

# Tamilnadu State Marketing Corporation: An Overview about its Administration, Governance and Irregularities

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**Abstract:** *Tamil Nadu State Marketing Corporation Limited (TASMAC) is a company incorporated under the Companies Act, 1956 on 23.05.1983. It is wholly owned by Govt. of Tamil Nadu with Registered Office in Chennai. TASMAC is vested with the exclusive privilege of wholesale supply of IMFL for the whole State of Tamil Nadu as per Section 17 (C) (1-A) (a) of the Tamil Nadu Prohibition Act, 1937 (Tamil Nadu Act X of 1937).*

**Keywords:** *State Marketing Corporation Limited*

## I. INTRODUCTION

Tamil Nadu State Marketing Corporation Limited (TASMAC) is a company incorporated under the Companies Act, 1956 on 23.05.1983. It is wholly owned by Govt. of Tamil Nadu with Registered Office in Chennai. TASMAC is vested with the exclusive privilege of wholesale supply of IMFL for the whole State of Tamil Nadu as per Section 17 (C) (1-A) (a) of the Tamil Nadu Prohibition Act, 1937 (Tamil Nadu Act X of 1937). It has taken over the wholesale distribution of Indian Made Foreign Liquor from the Private Sector in the whole state of Tamil Nadu during May 1983. The exclusive privilege of Retail Vending of IMFS was granted to TASMAC under Sec.17 (C) (1-B) of the Tamil Nadu Prohibition Act, 1937. TASMAC is doing the retail business also successfully with effect from 29.11.2003<sup>1</sup>.

As a revenue-generating instrument for the state, TASMAC plays a critical role in the state's fiscal strategy and excise regime. However, recent allegations and probe outcomes — culminating in Enforcement Directorate (ED) actions that allege unaccounted cash flows of the order of Rs 1,000 crore and a set of related FIRs filed by the Directorate of Vigilance and Anti-Corruption (DVAC) — have placed TASMAC under intense public and judicial scrutiny. These events raise doctrinal questions about the legal and administrative obligations that govern state corporations, the adequacy of internal and external accountability measures, and the intersection between revenue imperatives and public-interest duties such as public health, consumer protection and anti-corruption.

This paper addresses these questions through doctrinal legal analysis augmented by empirical material from agency disclosures, judicial orders, statutory instruments and relevant literature on alcohol policy and harms. The principal objective is to articulate the legal obligations applicable to TASMAC, map the governance failures evident in the recent events, and set out remedies that are both legally grounded and operationally feasible.

### 1.1 REVIEW OF LITERATURE

The alcohol policies in India are state-specific, and consumption reflects the diversity and culture within the nation. Some Indian states, namely Tamilnadu, Andhra Pradesh, Haryana, Kerala, Lakshadweep and Manipur, have had strict alcohol prohibition policies, subsequently lifted. In contrast, the states of Bihar, Gujarat, Mizoram and Nagaland are still under prohibition policies. In Tamil Nadu and Kerala, the alcohol trade is controlled by state alcohol monopolies.



The Tamil Nadu alcohol monopoly (TASMAC) revenue was reported at around 36.4 billion Indian rupees in 2003–2004 and increased to 440 billion rupees in the financial year 2022–2023.

Gowri, S. M., Antonisamy Belavendra., (2024) in their work “Prevalence and long-term change in alcohol consumption: results from a population-based cohort in Southern India”<sup>2</sup> — discusses national/state alcohol trends and explicitly cites TASMAC’s revenue and role in Tamil Nadu’s alcohol availability. The results of this study underline the significance of alcohol as a risk factor for morbidity and mortality, as well as the dearth of available treatment for alcohol use disorders.

Dr.A.Sangamithra1 & G.Shanmuga Priyaa in their study on HEALTH STATUS AND ALCOHOL RELATED HEALTH PROBLEMS OF ALCOHOLIC RESPONDENTS IN COIMBATORE DISTRICT<sup>3</sup> examined the health seeking behaviour and alcohol related health problem for sample respondents. The study comprises a survey of approximately 80 samples (with alcohol addiction) undergoing treatment in different hospitals, De-addiction and Rehabilitation centres in Coimbatore city limits.

