

Indore ‘gutka king’ evaded Rs 105-cr tax by making cigarettes: GST Intelligence

The agencies estimate tax evasion on gutka, other products, and raw material of about Rs 400 crore.

Written by [Milind Ghatwai](#) | Bhopal | Updated: June 23, 2020

Indore-based businessman Kishore Wadhvani, who has been accused of GST evasion to the tune of Rs 233 crore on the illegal sale of gutka and allied products, also evaded tax of about Rs 105 crore by clandestinely manufacturing and supplying cigarettes, the Director-General of GST Intelligence (DGGI) alleged on Monday.

Wadhvani, who also runs a newspaper and a TV channel in Indore, was sent to judicial custody until June 30 by an Indore court after his five-day police remand ended on Monday.

Arrested from a plush hotel in Mumbai last week, Wadhvani was earlier remanded in the custody of DGGI and the Directorate of Revenue Intelligence (DRI) until June 22.

The two agencies have so far found that Wadhawani allegedly evaded tax over the last many years and during the recent lockdown manufactured and supplied gutka and other products from his own manufacturing units, as also from units run by four people who fronted for him. The agencies estimate tax evasion on gutka, other products, and raw material of about Rs 400 crore.

During their probe, the agencies stumbled upon Ellora Tobacco Company Limited, which manufactured cigarettes. The factory on Sanver Road, Indore, had a secret rear exit from where unaccounted for raw material was allegedly brought in and finished goods removed, it was informed.

After the interrogation of factory supervisor, accountant and staff, the agencies estimated that less than 5 per cent of the production was accounted for the last many years. The major buyers even for the accounted production have been found to be fictitious, the Bhopal regional unit of DGGI alleged in a release.

Ellora Tobacco had paid GST of only Rs 2.09 crore, and Rs 1.46 crore had been paid in the last two years, the agency stated. Five more premises connected with the unit were searched in the third week of June, which led DGGI to arrive at the estimate of Rs 105 crore.

The total revenue evasion could be manifold and the extent would be clear only after completion of the investigation, the agency stated in the release.

On June 19, DGGI officials had located an unregistered godown used by the syndicate that involved company directors, transporters, supporting manufacturers and raw material suppliers to conceal packing material containing specific cigarette brands “K10” and “A10”. The material is sufficient to pack 5,000 cartons (each

contains 12,000 cigarettes) with an estimated printed MRP of Rs 27 crore, the DGGI said. It said there could be many such godowns in and around Indore. The suppliers of these two cigarette brands confirmed unaccounted supply of about 1500 cartons per month, DGGI said.

Earlier, the DRI had stated that Wadhvani and his associates allegedly violated lockdown and transported illegal consignments of paan masala, tobacco and raw material in Madhya Pradesh and nearby states in vehicles marked “on press duty”. Five persons, including three who allegedly fronted for Wadhvani by running manufacturing units for him, were arrested.

Indore collector Manish Singh said the district administration didn't issue press stickers to the newspaper owned by Wadhvani.

The DGGI alleges that Wadhvani laundered huge amount of illicit wealth in cash earned from pan masala/cigarette business by declaring fraudulent sale of newspaper and also booked fictitious advertising income. Unlike the 1.25 lakh declared circulation, the newspaper, investogators say, has a circulation of only 4,000 to 6,000.

Wadhvani's advocates Abhinav Dhanodkar and Sujay Kantawala denied the allegations. Kantawala said Wadhvani was accused of similar evasions in the past but got a clean chit in 2019.

At Monday's hearing, Wadhvani's lawyers claimed he suffers from various ailments and should be admitted to a private hospital.

Special Public Prosecutor Chandan Airan said the medical examination had proved that he did not have the ailments he claimed he had. Airan argued that Wadhvani has a Dubai residence visa and could escape, and if not sent to judicial remand will use his clout to influence the investigation

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