KARNATAKA STATE BEVERAGES CORPORATION LTD

LIQUOR SOURCING POLICY- 2013-14

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KARNATAKA STATE BEVERAGES CORPORATION LIMITED

Circular No.216 Date: 31st December 2013

Liquor sourcing policy for the year 2013-14

A detailed procedure for sourcing of liquor has been prescribed in various circulars issued by the Corporation from time to time. This circular supercedes all previous procedures, so far as it pertains to sourcing of liquor. Suppliers are requested to take note of the procedure prescribed in this circular.

1. Submission of initial documents

1.01 Manufacturers/Suppliers desirous of supplying liquor to the Corporation for subsequent distribution to buyers shall submit the following documents, for the Corporation to initiate action.

(i) Details of the organisation of the manufacturer/supplier to be given in its letter head in the format in Annexure I, along with a copy of the certificate of incorporation, Memorandum and Articles of Association or partnership deed and registration from the Registrar of Firms as the case may be.

(ii) In case of manufacturers based in the state, a certified copy of the licence granted by the Excise Commissioner, under rule 4 of the Karnataka Excise (Distillery and Warehouse) Rules, 1967 or rule 3 of the Karnataka Excise (Brewery) Rules, 1967 as the case may be and a copy of the License granted under rule 5 of the Karnataka Excise (Bottling of Liquor) Rules, 1967.

In case of manufacturers located outside the state, certified copies of the licenses under relevant rules as may be applicable, granted by the competent authority of the state where the distillery/brewery of the manufacturer is located.

In case of suppliers supplying liquor imported from abroad, authorization of the manufacturer, if any, permitting the supplier to deal with the products proposed to be supplied to the Corporation.

(iii) Details of authorized signatories of the manufacturer/supplier, who would deal with the Corporation, to be given in its letter head as in format at Annexure II.

(iv) Letter authorizing representatives (not exceeding three) of the manufacturer/supplier for collection of Order for Supplies and other documents, to be given in its letter head as in format at Annexure III.

(v) An undertaking in its letterhead as in format at Annexure IV.

(vi) If the manufacturer/supplier is not the owner of the brands proposed to be supplied, then a copy of the agreement between the manufacturer/supplier and the owner of the brand along with an indemnity bond as in Annexure V.

1.02 All initial documents shall be signed by the Managing Director/Managing Partner/Proprietor, in case of a Company/Firm/Proprietary concern. In case the Company does not have a Managing Director, then the documents shall be signed by the Chief Executive Officer or any other person duly authorized by the Board of Directors of the Company/Power of Attorney.

2. Registration of labels

2.01 Labels of brands proposed to be supplied by a manufacturer located in the state have to be approved by the Excise Commissioner under rule 15(3) of the Karnataka Excise (Bottling of Liquor) Rules, 1967. Such an approval shall be obtained by the manufacturer and submitted to the Corporation.

2.02 As per rule 9(B) of the Karnataka Excise (Sale of Indian and Foreign Liquor) Rules, 1968 no item manufactured outside the state can be sold in the state without an approval of such brand label by the Excise Commissioner.

2.03 Manufacturers located outside the state shall apply to the Corporation in format at Annexure-VI. This shall be accompanied by a copy of the permission for the manufacture of the brands proposed to be supplied, approval for labels as granted by the competent excise authorities of that state and the authorization for exporting from that state to Karnataka. They shall remit necessary fees for label approval (currently being Rs.50,000/- per annum per label for liquor other than wine and Rs.10,000/- per annum per label for wine) and enclose the challan in original and a copy thereof and provide six sets of each label.

2.04 The Corporation would thereafter forward such applications to the Excise Commissioner for consideration. Manufacturers may note that the Corporation shall not be held liable by them in respect of any decision of the Excise Commissioner regarding approval of their labels.

2.05 As per rule 9 (C) (1) of the Karnataka Excise (Sale of Indian and Foreign Liquor) Rules, 1968 no item imported from abroad can be sold in the state without an approval of such brand label by the Excise Commissioner. Under rule 9 (C) (2) of these rules, the Corporation is required to apply to the Excise Commissioner for approval of brand labels.

2.06 Suppliers of foreign brands shall apply to the Corporation as in the format in Annexure-VII enclosing challans for having paid the necessary fee for label approval and a copy of the authorization given by the manufacturer along with six sets of the label. Currently, the fee for label approval in such cases is Rs.20,000/- for liquor other than beer and wine and Rs.10,000/- for beer and wine.

2.07 The Corporation would then apply for label approval. Suppliers may note that the Corporation shall not be held liable by them in respect of any decision of the Excise Commissioner regarding approval of their labels.

1[**2.08** The manufacturers should ensure that supplies shall be in accordance with the requirement under Rule 9(2) of Standards of Weights and Measures (Pack.com) Rules 1977, with regard to declaration of month and year of manufacture on the **front side of the label**. In the event of any violation of the above rules, such stocks shall not be accepted at the depots.]

3. Declaration of prices and Landed Cost

3.01 Manufacturers located within the State are required to declare the price of liquor in Form DP and the Maximum Retail Selling Price in form MRP under Rule 2AE and Rule 2AF respectively of the Karnataka Excise (Excise Duties and Fees) Rules, 1968. They shall do so and submit one copy of the declarations in forms DP and MRP as recorded by the Excise Commissioner. These details shall be made available to the Corporation at least three days prior to the date on which the manufacturer desires to have the first Order for Supplies (OFS) in respect of these brands.

3.02 While doing so, manufacturers may ensure that the description of the item such as bottles/pet bottles/cans/sachet/poly pouch/tetra pack etc in forms DP and MRP is exactly the same as the label approval accorded by the Excise Commissioner. In case of any difference, the Corporation would not act on the DP/RDP and MRP/RMRP forms submitted by the manufacturer.

3.03 In respect of brands imported from outside the State, the Corporation is required to declare the price for sale and the Maximum Retail Selling Price of such products. Manufacturers/suppliers shall submit a cost sheet, containing details of basic price and duties in the form at Annexure-VIIIA in respect of IML in bulk liters 8.64/9/12 and also in respect of Beer in bulk liters 7.8/7.92/12. In respect of IML in bulk liters other than 8.64/9/12 and also Beer in bulk liters other than 7.8/7.92/12cost sheet shall be submitted in Annexure-VIIIB. Based on the cost sheet, the Corporation would submit necessary declarations to the Excise Commissioner for recording the sale price and the Maximum Retail Selling Price. Manufacturers/suppliers may please note that they are required to work out the Landed cost (see 3.05 below), the sale price and the Maximum Retail Selling Price taking due note of the provisions of the Karnataka Excise (Excise Duties and Fees) Rules, 1968. They shall be liable for any consequence arising out of any action initiated by the Corporation based on such cost sheets.

3.04 Suppliers desirous of supplying liquor imported from abroad shall submit a label registration copy for the excise year along with cost sheet containing

1. Inserted by Circular No.155 dated 10.01.2008)

details of basic price and duties in the form at Annexure-IX for stocks imported after payment of Customs Duty or/and for stocks imported duty free in respect of FML/Beer in bulk liters 8.64/9/12 and 7.8/7.92/12 respectively and as per the form at Annexure-X for stocks imported after payment of Customs Duty or/and for stocks imported duty free in respect of FML/Beer in bulk liters other than 8.64/9/12 and 7.8/7.92/12 respectively The price shall be indicated in Indian rupees and shall not be contingent upon any fluctuation in foreign exchange rates. Suppliers may please note that they are required to work out the Landed cost (see 3.05 below), the declared price and the Maximum Retail Selling Price taking due note of the provisions of the Karnataka Excise (Excise Duties and Fees) Rules, 1968. They shall be liable for any consequence arising out of any action initiated by the Corporation based on such cost sheets.

3.05 The term Landed Cost to the Corporation shall mean;

a. In the case of supplies from manufacturers within the State the ex-factory declared price/revised declared price of the manufacturer (including their profit margin) plus excise duty which is on bulk liters or proof liters and additional excise duty as applicable.
b. In the case of supplies imported from outside the state but within India, the all inclusive ex-factory manufacturer's price (including the profit margin) plus Import Fee plus Countervailing Duty and Additional Countervailing Duty. Manufacturers may ensure that the Countervailing Duty and Additional Countervailing Duty are calculated on ex-factory manufacturer's price plus import fee plus the margin charged by the Corporation.
c. In the case of liquor brands imported from abroad after payment of customs duty, the Basic Price of the importer plus Customs Duty and other fees and levies, special fee and additional special fee as applicable. Supplier may ensure that special fee and additional special fee is calculated on all inclusive supplier's price, plus margin charged by the Corporation.
d. In the case of duty free import of liquor from abroad, the Basic Price of the importer plus other fees and levies, special fee and additional special fee as applicable. Supplier may ensure that special fee and additional special fee is calculated on all inclusive supplier's price, plus margin charged by the Corporation.

