers pay using QR codes and digital payments," he said. Only after verification, he said, would foreign or counterfeit cigarettes be supplied.

As enforcement agencies struggle to keep pace, a troubling question remains: are higher cigarette taxes curbing smoking or quietly fuelling a low-risk, high-profit smuggling economy?

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