J. Senthil et al in their applied science research “Health status of drunken youth in Kumbakonam, Tamilnadu, India”<sup>4</sup> dealt with health status of drunken youth and influencing factors i.e., socio-economic and cultural environments. The analysis is able to offer wide scope and identify of the existing health conditions, personal hygiene, health problems, health care and treatment seeking behaviour of drunken youth. This paper also helps to provide the better understanding of the people those who are engaged alcohol habits, to make policy implementation of rules and regulations in alcohol related law in state and national level

R. Rangarajan (2018). A Study on Quality of Work Life of the Employees Working in TASMAC Shops in Chennai City<sup>5</sup> — dissertation made an attempt to study the Quality of work life of the employees of TASMAC in Chennai city and suggested that to enhance the quality of work life of Tasmac employees, the government can take necessary steps to consider the employees as “Government employees.” This will help them to enjoy all monetary as well as non-monetary benefits.

In summary several authors analysed the health factors of alcohol consumers and TASMAC employee’s working conditions. In several articles and studies conducted by students and non-government organisations describes the social impacts of TASMAC outlets. But the administrations of TASMAC and its corporate non-compliance remains unscrutinized till date.

## 1.2 RESEARCH GAP

### **Transparent empirical analysis of procurement & tendering practices.**

Existing reporting and ED actions allege manipulation and brand-favouritism, but there’s little independent, peer-reviewed empirical work that reconstructs tender flows, bid winners, pricing formulas and supply volumes over time at district level.

### **Financial-audit style study of revenue leakages and institutional accountability.**

News/ED material points to alleged large-scale kickbacks and unexplained cash flows, but systematic forensic accounting studies (using audited accounts, vouchers, tender registers) are missing.

### **Political economy / patronage network mapping.**

There are commentary and allegations about political links and influence over TASMAC decisions, but few academic studies map decision-making networks, political donations, or link political cycles to procurement outcomes.

1. International Journal of Mental Health Syst. 2024 Oct 10;18:30. doi: 10.1186/s13033-024-00650-w

2. Dr.A.Sangamithra1 & G.Shanmuga Priyaa in their study on HEALTH STATUS AND ALCOHOL RELATED HEALTH

3. PROBLEMS OF ALCOHOLIC RESPONDENTS IN COIMBATORE DISTRICT vol.4 I.3 jul.2016 ISSN: 2320 – 4168

4. J. Senthil et al, Health status of drunken youth in Kumbakonam, Tamilnadu, India, Arch. Appl. Sci. Res., 2013, 5 (3):117-121

R. Rangarajan (2018). A Study on Quality of Work Life of the Employees Working in TASMAC Shops in Chennai City Vol-7 May 2018 ISSN-2279543X



**Governance & internal controls assessment (organizational behaviour).**

Few systematic studies examine TASMAC's internal control design, staff workload, role clarity, anti-corruption procedures, whistleblower protections, or the effectiveness of any recent reforms.

**Comparative regulatory analysis with other Indian states.**

There's little comparative work showing whether state-run monopoly models like TASMAC perform differently on transparency, corruption, and public health metrics compared to mixed or privatized retail regimes.

**Effectiveness of regulatory responses (post-investigation reforms).**

After probes and public scandals, reforms are often declared — but there is a gap in evaluative research tracking whether those reforms changed outcomes (procurement fairness, revenue leakage, vendor diversity).

**1.3 RESEARCH OBJECTIVES**

Reconstruct TASMAC procurement and tendering patterns at the district level (2015–2024).

Estimate the magnitude and geography of revenue leakages and unrecorded cash flows.

Map networks linking vendors, corporate entities, and political actors to identify patronage and capture mechanisms.

Evaluate the effectiveness of post-investigation reforms or administrative changes in curbing irregularities.

**1.4 HYPOTHESIS**

The operational inefficiency and inadequate infrastructure of TASMAC retail outlets significantly reduce service quality, workplace safety, and compliance with statutory norms compared to regulatory standards prescribed by the Tamil Nadu Prohibition Act and related excise rules.

Systemic deficiencies in financial control and audit mechanisms within TASMAC operations have a positive correlation with unaccounted cash flows and potential money-laundering activities in procurement and retail revenue streams.

Political patronage and administrative interference significantly influence TASMAC's tendering and auction processes, leading to non-transparent vendor selection and concentration of contracts among politically connected entities.