3.06 The Corporation shall charge a margin of 0.50 per cent on the Landed Cost.

3.07 Manufacturers located in the state who revise their price shall submit the revised DP and MRP forms as recorded by the Excise Commissioner. The Corporation would implement revised declared prices as approved by the Excise Commissioner and intimated by the manufacturer.

3.08 In case of revision in prices by manufacturers located outside the state or suppliers delivering liquor imported from abroad, necessary particulars shall be given to the Corporation in the prescribed format *at* Form VIIIA or VIIIB and at Form IX or X as the case may be. Such revision shall become effective after the revised DP and MRP are recorded by the Excise Commissioner. The DP/MRP or RDP/RMRP as approved by EC and shall come into effect after the same is processed by the Corporation. The Corporation requires minimum 3 clear days for processing the same.

3.09 In case of any change in the duty structure, the same shall become effective from the date of notification issued by the government.

3.10 In case of change in DP slab/duty structure, manufacturers in the state shall submit a revised Maximum Retail Selling Price in respect of their products, after re-recording such MRP in accordance with Rule 2-AF(2) of Karnataka Excise (Excise Duties and Fees) Rules, 1968

3.11 In case of change in DP slab/duty structure, manufacturers located outside the state and suppliers of liquor imported from abroad, shall provide necessary particulars in Annexure VIIIA or VIIIB or Annexure IX or X as the case may be for submitting a revised MRP for recording by the Excise Commissioner.

3.12 In case of change in duty/tax structure from prospective effect, no sales shall take place nor any fresh OFS shall be issued, unless the revised cost sheet is submitted in time as indicated in 3.08 above, by the manufacturer, for effecting revised landed cost & sale price, from the effective date of change of duty structure as per Government Notification. In case of change of duty structure with retrospective effect, or with immediate effect, no fresh OFS shall be issued and sales shall be stopped unless the revised landed cost and sale price is submitted within 3 days of the Notification.

3.13 In case of any revision in DP/MRP in respect of duty paid stocks, any loss/gain shall be to the account of the manufacturer, except in cases where such price increase results in payment of additional duty. In such cases, the incremental duty amount would be recovered and remitted to the Government passing on the benefit of price increase to the manufacturer.

3.14 Manufacturers/suppliers shall, before introducing any sales promotion or discount scheme, communicate to the Corporation, the details of such scheme and its impact on the maximum retail selling price.

3.15 Manufacturers and suppliers have been offering cash discount as part of trade promotion facility to licensed buyers. KSBCL can facilitate the schemes by facilitating payment to the licensed buyers out of the funds of the manufacturers/suppliers and recovering the same from the manufacturers/suppliers as per their explicit instructions in the form at Annexure-XVIII.

3.16 Manufacturers/suppliers will indicate the name of the buyer with code number and amount of discount, by means of credit advice to the HO of KSBCL, on monthly basis. Upon receipt of such advice, the licensed buyers account will be credited individually for the amounts indicated in the credit advice subject to the availability of funds to the credit of the manufacturer/supplier. TCS and applicable taxes will be charged at applicable rates for all such credits. This net credit amount shall be utilized by the licensed buyer for purchase of goods.

4. Order for supplies

4.01 Supplies to the Corporation shall be based on the Order for supplies (OFS) issued by it. To facilitate the process, the supplier may indicate the requirement of its brands and packs in various depots as per format in Annexures XI (a) and (b) ordinarily through the web-based facility. However, the Corporation reserves its right to decide the quantity for which OFS can be issued. Special requests or difficulties faced by manufacturers/suppliers regarding issue of OFS may be addressed to the General Manager (Operations). 1[The Corporation proposes to restrict issue of OFS per vehicle load as detailed below :-

(a) Truck Load IML: - 600 CBs
(b) Truck Load Beer : - 700 CBs
(c) Multi-axle/ Double Load IML: - 1100 CBs]
2[(d) Truck Load (Tetra Pack only): - 850 CBs
(e) Truck Load (Pet bottles only): - 800 CBs]
3[(f) Multi-axle/double load IML Tetra Packs of 180 ml: - 1700 CBs] only
4[(g) In case of wine minimum quantity in multiples of 50 CBs per vehicle.]

4.02 In respect of stocking of brands in KSBCL depots, falling under Rs.250 – 299 and Rs.300-349 Declared price ranges, the policy shall be as indicated in Circular No.131 dated 24.05.07, copy of which is at Annexure-XIX.

4.03 OFS will be printed in triplicate. Original (blue) and second copy (red) will be issued to the authorized representative of manufacturer/supplier. Third copy (purple) will be retained in the H.O. OFS will be issued for the exact quantity that the supplier proposes to transport. It is, therefore, imperative that manufacturers/suppliers indicate their dispatch plan for issue of OFS to the concerned Depots.

4.04 The OFS would indicate the validity date within which the manufacturer/supplier should complete the delivery. If a manufacturer/supplier does not honour the quantity indicated in the OFS in one lot within the validity period, then the order for the remaining quantity shall lapse automatically. The Corporation may, at its discretion, extend the validity of the OFS and the manufacturer/supplier shall honour the OFS within the extended validity period.

4.05 Repeated lapsing of OFS without valid reasons may result in reduction of quantity sourced and may also attract other penalties that the Corporation may specify from time to time.

4.06 In respect of supplies from outside the State or from outside India, the manufacturer/supplier shall, after the issue of OFS, remit the import fee, Countervailing Duty and Additional Countervailing Duty and Special fee as may be applicable for their respective brands. Suppliers of foreign brands may note that Special Fee has to be calculated only for the all inclusive price.

1. Inserted by Circular No.124 dated 02.01.2007
2. Inserted by Circular No.177 dated 04.07.2009
3. Inserted by Circular No.191 dated 20.05.2011
4. (Inserted as per letter dated 27th January 2012 issued by MD,KSBCL to the MD, Karnataka Wine Board).

4.07 Manufacturers/suppliers may please take note that they are responsible for remitting the correct quantum of duties/fees and that they are liable for any short payment of duties and other consequences. The Corporation shall be entitled to recover any short payment of duty and other amounts from them, should such instances occur.

4.08 The Corporation shall, without prejudice to its legal rights, have the right to forthwith terminate any or all Order for Supplies placed if the Manufacturer/Supplier or any of his representatives, workers, employees, agents, etc.,

(a) Indulge in any activity which is directly or indirectly prejudicial to the interest of the Corporation; or

(b) Indulge in any unfair trade practice; or

(c) Indulge in forgery, falsification, fabrication of any document, bill, voucher or delivery challan or commit any offence in connection with the manufacture and supply of liquor, which offence is punishable under law.

4.09 Manufacturers/suppliers may please note that all losses incurred by the Corporation on account of the manufacturer/supplier, his agents, workmen, employees, etc. committing the above said prohibited acts, shall be recovered from them.

5. Duty free imports

5.01 The procedure detailed below shall be applicable for import of liquor into the state, if the eligible importer is allowed import of duty free liquor under the EXIM policy.

5.02 The eligible importer shall be permitted to import only registered labels approved for consumption in Karnataka for the relevant excise year. The eligible importer shall produce a copy of the eligibility certificate, issued by the Director General of Foreign Trade for duty free import of such stocks.

5.03 The eligible importer shall declare the brands and the quantity proposed to be imported under this provision. The source of import which shall be a supplier who has submitted initial documents to the Corporation and in whose favour the labels have been registered shall also be declared by the eligible importer.

5.04 The supplier as declared by the importer shall be responsible to complete customs and other formalities so that the goods can be transported to the state.

5.05 The Corporation shall be the inventor of stocks on behalf of the eligible importer. An Order for Supplies shall be issued by the Corporation to the supplier. The rate of supply of the item shall be as indicated by the supplier in the cost sheet for duty free import.

5.06 The supplier shall thereafter remit state levies as may be applicable. Suppliers may note that they are responsible for remitting the correct quantum of duties and that they are liable for any short payment of duties and other consequences. The Corporation shall be entitled to recover any short payment of duty and other amounts from them, should such instances occur.

6. Delivery

6.01 Manufacturers shall effect supplies within the time period mentioned in the OFS. The stocks shall be delivered (including unloading and stacking) at the depots specified by the Corporation at the cost and risk of the manufacturer/supplier and shall conform to the brand, quantity and pack sizes as indicated in the OFS. Any delivery that deviates from the OFS shall not be acknowledged by the Corporation and shall not be unloaded at the depot.

6.02 All risks during transit of liquor, (like broken bottles, short receipts, etc.) from the premises of the supplier till the stocks are unloaded and stacked in the depot shall be borne by the manufacturer/supplier alone and the Corporation shall not be responsible for the same. Transit insurance shall be the responsibility of the supplier/manufacturer. [1][However, insurance charges towards stock in the KSBCL depots shall be borne by KSBCL].

6.03 An exclusive invoice *by* supplier/manufacturer shall be raised for every OFS issued. If a lorry load of liquor is in satisfaction of more than one OFS either partially or fully that many invoices shall be raised by the manufacturer/supplier. At the time of effecting delivery, the manufacturers shall invariably quote in their invoice, the reference number and date of the OFS issued by the Corporation and surrender the OFS in original to the receiving depot.

