

# Duplicate cigarette factory busted, goods worth Rs 100 crore seized

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- The unit situated on two acre land inside Pandhurna had a set-up at par with cigarette factory of any big brand with machines bought from Germany and UK
- The raid also revealed tax evasion to the tune of hundreds of crore by this unit operating under the veil of secrecy

## ■ Staff Reporter

A SPECIAL squad of Central Excise Department, on wee hours of Sunday, busted a fake cigarette factory operating clandestinely near Pandhurna and seized counterfeit cigarettes worth Rs 100 crore. The factory was manufacturing duplicate cigarettes of "One & Only" and "Davidoff" brands which are popular internationally, with approximate capacity of 600 CFC cigarettes (One CFC = 10,000 cigarettes) in one shift of eight hours.

According to trade sources,

most of the cigarette factories are functioning in single shift while this nameless factory functioned 24x7 at least for last two years without paying a single penny to the state exchequer.

The raid also revealed massive tax evasion by this unit operating under the veil of secrecy which is pegged to the tune of hundreds of crore by the officials. The entire set-up was at par with cigarette factory of any big brand and had machines from Germany and UK.

Apparently, the duplicate cigarettes so produced were pumped into the market using familiar channel of *paan* kiosks, daily needs and small grocery stores at a very attractive price. Most of the workers were from Balaghat and were provided accommodation at Pandhurna by the promoters of this factory while for technical support many experts from foreign countries occasionally visited Pandhurna and were put up at a local hotel.

The unit is situated on two acre land inside Pandhurna and was under the scanner of Excise officials. A special team of 50 officers and staffers along with a strong posse of 100 police personnel conducted the raid on wee hours of Sunday and confiscated huge quantity of duplicate cigarettes along with export quality tobacco and imported cigarette paper. Also, these illegal cigarettes did not comply with the excessively large 85% warnings on legal cigarettes, mandated by

the government, making it easier for the promoters to pump these duplicate sticks in the market.

According to trader sources, market cost of one container roughly carrying per CFC (10,000 cigarette sticks) is Rs 1.50 lakh for genuine brand cigarette while manufacturer of duplicate cigarette at Pandhurna provided the same quantity for half the prize and sold them for cash only without leaving any paper trail. The officials believe that two promoters behind this factory were also behind similar *modus operandi* in Baswada in Rajasthan where Directorate of Revenue Intelligence (DRI) had similarly busted the factory producing fake and counterfeit cigarettes. Even those cigarettes had forged cover of international brands and DRI found that duplicate cigarettes were sold using cover of the cigarette which resembles the original packet. Even here, the cover was similar, but was not adhering to strict norms of regulator and obviously other details were missing from the cover. Since the cost was less than the market price, there were many takers for "One & Only" and "Davidoff" cigarettes, which are quite popular among smokers. Taking advantage of anonymity, the promoters kept everybody in the dark and indulged in this multi-crore business, where the profit margin is tremendous.

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According to market sources, the illicit market in smuggled and counterfeit cigarettes had witnessed 90 per cent growth. These much cheaper, contraband cigarettes, which cost a huge revenue loss to the national exchequer every year apart from affecting government's campaign against smoking by making cigarettes increasingly expensive.

According to Euromonitor International, illegal cigarettes in India have more than doubled, having increased to 23.9

billion sticks in 2015 from 11.1 billion sticks in 2004, making India the fourth largest illegal cigarette market in the world and clearly a preferred destination for international cigarette smugglers.

The sources further claimed that illegal cigarette trade could thrive due to high taxation rates, and non-adherence of illegal cigarettes with regulations like pictorial warnings, lends an impression that they are safer alternatives to their legal counterpart.