**1.5 METHODOLOGY AND SOURCES**

This doctrinal work uses a multi-source approach:

Primary statutory sources: Companies Act provisions relevant to state companies, Tamil Nadu Prohibition Act (1937), and the Tamil Nadu Liquor Retail Vending (in Shops and Bars) Rules, 2003.

Official TASMAC materials: corporate profile, board listings, policy pages and procurement rules published on TASMAC's official website.

Investigative reporting: major national and state media accounts documenting ED probe outcomes, raid summaries, FIR analyses and judicial interactions (The Economic Times, NDTV, India Today, Times of India, The New Indian Express).

Judicial pronouncements and legal reporting: Madras High Court orders and law reports addressing internal disciplinary action and concerns about systemic problems.

Academic and NGO literature: public health and social-impact studies on alcohol policy in Tamil Nadu, NGO reports (Movendi), and peer-reviewed articles on alcohol consumption patterns and harm.

Where necessary, statutory rules, government departmental publications and public statements by officials were also consulted (state Prohibition & Excise Department materials).

I have integrated these sources into a doctrinal examination (statutory duties, corporate governance expectations), an evidentiary narrative (what the investigations and reports say), and a prescriptive reform agenda. Key internet-sourced factual claims are cited inline.



## II. HISTORICAL AND LEGAL BACKGROUND OF TASMAC

### 2.1 Origin and statutory recognition

TASMAC was incorporated on 23 May 1983 as a government company under the Companies Act (1956 then in force). The Corporation is wholly owned by the Government of Tamil Nadu and, by statutory and policy allocation, holds the exclusive privilege for wholesale supply and retail vending of IMFL in the state under the Tamil Nadu Prohibition Act and associated rules. The corporate profile on TASMAC's official site states this exclusive privilege and provides a description of its mandate.<sup>6</sup>

The monopoly model in liquor distribution has been used by multiple Indian states; its stated rationales typically include regulating alcohol availability, controlling quality and safety, preventing illicit channels, and maximizing revenue for the state. In Tamil Nadu, this model was expanded and institutionalized in the late 20th century and TASMAC has become the principal vehicle for excise revenue collection.<sup>7</sup>

### 2.2 TASMAC's statutory and administrative environment

TASMAC operates within the legal framework of the Companies Act (as a government company), the Tamil Nadu Prohibition Act, 1937 (and its implementing rules), state executive policy guidelines issued by the Home, Prohibition & Excise Department.

The Tamil Nadu Liquor Retail Vending (in Shops and Bars) Rules, 2003, set out mechanics for licensing, retail vending, and related compliance obligations. These rules, along with TASMAC's own procurement and policy documents, form the regulatory scaffolding for operation.<sup>8</sup>

## III. INSTITUTIONAL STRUCTURE AND ADMINISTRATION

### 3.1 Board and senior management

TASMAC's Board is constituted largely of senior state officials: the Chairperson is an Additional Chief Secretary (Home, Prohibition & Excise), and other board positions are held by senior secretariat officers (Finance, Commercial Taxes etc.). The corporation's Managing Director (MD) is a senior administrative appointment. This embedded bureaucratic board composition underscores direct state control and ministerial linkage.

The Board of Directors of TASMAC with the following members takes policy decision and monitors the functioning of TASMAC.

Sl. No.	Board of Directors	
1	<b>Thiru.Dheerajkumar,IAS,</b> The Chairman, TASMAC and Additional Chief Secretary to Government, Home, Prohibition and Excise Department, Secretariat, Chennai - 600009	CHAIRPERSON & DIRECTOR
2	<b>Thiru. T. Udhayachandran, IAS.,</b> Principal Secretary to Government, Finance Department, Secretariat, Chennai - 600009	DIRECTOR
3	Additional Chief Secretary to Government, Commercial Taxes and Registration Department, Secretariat, Chennai - 600009	DIRECTOR
4	<b>Tmt. S. P. Karthikaa,IAS.,</b>	DIRECTOR



	Director of Prohibition & Excise Chepauk, Chennai - 600005	
5	<b>Dr.S.Visakan,IAS.,</b> Managing Director, TASMAL LTD., 4 <sup>TH</sup> Floor, CMDA Tower- II, Egmore, Chennai - 600008	MANAGING DIRECTOR

The Managing Director assisted by three General Managers and other officers with supporting staff looks after the day-to-day affairs of TASMAL.