There shall be no loading and movement of stock without being accompanied by original OFS issued by the Corporation. Consignment without original OFS shall not be unloaded at the receiving Depot. The manufacturer / supplier concerned shall make a request with proper justification for issue of fresh OFS in lieu of the lost one, if any.

6.04 In cases of supplies from manufacturers in the state, the invoice rate shall be as indicated in the OFS. They are required to indicate the Landed Cost of the item as per the OFS placed on them. They may, if they so choose indicate the declared price and the duties thereon separately for every item. However, indicating the Declared Price for various items supplied and adding Excise Duty and Additional Excise Duty as a lump sum at the end of the invoice shall not be permissible.

6.05 In respect of imported brands (both from outside the state and the country) the invoice rate shall be the all inclusive ex-distillery price of the manufacturer (item A (iii) of Annexure VIIIA/B or item A (iv) of Annexure IX/ X, as the case may be). Other state levies paid by them may be claimed as a debit note in the format as in Annexure XII and XIII as the case may be and shall be submitted along with the invoice. It may be ensured that the per unit rate (invoice rate plus debit note rate) is as indicated in the OFS. Other levies if any, are not a part of the Landed Cost and therefore cannot be claimed in the debit note.

1. Inserted by Circular No.146 dated 17.09.2007

6.06 The Corporation is a Public Sector Undertaking as defined under section 2 (31A) of Income Tax Act, 1961 (PAN: AACCK1421A/ TIN:29820213446) with all the shares being held by Government of Karnataka and hence is exempt from TCS under section 206 C of the Income Tax Act, 1961. Hence, TCS shall not be claimed either in the invoice or in the debit note.

6.07 The invoice of the manufacturer/supplier shall be accompanied by the following documents and shall be submitted to the receiving depot.

(i) The original OFS issued by the Corporation. If the supplies made are in satisfaction of more than one order so issued, all such orders shall be attached;
(ii) A copy of transport permits issued by the Excise Department;
(iii) Lorry Receipt; and
(iv) Necessary debit notes as indicated in para 6.04, if applicable.

6.08 All manufacturers in the state are required to mention the excise adhesive label numbers on all the liquor carton boxes supplied to the Corporation. Such details may be furnished on one of the sides of the carton box as in format at Annexure XIV. No other matter shall be printed on this side. The excise adhesive label numbers shall be written in permanent marker pen or printed stickers.. The manufacturer / supplier should ensure that EAL numbers on the CB match with EALs affixed on the bottles in the respective carton boxes.

6.09 Manufacturers/suppliers may please note that the consignment would not be unloaded in the receiving depot if the requirements indicated in the above paras are not complied with.

6.10 In respect of imported liquor (both from within the country and abroad), the supplier shall make arrangements to affix excise adhesive labels on the bottles and bear the cost thereof and if necessary, offer the boxes for inspection at the depot. Suppliers of liquor imported from abroad shall affix labels containing required declarations/information as per Rule 33 of the Standards of Weights and Measures (Packaged Commodities) Rules, 1977. [1][Instructions in para 6.08 above applies to imported liquor also regarding mentioning excise label numbers on the CBs.]

6.11 Manufacturers shall ensure that the carton boxes used by them conform to the specifications of the Bureau of Indian Standards and that the boxes do not become a cause for excessive transit and/or depot damages. The Corporation may, if it so warrants, issue necessary guidelines in case of manufacturers who do not use standard boxes, which shall be followed by them. They may also ensure that each brand in their portfolio has a distinct carton box and in no case is a carton box similar to any other box in their portfolio. No labels shall be affixed on the carton box for distinguishing any aspect of the brand; such details shall be printed on the box.

1. Inserted by Circular No.140 dated 31.07.2007

6.12 Manufacturers shall ensure that liquor is transported in an exclusive vehicle and that other goods are not transported in such vehicle. Transport vehicles shall not be overloaded. Needless to mention, such overloading is a major cause of excessive transit and depot damages. Any instance of overloading noticed by the Corporation may result in appropriate action as may be necessary.

6.13 The consignment shall reach the depot during working hours. Manufacturers shall ensure that the consignment is taken care of while waiting for unloading at the depot and the Corporation shall not be liable in this regard.

7. Adherence to quality

7.01 The manufacturer/supplier is expected to ensure that the items delivered to the Corporation are fit for human consumption and adhere to the quality as stipulated by the relevant standards of the Bureau of Indian Standards and/or other standards as may be applicable.

7.02 Further, as per rule 20A of the Karnataka Excise (Distillery and Warehouse) Rules, 1967 manufacturers in the state are required to establish a well equipped chemical laboratory within their premises. The liquor produced shall be released for sale only after the chemist certifies that the same is fit for human consumption. The Corporation expects that manufacturers maintain such certificates carefully and produce them, if so required.

7.03 [1][It is deemed that the stocks supplied to the Corporation conform to the prescribed manufacturing quality standards and fit for human consumption in accordance with Rule 20A(2) of Karnataka Excise (Distillery & Warehouse) Rules, 1967, Rule 8A(2) of Karnataka Excise (Brewery) Rules, 1967,Rule 9B(2) of Karnataka Excise (Manufacturer of Fortified Wine from Grapes) Rules, 1968, Rule13(2) of Karnataka (Manufacturer of Wine from Grapes) Rule, 2008 and Rules 5 and 17 of Karnataka Excise (Bottling of Liquor) Rules, 1967. Therefore no separate test report need to be submitted].

7.04 Manufacturers/Suppliers of liquor imported from other states shall ensure compliance with rules/stipulations regarding quality as may be specified by authorities of that state. However, the quality control exercised by them shall in no way be less rigorous than 7.02 above.

7.05 [2][The suppliers from other States shall conform to the prescribed standards by that State from where the liquor is sourced and they shall provide test report from the competent authority for each consignment of liquor supplied]

7.06 Suppliers of liquor imported from abroad shall ensure that the quality standards and procedures as prescribed by the Department of Customs and Central Excise for imports into India are complied with.

1 and 2. Inserted by Circular No. 211 dated 01.04.2013

7.07 [1][Importers from abroad shall conform to the standards and procedure prescribed by the Department of Customs and Central Excise and provide a declaration from the competent authority to that effect along with liquor supplied.]

7.08 The Corporation shall stop sales when regulatory authorities instruct to do so for non adherence to quality standards, and such stocks with the Corporation shall be withdrawn by manufacturer/supplier at his cost.

8. Stocks held for sale

8.01 Manufacturers/suppliers may note that supply of liquor to the Corporation against Order for Supplies shall be construed as an agreement to sell under sub-section 3 of Section 4 of Sale of Goods Act, 1930. The sale by the supplier/manufacturer and the purchase by the Corporation shall conclude only when the liquor is delivered on sale to the retailers by the Corporation. To the extent of such purchases each day, supplier-wise depot-wise purchase vouchers shall be raised in the H.O., in Annexure- XX. The Corporation would take necessary care of the stocks held for sale as is reasonably possible and expected of it.

8.02 Damages to the stock held for sale, as a result of any negligence of the manufacturer/supplier or the transporter (typical of these are bottles having hairline cracks resulting in steady evaporation of the contents, quantity filled being less than the declared quantity, losses experienced if the day's production of beer is received in the depot, damage due to weak carton boxes, etc.) would be to the account of the manufacturer/supplier. Any decision of the Corporation as regards the nature and quantum of such losses shall be final and binding. Manufacturers/suppliers may, if they so desire, depute their representatives to verify such bottles and satisfy themselves.

8.03 Manufacturers/suppliers may ensure that stocks held for sale are sold expeditiously. Stocks of liquor, that are more than three months old in a particular depot would attract a penalty of Rs.60/- per carton box per month or part thereof. The penalty would be levied on the number of carton boxes more than three months old as on the last day of the previous month. This amount shall be recovered against the payments due to the manufacturer.

[2]**[8.04** and **8.05** xxx xxx (deleted provision relating to collection of service tax)]

8.06 As the Corporation makes available details of deliveries and sales through each of its depots, manufacturers/suppliers shall be responsible for computing stocks aged 3 months or more in each depot.

1. Inserted by Circular No. 211 dated 01.04.2013
2. Para 8.04 and 8.05 are deleted as they are inapplicable in view of the Circular No.152 dated 16.11.2007. Accordingly there is no need to collect service tax on the amount of penalty for slow moving stocks.

8.07 If the manufacturer/supplier does not take necessary action to liquidate :

(a) in case of Beer within 5 months of manufacture and
(b) in respect of other liquor, within 12 months of manufacture

KSBCL shall withdraw such stock from sale immediately and dispose it off by public auction, provided that the manufacturer/supplier shall have an opportunity to withdraw such stocks within 60 days from the date of expiry of period mentioned at (a) and (b) above, and that public auction by KSBCL shall be held only if manufacturer/supplier does not withdraw such stocks within the said 60 days. The difference between the Landed Cost and the amount realized *in the* public auction shall be borne by the manufacturer/supplier. The manufacturer/supplier shall not have any further claim against the Corporation in respect of such stocks.

