



DGGI unearths clandestine pan masala and tobacco manufacturing network in Uttar Pradesh; 27 undeclared pouch-packing machines seized, evasion of about ₹185 crore detected

Proprietor arrested and remanded to judicial custody; 15.5 lakh pouches of finished goods seized from six premises in Chitrakoot and Banda

Capacity-based cess and taxation regime came into effect under the Health Security and National Security Cess Act, 2025 (HSNS) applicable on pan masala, and central excise levy imposed on chewing tobacco, jarda and gutkha under the Central Excise Act, 1944, on 1st February 2026 respectively

Since 1st February 2026, DGGI formations have booked 27 cases involving suppression of production, clandestine clearance and evasion of the applicable levy, detecting evasion of duty, tax and cess of ₹668 crore; with 131 pouch-packing machines have been seized; 17 persons arrested

प्रविष्टि तिथि: 21 AUG 2026 1:48PM by PIB Delhi

The Lucknow Zonal Unit of DGGI has busted a clandestine manufacturing operation for pan masala, scented *jarda* and *gutkha* spread across six premises in Chitrakoot and Banda districts of Uttar Pradesh. Acting on specific intelligence developed by the Unit, officers started coordinated searches around midnight on 18.08.2026 at these premises, which are connected with two firms, one engaged in the manufacture of *pan masala* and allied products and the other in trading.



The searches led to detection of 27 undeclared pouch-packing machines comprising 6 machines for scented *jarda*, 9 for *pan masala* and 12 for *dohara/desi gutkha*. Mixing, areca nut crushing and drying machines were also found. The operation also resulted in the seizure of 15,50,922 pouches of finished goods, comprising *pan masala*, chewing tobacco, scented *jarda* and *sugandhit supari*. Raw material and packing material seized includes 32.9 MT of areca nut and cut areca nut, 2.8 MT of tobacco, 8.4 MT of packing material, pouches and laminates, 470 kg of *katha* powder, 850 kg of glycerine, 545 kg of essence and 256 kg of unpacked *pan masala*. Evasion of GST, HSNS Cess and Central Excise duty of approximately ₹185 crore has been detected so far.

Evidence indicates that the operation was run through a network of unregistered premises using undeclared machinery, and the finished goods were cleared clandestinely without payment of applicable GST, HSNS Cess and Central Excise duty. The proprietor of the manufacturing firm was *prima facie* found to be the person organising and managing the clandestine manufacture and clearance. He was arrested on 19.08.2026 under Section 26 of the HSNS Cess Act, 2025 and Section 13 of the Central Excise Act, 1944, and produced before the Special Chief Judicial Magistrate (Customs), Lucknow, who remanded him to judicial custody. Investigation is continuing and further recoveries are expected.

A capacity-based cess and taxation regime came into effect on 1st February 2026 in the *pan masala* and tobacco sector. Under the Health Security se National Security Cess Act, 2025 (HSNS) capacity-based monthly cess is applicable on *pan masala*, which is computed based on number, type and capacity of packing machines installed. A similar capacity-based central excise levy is imposed on chewing tobacco, *jarda* and *gutkha* under the Central Excise Act, 1944. Unscrupulous manufacturers try to avoid these imposts by using undeclared machines clandestinely. To counter this, Directorate General of GST Intelligence (DGGI) has stepped up intelligence-led enforcement in this sector, combining data analytics with coordinated field operations across its formations.

Since 1st February 2026, DGGI formations across the country have booked 27 cases involving suppression of production, clandestine clearance and evasion of the applicable levy, detecting evasion of duty, tax and cess of ₹668 crore. Voluntary payment of ₹11.7 crore has been made during the course of investigation. A

total of 131 pouch-packing machines have been seized and 17 persons arrested.

SR/KMN

(रिलीज़ आईडी: 2301875) आगंतुक पटल : 1963

इस विज्ञप्ति को इन भाषाओं में पढ़ें: Punjabi , Gujarati , Urdu , हिन्दी , Bengali , Bengali-TR , Tamil , Telugu