While administrative integration allows policy alignment with state priorities (taxation, revenue), it also raises critical governance questions: how independent is TASMAL's board from political or departmental pressures; what safeguards exist to prevent conflicts between revenue goals and public health/regulatory objectives; and how is ministerial influence balanced against corporate-law duties to transparency and accountability?

### 3.2 Operational divisions and value chain

TASMAL's operational value chain comprises several discrete yet interlinked functions:

**Procurement & Registration of Brands:** TASMAL registers brands (domestic and imported), issues supply contracts for IMFL, and sets procurement schedules.

**Transport & Logistics:** stock movement from distilleries to regional depots and retail shops; transport tenders constitute a substantial recurring expense.

**Retail Distribution & Management of Wine Shops/Bars:** TASMAL runs thousands of retail wine shops and allocates bar licences (FL-2 style) under its licensing and retail mechanisms.

**Pricing & Revenue Collection:** retail pricing reflects excise duties, state margins, and TASMAL's commercial decisions; TASMAL collects cash and digital payments at outlets.

Each node of this chain involves large financial flows and creates opportunities for both efficiency gains and rent extraction. The balance between administrative control and market discipline in each node is therefore a central governance concern.

## IV. LEGAL FRAMEWORK: COMPANIES ACT, TAMIL NADU PROHIBITION ACT & RULES

### 4.1 Companies Act obligations for a government company

Though TASMAL is a government company, it remains a company under the Companies Act and is subject to statutory obligations including publication of annual reports, audited financial statements, board responsibilities, and corporate governance norms applicable to state companies. The Companies Act requires that companies publish annual financial statements and make them available to stakeholders; failure to do so weakens external accountability and contravenes transparency expectations.

TASMAL's annual report not published for 8<sup>th</sup> year in a row: Accounts and financial performance of Tamil Nadu State Marketing Corporation Ltd (TASMAL) will continue to be under wraps, as the state-owned liquor monopoly has not published its annual report for the 8<sup>th</sup> year now. The last annual report published on TASMAL's official website was its 34<sup>th</sup> report for the financial year 2016-2017.<sup>9</sup>

### 4.2 The Tamil Nadu Prohibition Act and retail rules

Under the Tamil Nadu Prohibition Act, 1937 and the 2003 retail vending rules, the state retains regulatory control over sale of liquor; those rules prescribe licensing processes and distance/operating norms for outlets and bars. In

5. <https://www.tasmal.co.in/profile.php>

6. Home, Prohibition and Excise Department of Tamil Nadu, Deman no. 37, Prohibition and Excise Policy note 2024-2025, Pg.43

7. The Tamil Nadu Liquor Retail Vending (in shops and bars) Rules, 2003, G.O. Ms. No.292, Prohibition and Excise (VI), dated the 3rd November 2003.

8. Reported on TIMES OF INDIA May 31, 2025, 04:33 IST



practice, these rules are implemented through executive orders and departmental oversight, often in coordination with TASMAL operations (e.g., in allotting FL-2 licences or shop locations).<sup>10</sup>

#### **4.3 Interplay between corporate law and public law**

State companies such as TASMAL occupy a hybrid legal space: as companies they have corporate duties and as public entities they answer to constitutional norms (e.g., Article 47's directive to improve public health) and public law norms of reasonableness, fairness, and accountability. Doctrinally, this hybrid status imposes heightened obligations of transparency and public-interest consideration, particularly where operations materially affect public health and social welfare.

### **V. GOVERNANCE MECHANISMS AND ACCOUNTABILITY INSTRUMENTS**

TASMAL's accountability rests upon several institutional instruments:

**Internal corporate governance:** Board oversight, internal audits, management controls and corporate policies. TASMAL's website publishes selected policy materials (brand registration, code for prevention of frauds).

**Administrative oversight:** the Home, Prohibition & Excise Department and the state legislature (assembly questions, departmental audits).

**External audit and statutory review:** CAG/state audit (where applicable), annual statutory audits under the Companies Act, and compliance reviews.