8.08 However, any stock of beer lying unsold for a period of over six months from the date of manufacture or stocks of liquor declared unfit for human consumption at the depot shall be drained out by the Corporation. Any expenditure incurred by the Corporation towards this shall be recovered from the manufacturer/supplier. In accordance with Rule 5 of the Karnataka Excise (Intoxicants Destruction) Rules, 1967, no compensation shall be payable in respect of such stock.

9. Inter depot transfers

9.01 Manufacturers/suppliers shall have the liberty to effect inter depot transfer of stocks for quick and easy disposal, if in their opinion, such transfers would facilitate disposal of stocks. Manufacturers/suppliers shall furnish requests for such inter depot transfers as in Annexures XV (a) and (b) which are also available on the website. The Corporation may also, if necessary, initiate inter depot transfers. In either case, manufacturers/suppliers shall bear all expenses towards inter depot transfers like permit fee, loading, transportation, unloading, stacking, breakages, shortages etc. Transit insurance shall be the responsibility of the supplier/manufacturer.

9.02 If for any reason, the Corporation expends any amount towards the transfer, such amounts shall be immediately debited to the account of the manufacturer/supplier.

10. Payment for stocks sold

10.01 The Corporation shall pay the manufacturer/supplier only for the stocks sold. Stocks held for sale shall not be eligible for any payment, except to the extent mentioned in clause 12 below.

10.02 The amount payable to a manufacturer/supplier for the sales provisionally recorded during a certain period (called the payment cycle) shall be computed and paid on the payout day. The payment cycle and the payout day may be suitably modified to reckon intervening holidays.

10.03 Manufacturers/suppliers may please note that the amount payable would be computed in accordance with the landed cost of goods sold as on the date of sale, irrespective of the amounts indicated in the orders for supplies/invoices of manufacturers/suppliers.

10.04 Any amounts to be recovered from the manufacturer/supplier due to demurrage, wrongful payment, penal charges, interest, differential duty and other dues if any as directed by government etc. shall be recovered out of the amounts payable. The Corporation would provide a statement of provisional sales recorded to facilitate reconciliation. Any missing data due to delays/failures in electronic transfer of data shall be reckoned in the succeeding week and adjusted.

10.05 Payment by the Corporation would only be through a transfer directly to the bank account of the manufacturer/supplier. To facilitate such transfer, manufacturers/suppliers shall open an account with any one of the bankers to the Corporation or maintain an account with a bank having RTGS/NEFT facility. No payment by any other mode is allowed.

10.06 In case the manufacturer/supplier desires a separate payment in respect of some brands, the Corporation would consider such requests on the following terms:

(a) The distillery may open a separate bank account appropriately titled and communicate the account number to the Corporation.

(b) In addition to the account of the manufacturer/supplier, only one such additional account shall be opened

(c) The distillery may specify the brands for which payment due is to be directly credited to this account.

(d) Operating this account may be internally decided by the manufacturer

(e) The arrangement so made can be revoked only with a seven-day notice to the Corporation.

11. Information to suppliers

11.01 The Corporation *at HO* would provide *brand wise* details of sales effected during the day to *not more than 3 main* representatives of manufacturer/supplier at its head-quarters and not more than 2 local representatives of manufacturer/supplier at each depot. Such information shall be given by email only. For this purpose, each manufacturer/supplier shall furnish a list of his main representatives/local representatives, depot wise, with names and email addresses. Other information like sales trend, market share, etc., would be made available electronically subject to payment of subscription & conditions as may be prescribed. Information under RTI Act will be furnished in accordance with the provisions of the said Act.

11.02 All critical details like deliveries affected, sales, damages, etc., would be made available through the website of the Corporation (www.ksbcl.com). All manufacturers are required to verify the data and point out discrepancies, if any. If requested by the manufacturer/supplier, the Corporation would provide an extract of all transactions for facilitating reconciliation. Manufacturers/suppliers may verify the statement and point out instances of differences, if any, within the next two months. The Corporation would, after confirmation, initiate corrective action. However, no such difference shall be entertained by the Corporation after two months of the close of the financial year.

12. Advance towards duties paid for stocks delivered

[1]**[12.01** The Corporation may, on an ongoing basis, advance the Excise Duty and Additional Excise Duty remitted by manufacturers located within Karnataka in respect of stocks delivered in good condition and acknowledged as such in MIS, provided such stocks are not subject to any charge. The scale of the advance under this Scheme called "ED/AED Advance Scheme" would be as follows:

Manufacture while applying for admissions to the Scheme, in Annexure XVI will indicate the maximum ED/AED Advance limit that he proposed to avail.

All manufacturers who have been admitted to the Scheme will be allowed ED/AED Advance limit not exceeding maximum of Two times the average monthly sales in the last quarter in respect of all eligible brands (Quarter-1: April-June; Quarter-2: July-Sept; Quarter-3: Oct-Dec; and Quarter-4: Jan – March).]

[2][However, the Wine manufacturing units located in Karnataka are eligible for ED/AED advance limit not exceeding maximum Four (4) times (instead of 2 times) the average monthly sales in the last quarter.]

[3][Manufacturer may request any ED/AED Advance limit within the above allowable ceiling of "Two times the average monthly sales.]

[4][However, the local wine manufacturers may request any ED/AED Advance limit within the above allowable ceiling of four times the average monthly sales.]

1 and 3. Substituted as per Circular No.165 dated 25.04.2008 superseding earlier Circular Nos.151 dated 30-10-2007 and 159 dated 10-01-2008)
2 and 4 Inserted as per Circular No.174/22.05.2009

1**[12.02.** Manufacturers/suppliers who would like to avail the ED/AED advance facility may apply in Annexure-XVI and after its acceptance by KSBCL, conclude an agreement as given in Annexure-XVII before the advance can be paid. The agreement stipulates conditions of grant of advance, the ceiling limit of advance, rate of interest and repayment mechanism etc}.

2[(a) The quantum of ED/AED advance payable to the manufacturers/suppliers shall be limited to 75% of the actual ED/AED paid by them.

(b) The advance shall carry interest at 18 per cent per annum].

12.03 The Corporation shall have the first charge on the eligible stocks for which an advance has been paid. The manufacturer/supplier shall be obliged to inform this position to the bank with which it has banking arrangements and inform the Corporation accordingly.

12.04 Manufacturers/suppliers may ensure that the value of eligible stocks held by the Corporation is 1.30 times the advance outstanding against them. In the event the value of eligible stock falls below *1.30* times the advance outstanding, proportionate recovery would be made out of the amounts due to the manufacturer/supplier on the next payment day.

3**[12.05**. The Corporation has introduced for manufacturers/suppliers to obtain KSBCL liquor trade data. The data would be made available to all the present and future suppliers in CD form every month at a nominal fee of 0.01% of the weekly turn over. (the turnover for this purpose shall be the purchase value)].

13. Inspection and Supervision

13.01 The manufacturer/supplier shall offer all facilities to the Corporation for supervising and verifying various activities like manufacturing, measuring, bottling, sealing, loading, transporting, unloading, etc.

14. Compliance with Laws

14.01 The manufacturer/supplier shall comply with the requirements of all laws, which are applicable, including timely remittance of tax dues and filing of returns.

15. Force Majeure

15.01 The manufacturer/supplier shall without delay notify the Corporation about any event of force majeure.

1 Substitued as per Circular No.165 dated 25.04.2008
2. Modified as per Circular No.186 dated 23.10.2010
3 Inserted as per Circular No.209 dated 21.12.2012

15.02 In the event of any failure in performance due to any force majeure condition, such as war, strike, fire, natural disaster, or any other cause whatsoever beyond the control of the manufacturer/supplier or the Corporation, the party so affected shall be exempted from performance during the period of such occurrence.

16. Arbitration

16.01 Any dispute that may arise between the manufacturer/supplier and the Corporation may be submitted to arbitration by a sole arbitrator to be selected by the Corporation from amongst any retired judge of the Supreme Court of India or the High Court of Karnataka. The arbitration shall be conducted in accordance with the Arbitration and Conciliation Act, 1996 as amended or substituted from time to time. The venue for arbitration shall be Bangalore. The arbitral award shall be conclusive, final and binding on both the parties.

17. Indemnity

17.01 The manufacturer/supplier shall keep the Corporation harmless and indemnified in all matters arising from supply of the liquor to the Corporation and its subsequent disposal. Any third party claims arising from any buyer or consumer shall be settled by the manufacturer/supplier at his cost.

17.02 More specifically, the manufacturer/supplier shall indemnify the Corporation and keep it harmless with respect to:-

(i) Non-compliance with the standards specified by the Corporation;

(ii) Non-conformation with the provisions of various laws in force; and consequences, losses or claims (including claims of additional duty raised by the Government of Karnataka) more specifically, the non-remittance and short remittance towards the duties statutorily payable.

(iii) Any claims for infringement of patent, trademarks etc., relating to liquor delivered.

(iv) Any breach of the agreement entered into by the manufacturer/supplier with any brand owner for the purpose of bottling, manufacturing or otherwise.

18. Jurisdiction

18.01 All transactions of the Corporation with the manufacturer/supplier shall be subject to the exclusive jurisdiction of Bangalore.

19. Review of the policy

19.01 The above policy is subject to periodic review. If the circumstances so warrant, the Corporation may, at its sole discretion amend this policy and the same shall be binding on all buyers.

Managing Director

To:

1. All Manufacturers & Suppliers
2. Executive Directors
3. General Managers
4. CLO
5. CS
6. C(A)
7. All Managers in Head Office
8. All IML Depot Managers
9. All Spirit Depot Managers
10. PA to MD
11. Circular – Master File & Spare copies

LD-QF-04

Annexure - I

Details of the organisation of the manufacturer/supplier

(To be given in the letter head of the organisation)

(Paste attested photograph of the CEO/MD here)

Name of the organisation:				
Type of the organisation:	Company/Partnership/Sole Proprietorship			
PAN Number TIN No. CIN No.				
Documents enclosed	Certificate of incorporation & Memorandum & Articles of Association/Partnership deed and registration from the registrar of firms			
Particulars of the Chief Executive/Managing Partner/Owner	Name	Address	Telephone number	Fax number
Particulars of the other Directors/ Partners	Name	Address	Telephone number	Fax number
	(1) (2) (3) (4) (5)			
Address for correspondence				
E mail id				
Particulars of the bank *(with RTGS/NEFT facility)* where payments are to be credited a) Name of the bank b) Branch c) Account number				

Place:
Date:

Chief Executive/Managing Partner/Owner
(Name)

LD-QF-05

Annexure - II

Details of authorized signatories to deal with the Corporation on behalf of the manufacturer/supplier

(To be given in the letter head of the organisation)

Name of the signatory			
Designation			
Address			
Telephone number			
Mobile number			
E mail id			
Specimen signature	(1) (2)	(1) (2)	(1) (2)

It is certified that action of the authorized signatory/ies is binding on the manufacturer/supplier.

Place:
Date:

Chief Executive/Managing Partner/Owner
(Name)

LD-QF-06

Annexure - III

Authorization letter for collecting OFS/other documents from the Corporation

(to be issued in the letter head of the manufacturer/supplier)

(Paste attested photograph of the person here)

We hereby authorize Sri. ……………………………………… (name of the person) whose signature is attested below to collect OFS/other documents on our behalf from the Corporation.

Place:
Date: Authorized signatory
(Name)

Signature of Sri. ……….. (name of the person)

Attested

Authorized signatory
(Name)

LD-QF-07

Annexure - IV

Undertaking to be given by manufacturers/suppliers

(To be given in the letter head of the organisation)

To

The General Manager (Operations),
Karnataka State Beverages Corporation Limited,
78, Seethalakshmi Towers,
Mission road,
Bangalore 560 027.

Dear Sir,

Sub: Supply of liquor – reg.

Ref: Sourcing policy of the Corporation for the year 2013-14.

*****

Please refer to the above.

We are in receipt of the Corporation’s sourcing policy for liquor relating to the year 2013-14 and have gone through the same in detail.

In this connection, we hereby undertake to supply liquor to the Corporation in accordance with the Corporation’s sourcing policy.

Thanking you,

Yours faithfully,
for ………..

(Authorized Signatory)

Annexure - V

(Agreement to be executed by Manufacturers and brand owners on Stamp Paper of Rs.100/-)

INDEMNITY BOND

This Indemnity Bond is made and executed on this ---- day of ---- Two Thousand and Six (--.--.2006) by ------------------------------------- having its office at ------------------- represented by ------------------ (hereinafter referred to as “the Manufacturer), which term, unless, repugnant to the context, shall mean and include its executors, administrators, successors-in-interest, assigns, etc., as the First Party on the FIRST PART;

AND

M/s.-------------------------- having its office at ------------------------------------ represented by ---------------------------- (hereinafter referred to as “the Brand Owner”), which term, unless, repugnant to the context, shall mean and include its executors, administrators, successors-in-interest, assigns, etc., as the Second Party on the FIRST PART;

IN FAVOUR OF

M/s.Karnataka State Beverages Corporation Limited, a Government of Karnataka Undertaking, having its Registered Office at No.78, Seethalakshmi Towers, Mission Road, Bangalore – 560027 (hereinafter referred to as “the Corporation”), which term, unless, repugnant to the context, shall mean and include its executors, administrators, successors-in-interest, assigns, etc., on the SECOND PART;

WHEREAS the Manufacturer is a licensee under Rule 5 of the Karnataka Excise (Bottling of Liquor) Rules, 1967.

WHEREAS the Brand Owner, has registered his brand labels with the Excise Commissioner of Karnataka.

WHEREAS the Manufacturer has entered into an agreement with the Brand Owner wherein the Manufacturer has agreed to manufacture and bottle the products of the Brand Owner for supply and distribution of the products through the Corporation.

WHEREAS pursuant to such agreement, the Brand Owner has also executed an irrevocable power of attorney authorizing the manufacturer to collect all amounts due and payable by the Corporation to the Manufacturer under invoices raised by it WHEREAS the Corporation in accordance with its Liquor Sourcing/Sales Policy is dealing with the Manufacturer for issue of OFS, holding the Manufacturers’ goods under agreement of sale in its depots, purchase of such goods at the time of sale to retailers, & weekly payment to the manufacturer to the extent of purchases, irrespective of the fact that Manufacturer is not the Brand Owner and that all payments entitled to by the Brand Owner, would be paid & settled by the

Manufacturer to the Brand Owner & that Brand Owner has no relationship with or claim on the Corporation in this regard.

WHEREAS the Corporation has sought an Indemnity from the Manufacturer and the Brand Owner in this regard to enable the Corporation to pay the proceeds of the sale to the Manufacturer on the security and conditions hereunder contained.

NOW, THEREFORE, THIS INDEMNITY BOND WITNESSETH:

1. The Manufacturer hereby indemnifies and agrees to keep indemnified and harmless the Corporation from any and all claims that may be made by the Brand Owner or any person claiming under or on behalf of the Brand Owner on the Corporation for all payments made by the Corporation to the Manufacturer on all invoices raised by the Manufacturer to the Corporation
.
2. The Manufacturer and the Brand Owner hereby indemnify and agree to keep indemnified and harmless the Corporation from any and all claims that may be made by the Manufacturer/Brand Owner or any person claiming under or on behalf of the Manufacturer/Brand Owner in respect of all transactions relating to manufacture, bottling and sale of liquor consequent to the agreement between the Manufacturer and the Brand Owner.

3. This Indemnity shall operate only for the benefit of the Corporation and no other party, nothing contained in this Indemnity shall be construed as creating an indemnity by the Brand Owner on the Manufacturer. The terms of their relationship shall be governed solely by their agreement.

4. Now the condition of the above written bond or obligation is such that in the event of any claim being at any time hereafter made to the proceeds of the said sales from time to time by Brand Owner or any other person claiming under him, the Manufacturer shall forthwith pay the said amounts to the Corporation along with interest at ~~12~~ *18* per cent per annum and further pay for all losses, damages, costs, charges and expenses which the Corporation may suffer/or otherwise indemnify and keep indemnified the Corporation in all other respects on account therefor.

In witness whereof, the said Manufacturer and the Brand Owner have signed, sealed and delivered this bond on this day, month and the year first above mentioned.

For ---------------- for -------------------------------

Manufacturer Brand Owner

Annexure - VI

Application from manufacturers located outside the state desirous of supplying liquor to the Corporation
(To be given in the letter head of the organisation)

To

The Managing Director,
Karnataka State Beverages Corporation Limited,
78, Seethalakshmi Towers,
Mission road,
Bangalore 560 027.

Sir,

We desire to supply the following brands of liquor/beer manufactured outside Karnataka for distribution in Karnataka for the excise year 2013 – 14.

Sl. No	Brand	Size	Pack

We request you to recommend the above brands for approval of brand labels to the Excise Commissioner. We understand that the Corporation is not liable in respect of any decision of the Excise Commissioner regarding approval of these labels. The following are enclosed.

1. Copies of the permission for the manufacture of the brands proposed.
2. Approval for labels as granted by the competent excise authorities of ………. (state).
3. Authorization for exporting from …………. (state) to Karnataka.
4. Challan in original with a copy for having remitted the necessary fee.
5. Six sets of labels.

Thanking you,

Yours faithfully,
for . . . .

Authorized signatory
(Name)

Annexure - VII

Application from suppliers desirous of supplying foreign liquor to the Corporation

(To be given in the letter head of the organisation)

To

The Managing Director,
Karnataka State Beverages Corporation Limited,
78, Seethalakshmi Towers,
Mission road,
Bangalore 560 027.