**Law enforcement & vigilance:** DVAC (Directorate of Vigilance and Anti-Corruption) registers complaints and FIRs; ED (Enforcement Directorate) can investigate money-laundering under PMLA where predicate offenses exist; criminal courts and magistrates adjudicate offences.

**Judicial and public interest litigation:** High Court supervision, PILs and judicial remedies act as external corrective mechanisms and provide transparency via court records.

**'Something Wrong in Dept':** Madras High Court Sets Aside Suspension of Employees Who Spoke in Media Against TASMAL. Expressing dissatisfaction over the manner in which the authorities dealt with a complaint against the then TASMAL district manager of Madura (south) about collection of 'mamool' from the TASMAL shop under her control every month, Justice Pugalendhi said: The TASMAL is run by the govt in order to prevent casualties on account of illicit arack and therefore, it should not allow any corruption in the department.<sup>11</sup>

Despite the multiplicity of mechanisms, evidence suggests persistent implementation gaps: delayed or absent publication of audited annual reports, weak procurement transparency, and suboptimal enforcement of retail price compliance. The next section examines those gaps in the light of empirical findings.

### **VI. DOCUMENTED IRREGULARITIES AND INVESTIGATIONS: EVIDENCE AND TIMELINE**

This section synthesizes public disclosures and reporting into a narrative of alleged irregularities and investigative action. The evidence derives largely from DVAC FIRs, ED disclosures, judicial records, and media investigations.

#### **6.1. Overview of the ED investigations (March–May 2025)**

In 2025 the Enforcement Directorate publicly announced that its probe into TASMAL had uncovered evidence of unaccounted cash flows and irregular tendering practices amounting to approximately Rs 1,000 crore. ED statements and reporting allege multifaceted irregularities: manipulation of tenders (transport, bar licences), favouritism in indent

9. the Tamil Nadu Liquor Retail Vending (in shops and bars) Rules, 2003, G.O. Ms. No.292, Prohibition and Excise (VI), dated the 3rd November 2003.

10. Justice.Pugalendhi's observation in K Mayakannan & others V. The Managing Director & others in Writ Petition WP(MD)no.20439 to 20441 of 2022 passed in 16.05.2025. [2025 LiveLaw (Mad) 117]



orders that advantaged selected distillery companies, overcharging at retail outlets (an excess of Rs 10–30 per bottle collected at retail), and use of intermediary shell firms for routing illicit cash. The ED's PMLA case builds on predicate FIRs filed by the DVAC from years prior.

ED action included searches/raids across multiple locations in Tamil Nadu (including residences/offices of senior officials and associates), interrogation of TASMAC's Managing Director, and seizure of documents and electronic data alleged to be incriminating. Media reports indicate the ED considered tenders and transport contracts (over Rs 100 crore annually) as important axes of manipulation.

The Enforcement Directorate uncovered:

**Tenders:** Data showing "manipulation" in TASMAC's transport tender allocations where a "glaring" issue was the "mismatch" between the KYC details of the applicant and the demand draft (DD), suggesting that the final successful bidder did not even obtain the requisite DD before the application deadline.

Tenders were awarded despite having only a single applicant in the final bid. TASMAC paid over Rs 100 crore annually to transporters, as per the Enforcement Directorate.

**Money Laundering** The agency said it found records to show "direct" communication between distillery companies and higher TASMAC officials, exposing efforts to secure increased indent orders and "undue" favours.

The searches also found "large-scale" financial fraud involving distillery companies like SNJ, Kals, Accord, SAIFL, and Shiva Distillery and bottling entities such as Devi Bottles, Crystal Bottles and GLR Holding, the Enforcement Directorate alleged.

The distilleries "systematically inflated" expenses and "fabricated" bogus purchases, particularly through bottle-making companies, to siphon off over Rs 1,000 crore in "unaccounted" cash.

These funds were then used as "kickbacks" to secure increased supply orders from TASMAC, as per the Enforcement Directorate.

**Financial records manipulation:** In the case of the bottling companies, the Enforcement Directorate found that they "inflated" sales figures, allowing distilleries to route excess payments, which were later withdrawn in cash and returned after deducting commissions.

This collusion between distilleries and bottling companies was done through manipulation of financial records, concealed cash flows, and systematic evasion.

The findings confirm a network where unaccounted cash was deliberately generated through inflated and bogus expenses and subsequently utilized for purposes leading to huge profits.