Sir,

We desire to supply the following brands of liquor/beer/wine imported from abroad for distribution in Karnataka for the excise year 2013 – 14. We confirm that we are authorized to import these brands.

Sl. No	Brand	Size	Pack

On our behalf, please apply to the Excise Commissioner for approval of brand labels. We understand that the Corporation is not liable in respect of any decision of the Excise Commissioner regarding approval of these labels.

The following are enclosed.

1. Challan in original with a copy for having remitted the necessary fee.
2. A copy of the authorization given by the manufacturer of the brand permitting us to deal with the brands above.
3. Six sets of labels.

Thanking you,

Yours faithfully,
for . . . .

Authorized signatory
(Name)

Annexure VIII-A

(To be given in the letter head of the supplier)

Cost Sheet of Liquor brands Imported from <u>Other States - IML/Beer (Standard sizes)</u>

Name of the Brand:-(As per Label Approval)

Sl. No.	Particulars	IML				Beer		
		Size of the pack (in ml)				Size of the pack (in ml)		
	Size	**1000**	**750**	**375**	**180**	**650**	**500**	**330**
	Number of bottles per case	12	12	24	48	12	24	24
	Bulk Litre - As per SCHEDULE-D**-8.64/9/12BL(IML) / 7.8/7.92/12 (Beer)**	12	9	9	8.64	7.8	12	7.92
<u>A Cost build up for KSBCL Selling Price</u>								
(i)	Ex-Distillery price of the manufacturer							
(ii)	Other fees/levies/ cost							
	Bottling Fee							
	Export Fee							
	Central Sales Tax							
	Others (insurance.freight.handling charge.etc.)							
(iii)	**All Inclusive ex-distillery Price of the mfg (i+ii)**							
(iv)	Import Fee as applicable @ Rs… per BL							
(v)	KSBCL Margin 0.50% on (x) =(xi)							
(vi)	**Declared Price to Excise as per rule 2AE(DP or DRP) (iii+iv+v)**							
(vii)	Countervailing Duty at applicable rates @ Rs…….. per BL							
(viii)	Additional Countervailing Duty at applicable rates @ Rs........ per BL							
(ix)	Total Duties paid (vii+viii)							
(x)	Landed Cost of KSBCL(iii+iv+ix)							
(xi)	KSBCL margin @ 0.50% of (x)							
(xii)	KSBCL selling price (x+xi)							
<u>B Cost build up for Maximum Retail Selling Price</u>								
(i)	KSBCL selling price per bottle (xii divided by No of btls Per case)							
(ii)	Retail margin @ 10% of (B(i)							
(iii)	Recorded maximum retail selling price(2AF) MRP or RMRP B(i+ii)							

Sd/-
Authorized Signatory
(Name)

Place
Date :

Annexure VIII-B

(To be given in the letter head of the supplier)

Cost Sheet of Liquor brands Imported from Other States - IML/Beer (Non-standard sizes)

Name of the Brand:-(As per Label Approval)

Sl. No.	Particulars	IML				Beer		
			Size of the pack (in ml)			Size of the pack (in ml)		
	Size	**700**	**375**	**180**	**100**	**650**	**330**	**500**
	Number of bottles per case	6	12	24	48	10	20	6
	Bulk Litre - Other than SCHEDULE-D	4.2	4.5	4.32	4.8	6.5	6.6	6
A Cost build up for KSBCL Selling Price								
(i)	Ex-Distillery price of the manufacturer							
(ii)	Other fees/levies/ cost							
	Bottling Fee							
	Export Fee							
	Central Sales Tax							
	Others (insurance, freight handling charge etc.)							
(iii)	**All Inclusive ex-distillery Price of the mfg (i+ii)**							
(iv)	Import Fee as applicable @ Rs…… per BL							
(v)	KSBCL Margin 0.50% on (x) =(xi)							
(vi)	**Declared Price to Excise as per rule 2AE(DP or DRP) (iii+iv+v)**							
	(Extrapolated DP price for 12 Ltrs. including KSBCL Margin)							
(vii)	Countervailing Duty at applicable rates @Rs……per BL							
(viii)	Additional Countervailing Duty at applicable rates @ Rs...... per BL							
(ix)	Total Duties paid (vii+viii)							
(x)	Landed Cost of KSBCL(iii+iv+ix)							
(xi)	KSBCL margin @ 0.50% of (x)							
(xii)	KSBCL selling price (x+xi)							
B Cost build up for Maximum Retail Selling Price								
(i)	KSBCL selling price per bottle (xii divided by No of btls Per case)							
(ii)	Retail margin @ 10% of B(i)							
(iii)	Recorded maximum retail selling price(2AF) MRP or RMRP B(i+ii)							

Sd/-
Authorized Signatory
(Name)

Place
Date :

Annexure - IX

(To be given in the letter head of the supplier)

Cost Sheet of Liquor Imported from outside the country -FML/Beer (Standard sizes)

<u>Custom Duty Paid(D.P.)/Free(D.F.)</u>

Name of the Brand:-(As per Label Approval)

Sl. No.	**Particulars**	**FML**								**Beer**					
		Size of the pack (in ml)								**Size of the pack (in ml)**					
	Size	**1000**		**750**		**375**		**180**		**650**		**500**		**330**	
	Number of bottles per case	12		12		24		48		12		24		24	
	Bulk Litre - As per SCHEDULE-D-**8.64/9/12BL(FML) 7.8/7.92/12 (Beer)**	12		9		9		8.64		7.8		12		7.92	
	Custom Duty Paid(D.P.)/Free(D.F.)	**D.P.**	**D.F.**	**D.P.**	**D.F.**	**D.P.**	**D.F.**	**D.P.**	**D.F.**	**D.P.**	**D.F.**	**D.P.**	**D.F.**	**D.P.**	**D.F.**
<u>A Cost build up for KSBCL Selling Price</u>															
(i)	Basic price														
(ii)	Customs Duty														
(iii)	Other fees/levies/ cost														
	Central Sales Tax														
	Others (insurance, freight handling charge etc.)														
(iv)	**All Inclusive Price(i+ii+iii)**														
(v)	KSBCL Margin at 0.50% on (xi) =(xii)														
(vi)	**Declared Price to Excise(DP or DRP) (iv+v)**														
(vii)	Special Fee as applicable **(has been withdrawn)**														
(viii)	Addl. Special fee as applicable @ ….% on (vi=PBL x ABL)														
(ix)	Total Duties paid (vii+viii)														
(x)	Landed Cost of KSBCL(iv+ix)														
(xi)	KSBCL margin @ 0.50% of (x)														
(xii)	KSBCL selling price (x+xi)														
<u>B Cost build up for Maximum Retail Selling Price</u>															
(i)	KSBCL selling price per bottle (xiii divided by No of btls Per case)														
(ii)	Retail margin @ 10% of B(i)														
(iii)	Recorded maximum retail selling price MRP or RMRP B(i+ii)														

Place
Date :

Authorized Signatory
(Name)

Annexure - X

(To be given in the letter head of the supplier)

Cost Sheet of Liquor Imported from outside the country - FML/Beer (Non-standard sizes)

Custom Duty Paid(D.P.)/Free(D.F.)

Name of the Brand:-(As per Label Approval)

Sl. No.	Particulars	FML								Beer					
		Size of the pack (in ml)								Size of the pack (in ml)					
	Size	**1000**		**700**		**375**		**180**		**300**		**250**		**440**	
	Number of bottles per case	6		12		24		48		24		24		24	
	Bulk Litre - Other than SCHEDULE-D	6		8.4		9		8.64		7.2		6		10.56	
	Custom Duty Paid(D.P.)/Free(D.F.)	**D.P.**	**D.F.**	**D.P.**	**D.F.**	**D.P.**	**D.F.**	**D.P.**	**D.F.**	**D.P.**	**D.F.**	**D.P.**	**D.F.**	**D.P.**	**D.F.**
A Cost build up for KSBCL Selling Price															
(i)	Basic price														
(ii)	Customs Duty														
(iii)	Other fees/levies/ cost														
	Central Sales Tax														
	Others (insurance, freight, handling charge etc.)														
(iv)	**All Inclusive Price(i+ii+iii)**														
(v)	KSBCL Margin at 0.50% on (x)														
(vi)	**Declared Price to Excise(DP or DRP) (iv+v)**														
	(Extrapolated DP price for 12 Ltrs. including KSBCL Margin)														
(vii)	Special Fee as applicable rates @ Rs……… or …..% per bulk liter on (vi=PBLxABL)														
(viii)	Addl. Special fee as applicable …….on (vi=PBL X ABL)														
(ix)	Total Duties paid (vii+viii)														
(x)	Landed Cost of KSBCL(iv+ix)														
(xi)	KSBCL margin @ 0.50% of (x)														
(xii)	KSBCL selling price (x+xi)														
B Cost build up for Maximum Retail Selling Price															
(i)	KSBCL selling price per bottle														
(ii)	Retail margin @ 10% of B(i)														
(iii)	Recorded maximum retail selling price MRP or RMRP B(i+ii)														

Place
Date :

Authorized Signatory
(Name

Annexure -XI (a)

Request for issue of OFS

Name of the Distillery :							
Date:							
Brand Name:							
Sl. No.	**Depot**	**Size (in ML)**					
1		750					
		375					
		180					
2		750					
		375					
		180					
3		750					
		375					
		180					
GRAND TOTAL							

Signature
Name authorized signatory

Annexure - XI (b)

Request for issue of OFS

Name of the Brewery :							
Date:							
Brand Name:							
Sl. No.	**Depot**	**Size (in ML)**					
1		650					
		330					
		250					
2		650					
		330					
		250					
3		650					
		330					
		250					
GRAND TOTAL							

Signature
Name authorized signatory

Annexure - XII

Form of debit note for imports from outside the state
(to be given in the letter head of the supplier)

To

M/s. Karnataka State Beverages Corporation Limited,

(Name of the Depot)

Debit Note No:
Date :

Sir,

We have debited your account towards duties paid to the Government of Karnataka, relating to supplies made to you as per the details given below.

Details				
1) OFS No & Date				
2) Invoice No & Date				
3) Invoice Value (excluding Karnataka State levies)				**Amount (Rs.)**
4) **Import Fee paid**				
Sl.no.	**No. of carton boxes**	**Rate per CB (Rs.)**	**Amount (Rs.)**	
1.				
2.				
3.				
Sub total				
5) **Excise Duty paid**				
Sl.no.	**No. of carton boxes**	**Rate per CB (Rs.)**	**Amount (Rs.)**	
1.				
2.				
3.				
Sub total				
6) **Additional Excise Duty paid**				
Sl.no.	**No. of carton boxes**	**Rate per CB (Rs.)**	**Amount (Rs.)**	
1.				
2.				
3.				
Sub total				
Total (4+5+6)				

Amount (in words) Rs. …………………………………………………………………….

for XYZ Distillery/Supplier

Authorised Signatory
(Name)

Annexure - XIII

Form of debit note for imports from outside the country

(to be given in the letter head of the supplier)

To

M/s. Karnataka State Beverages Corporation Limited,

(Name of the Depot)

Debit Note No:
Date :

Sir,

We have debited your account towards duties paid to the Government of Karnataka, relating to supplies made to you as per the details given below.

<table>
<tr><td colspan="4">Details</td><td></td></tr>
<tr><td colspan="4">1) OFS No & Date</td><td></td></tr>
<tr><td colspan="4">2) Invoice No & Date</td><td></td></tr>
<tr><td colspan="4">3) Invoice Value (excluding Karnataka State levies)</td><td>Amount (Rs.)</td></tr>
<tr><td colspan="4">4) Special fee paid</td><td rowspan="6"></td></tr>
<tr><td>Sl.no.</td><td>No. of carton boxes</td><td>Rate per CB (Rs.)</td><td>Amount (Rs.)</td></tr>
<tr><td>1.</td><td></td><td></td><td></td></tr>
<tr><td>2.</td><td></td><td></td><td></td></tr>
<tr><td>3.</td><td></td><td></td><td></td></tr>
<tr><td colspan="3">Total</td><td></td></tr>
</table>

Amount (in words) Rs. ……………………………………………………………………….

for XYZ Distillery/Supplier

Authorised Signatory
(Name)

Annexure - XIV

Details to be printed on one of the sides of the carton box

Supplies to the KSBCL Name and Address of the Distillery/Brewery -- ------------------------------------- -------------------------------- Excise adhesive numbers	
From	
To	

LD-QF-02
Annexure - XV (a)

Request for inter depot transfer of stocks

Name of the Distillery :							
Date:							
Brand Name:							
Sl. No.	**Depot**	**Size (in ML)**					
1		750					
		375					
		180					
2		750					
		375					
		180					
3		750					
		375					
		180					
GRAND TOTAL							

Signature
Name authorised signatory

LD-QF-02
Annexure - XV (b)

Request for inter depot transfer of stocks

Name of the Brewery :							
Date:							
Brand Name:							
Sl. No.	**Depot**	**Size (in ML)**					
1		650					
		330					
		250					
2		650					
		330					
		250					
3		650					
		330					
		250					
GRAND TOTAL							

Signature
Name authorised signatory

Annexure - XVI

(To be given on Manufacture's letter head)
Application for ED/AED advance

PART – A
No

Date:

Photo

Name of the manufacturer & Address
Firm/Company's Name & Address
Code No.
PAN No (The one which is furnished to the EC while obtaining License)
List of Brands to which ED/AED loan is requested

Sl No.	Name of the Brand and Code	Date from which the brand is in existence
(Separate Annexure may be attached if the number is larger)		

I --------------------------------------- in my capacity as ---------------------------------- (Specify whether MD, Director, Proprietor, Partner) apply for ED/AED loan under KSBCL'S scheme called "Funding ED/AED through Advance to Manufacture" The maximum limit for advance required shall be Rs.(S)………………

I enclose herewith a copy of the Resolution approved by the Board of Directors of the Company/Partners to avail the Advance facility.

I have gone through the guidelines/features/conditions of the said scheme and agree to abide by the same.

The information furnished above is true to the best of my knowledge and belief

Place :
Date :

Signature :
Name :
Designation :

To,

The Managing Director

KSBCL

P A R T B

(For KSBCL's Office use only)

No: Date:

Whether admitted to the scheme : Yes/No
Limit fixed for the Advance : Rs…………….
ED/AED Advance ID No
* Front-end interest at 1% of the limit fixed payable by
Manufacturer to KSBCL : Rs…………….

Verified by Audited by Approved by

To:

Shri……………..
Manufacturer

Annexure –XVII

AGREEMENT

Whereas Sri……………………….. representing………………………………hereinafter called the "Manufacturer" includes………………………………. being the First Part:

Whereas Sri……………………………….., KSBCL representing Karnataka State Beverages Corporation Limited a Government of Karnataka Enterprise, registered as a private limited company under the Companies Act 1956 hereinafter called the "KSBCL" includes…………………………………being the Second Part:

Whereas the KSBCL has introduced a Scheme called "ED/AED Advance Scheme" for extending ED/AED Advance (hereafter called Scheme for short).

Whereas the Manufacture, Who manufactures Liquor under License from Government of Karnataka in Excise Department, is required to:

- Pay ED/AED (Additional Excise Duty) to the Government in Excise Department, before dispatching the liquor products from the distillery premises.
- Sell his liquor products through KSBCL, as KSBCL is the sole distributor in the State of Karnataka for all liquor products.

Whereas the Manufacturer requests KSBCL for OFS (Order for Supplies) under the Sourcing Policy of KSBCL and supplies his liquor products to KSBCL in pursuance to the OFS issued by KSBCL.

Whereas KSBCL stocks the liquor products received from the manufacturer, against OFS issued by KSBCL.

Whereas KSBCL sells the liquor products of the manufacturer to the retail licensees, and purchases the products to the extent of sale quantity, just before the sale.

Whereas KSBCL makes payment to the manufacturer, to the extent of sale made, on the subsequent weekly payment day.

Whereas the manufacturer is required to pay ED/AED in advance and wait for its return in installments (i.e sale proceeds from KSBCL as and when and to the extent sales take place,) and therefore is required to invest large sums in ED/AED payments.

Whereas there is facility under the Scheme called "Funding ED/AED through Advance to manufactures/Suppliers" to provide Advance to the manufacturer towards payment of ED/AED, hereinafter called "ED/AED Advance".

Whereas the manufacturer has read and understood the scheme in its entirety and desires to avail ED/AED Advance under the Scheme.

Whereas the manufacturer has applied for the facility under the scheme and he has been admitted to the scheme by KSBCL.

Whereas on the request made by the manufacturer, KSBCL presently has fixed a ceiling of Rs(R)…………………………. for the ED/AED Advance i.e., the ED/AED Advance sanctioned by KSBCL to the Manufacturer shall at no point of time exceed Rs(R)………………………….
unless the said ceiling is revised as per the norms of the scheme.

Whereas the Manufacturer has agreed to the said ceiling fixed of Rs(R)………………………….

Now witnesses as follows:

II. <u>THE MANUFACTURER AGREES TO THE FOLLOWING COVENENTS:</u>

1. The manufacturer shall abide by the Rules, Regulations and conditions stipulated under the scheme by KSBCL under its Circular No. ………………. dtd. …………………… including amendments if any that would be made by KSBCL to the said Circular from time to time.

2. The manufacturer does not derive any right to the ED/AED Advance. The sanction of ED/AED Advance by KSBCL shall be at its discretion based on the fund availability.

3. The manufacturer hereby secures the ED/AED Advance/s (obtained by him from KSBCL from time to time and the outstandings thereof including interest thereon) to the satisfaction of the KSBCL as follows:

   Manufacturer Hypothecates to KSBCL the Manufacturer's entire stock of goods held by KSBCL, for the time being in force, in addition to the goods the manufacturer would supply to KSBCL against the MIS. On such stock, the KSBCL shall have the first charge. The manufacturer agrees to this and undertakes not to do anything that adversely affects KSBCL's right as first charge holder on the said goods hypothecated to KSBCL by him on floating charge basis.

4. Manufacturer shall utilize ED/AED Advance amount sanctioned and disbursed by KSBCL only and only for the payment of ED/AED.

5. The total eligible advance at any point of time including adhoc advance vide Circular No. 141 dtd. 01.08.2007 shall not exceed the ceiling limit fixed. The Total ED/AED advance payable by the Corporation shall be maximum of 75% of the ED/AED amount paid to the Government of Karnataka by the manufacturers on the stock of brands deposited with the Corporation.

6. The ED/AED Advance shall be recovered with interest at 18% P.A. from the weekly payment payable to the manufacturer. The mechanism for the same shall be as follows:
   - Ordinarily, on the day of the weekly payment, the ED/AED Advance sanctioned during the week before the preceding week shall be recovered fully with interest, but not exceeding the weekly payment due. Any shortfall in recoveries will be carried over to the next week or later weeks as may be required. However, supplier/Manufacturer may request for a repayment pattern suitable to him, which the company may consider on merits, and agree at its discretion with approval of the Managing Director.

- The recovery of ED/AED Advance from weekly payments shall be with reference to sale of brands/products for which ED/AED Advance is sanctioned, and the dues thereon.

Notwithstanding anything contained in the repayment mechanism stated above, the responsibility for repayment of ED/AED Advance outstanding. With interest at 18% P.A. shall be that of the manufacturer and he honour the same by repayment in one lumpsum, on demand by KSBCL.

7. The manufacturer shall ensure that every bottle for which he has availed ED/AED Advance sells within a maximum of 90days. In case any stock remains unsold for more than 180days, the ED/AED Advance due in respect of such unsold stock with interest thereon shall be paid by the manufacturer to KSBCL in one lumpsum on demand and KSBCL shall have the right to recover such dues forthwith out of any amount payable by KSBCL to the manufacturer.

8. The manufacturer shall buy back the stocks which remain unsold for 180days, within next 30days, by duly clearing dues if any on account of the ED/AED Advance and interest thereon in one lumpsum within the said 30days. In case this is not complied with by the manufacturer, KSBCL shall have the right to auction such stock, appropriate the proceeds to the dues payable by the manufacturer and recover the balance from the manufacturer and the manufacturer shall pay such balance outstanding in one lumpsum on demand by KSBCL. In case auction is not feasible KSBCL shall have the right to destroy such stock and recover the dues including the cost of destroying the goods from the manufacturer and the manufacturer shall pay such sums in one lumpsum on demand by KSBCL.

III. INTEREST AND INSURANCE CHARGES ON "ED/AED ADVANCE"

ED/AED Advance shall carry interest at 18% P.A interest shall be paid on actual advance availed and the same shall be calculated on daily basis payable from the date of sanction of the advance till it is recovered with interest.

The manufacturer may request for an increase (not decrease) in the ED/AED advance limit once in a quarter in multiples of Rs.(R) 25Lakhs. However, the available amount of advance shall be limited to 75% of the ED/AED amount paid by the manufacturers against the brand of stocks deposited with the Corporation.

IV. RIGHT OF TERMINATION/MODIFICATION

The Company shall have exclusive authority to terminate the facility of the scheme to manufacturer, without giving any reason therefor. The company reserves the right to modify the scheme including the rate of interest etc. and the same shall be binding on the manufacturer. However the Company shall keep the manufacturers informed about modifications as and when they take place.

V. WITHDRAWAL FROM THE SHEME

Manufacturer may withdraw from the scheme with I month's notice subject to the condition that no dues on account of ED/AED Advance availed by him shall remain unpaid at the end of next 2 weekly payments from the date of application. However no fresh ED/AED Advance shall be granted to the manufacturer from the date of receipt of the request for withdrawal. He shall continue to be liable for all payments under the scheme till he is discharged from the scheme.

VI. INDEMNIFY

The manufacturer shall keep the KSBCL indemnified from any losses, damages,...………… that KSBCL may suffer as a consequence of ED/AED Advance extended by KSBCL to the manufacturer.

VII. ASSIGNMENT/TRANSFER TO THIRD PARTY

KSBCL shall have the right to assign , subrogate to any other third party including the Insure if any, the right/s to receive, recover the amounts outstanding for the time being, by the manufacturer to KSBCL, as per books of accounts of KSBCL, and such party shall derive all the legal rights over such amounts as are assigned, transferred by KSBCL. The manufacturer agrees to this and shall fulfill the consequential legal obligations arising on account of the same.

VIII. ARBITRATION

Any dispute arising on account of the operation of the scheme between the manufacturer and KSBCL shall be referred to the Arbitrator under the Indian Arbitration Act. KSBCL and the manufacture may appoint an arbitrator each and the third arbitrator shall be a person mutually agreed between KSBCL and manufacturer. The Arbitrator's decision shall be final and binding on the both the parties. Adjudication if any required shall be subject to the jurisdiction of courts in Bangalore.

The KSBCL and the Manufacturer put their hand and seal agreeing to the above.

Witnesses **Manufacturer's name and signature**

1.

2.

KSBCL

Annexure - XVIII

PROFORMA FOR CREDIT ADVICE

Name of the manufacturer:

Please credit the following licensed buyer's account with the cash discount shown against their names for the period…………………………………..

Depot	Code	Buyer's Name	Amount	TCS to be collected at the Depot	Net Amount
TOTAL					

Please debit an amount of Rs………….. to our account and recover the same from the payment due to us.

Thanking you,

Yours faithfully,

Signature of Authorised Representative

Annexure-XIX

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

Circular No.131 22.05.2007

Sub: Liquor Sourcing Policy 2007 – Stocking of brands KSBCL depots falling under Rs.250-299 and Rs.300-349 Declared Price ranges

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Consequent to the abolition of arrack in the State with effect from 1st July 2007, the sale of IML especially in the DP ranges of Rs.250-299 and Rs.300-349 will increase substantially. To handle the huge volume of IML sales in these lowest two slabs and to streamline the stock holding in the depots, the Corporation has decided to implement the following stocking policy. This policy shall be applicable for all brands in the lowest two DP slabs of Rs.250-299 and Rs.300-349.

(1) IML Depots across the State have been bifurcated into two categories :

Category-I	IML depots located in Bangalore Urban and Rural districts
Category-II	Upcountry IML depots located in the remaining 25 districts

(2) The manufacturers/suppliers would be permitted to stock their products in KSBCL depots to a maximum of 7 days of average sale of their brands in the case of Bangalore based depots (Category-I) and 14 days of average sale in the upcountry depots (Category-II).

(3) To arrive at the brand wise and depot wise maximum limit for stocking purpose, the moving average sale for a day to be arrived on the sales quantity of preceding month.

(4) Due to increase in the sale of IML in the cheaper segment on account of ban on arrack, the immediate quantum of increase is not known. Hence the factoring during the first month to arrive at the average sale per day will be 1.75 times in respect of DP slab Rs. 250-299 and 1.25 times in respect of DP slab Rs. 300-349.

For e.g. :

(a) Average sale per day x 1.75 times in respect of DP 250-299 x 7 days for Category-I Depots

(b) Average sale per day x 1.75 times in respect of DP 250-299 x 15 days for Category-II Depots

(5) In case of new brands under the above two slabs introduced during the year 2007-08, initial stock holding at KSBCL depots to a maximum quantity of 1200 CBs per depot on any given day would be allowed for the first three months and thereafter regulated based on sales.

(6) If maximum stocking limit is to be enhanced in any case as an exception to the above, separate proposals with justification for the higher stocking limits may be made by the manufacturer/supplier.

All the manufacturers and suppliers marketing their brands in the DP ranges of Rs.250-299 and Rs.300-349 are requested to apply for supply indents accordingly. The depot wise maximum stocking level of each brand based on the average daily sales of the brand is displayed on our website for reference.

The stocking policy of the Corporation as mentioned above will come into effect from 1^{st} July 2007.

( )
Managing Director

To

i) All Distilleries & Suppliers
ii) OSDF/Executive Directors
iii) GM(O) / CS
iv) DGM(O)
v) AGM(LS)
vi) All IML Depot Managers
vii) Circular – Master File & Spare copies

Annexure-XX

Depotwise/Supplierwise/Daywise

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

PURCHASE VOUCHER

____________________ Depot

Document No.________________________ Date _______________

Supplier Name ____________________________________ Code _________________

Address :

Item		**Purchase price per**		**Quantity**		**Purchase Value**
Name and Code	**Size**	**CB**	**Bottle**	**CB**	**Bottle**	

Verified by   Approved by

JM(Accounts)   Manager (Accounts)