## 6.2. DVAC FIRs: 41 FIRs and pattern of corrupt practices

The DVAC, in prior checks and surprise inspections, registered multiple FIRs (41 cited in ED reporting) which alleged shop-level overcharging, seizure of unaccounted cash, collection of monthly bribes by certain TASMAC supervisors and managers, and tolerance of illegal bar operations.<sup>12</sup> An analysis of these FIRs reveals repeated allegations of overcharging beyond MRP, bribery for transfers/postings, non-action on consumer complaints, and tacit support for illegal bars. These FIRs formed the predicate for later ED action under the PMLA.

Region / Detachment	Approx. FIR Count	Main Allegations	Year Range
Chennai City	11 FIRs	Surprise checks; over-pricing; bribes for transfers; collusion with bar owners	2017-2021
Villupuram	5 FIRs	Illegal collections from outlets; unaccounted cash seized	2018-2020
Vellore	4 FIRs	Staff taking cuts from suppliers; falsified remittance	2018-2021
Cuddalore	3 FIRs	Allowing unlicensed bars; ₹62 lakh state loss	2019-2020



Region / Detachment	Approx. FIR Count	Main Allegations	Year Range
Coimbatore / Tiruppur / Salem	7 FIRs	Over-billing; missing stock; bribery	2019-2021
Madurai / Thoothukudi / Kannyakumari / Tiruvarur	11 FIRs	Diversion of stock; cash leakages; falsified accounts	2018-2021

### 6.3. Judicial scrutiny and Madras High Court findings

The Madras High Court, in adjudicating writ petitions by suspended TASMAC staffers who had publicised alleged corruption, remarked that “something is wrong” with TASMAC’s internal handling of complaints and disciplinary mechanisms. The Court quashed the suspensions and directed that appropriate disciplinary steps be taken if needed, signalling judicial unease with TASMAC’s

<https://www.dvac.tn.gov.in/FIR-Section.html>

internal processes. The High Court has also ordered closure of specific TASMAC shops on public-nuisance grounds, reinforcing the public-interest dimension of retail operations. Some of the notable cases dealt were:<sup>13</sup>

Case	Caption / Issue	Date & Reference
<b>W.P. Nos. 10348, 10352 &amp; 10355 of 2025</b>	TASMAC (represented by MD) vs Enforcement Directorate (ED) — challenge to ED’s raids on TASMAC premises under the Prevention of Money Laundering Act, 2002 (PMLA). Petition against a TASMAC retail-shop location: “shop on Trichy Road, Dindigul Town” — filed by K. Kannan vs TASMAC; HC ordered closure of shop for public-health reasons.	23 Apr 2025 (judgement)
<b>W.P. (MD) No. 2919 of 2025</b>	Petition by Mallasamy Nachimuthu vs District Collector Erode & TASMAC (Erode) — seeking removal of liquor shop from agricultural land (Mylambadi, Bhavani Taluk) under vending rules.	6 Jun 2025
<b>W.P. No. 4136 of 2019</b>	HC directed the Tamil Nadu Govt to file status report on 41 FIRs registered by the Directorate of Vigilance & Anti-Corruption (DVAC) relating to TASMAC operations.	06 Dec 2019
<b>PIL re: 41 DVAC FIRs &amp; TASMAC corruption</b>	Petitions by Government of Tamil Nadu & TASMAC challenging ED’s March 6-8, 2025 raids; HC initially stayed proceedings then dismissed petitions, giving ED free hand.	22 May 2025
<b>Writ petitions: ED raids on TASMAC</b>		March–April 2025

### 6.4. Shop-level irregularities: overcharging and non-compliant billing

Multiple investigative reports and DVAC checks have documented instances of overcharging beyond MRP at TASMAC outlets. While some allegations (e.g., blanket claims that every bottle in all shops is sold above MRP) remain politically charged and require audit confirmation, the pattern of localised overcharging, seizure of cash during raids, and complaints lodged by employees and consumers are consistent across media and vigilance records.

### 6.5 Procurement, tenders and logistics irregularities

The ED specifically pointed to manipulation in tender processes — for transport contracts, bar licence allocations and indenting — where tenders were awarded despite single bids, mismatch of KYC/DD documents, and apparent favouritism benefitting particular distilleries or contractors. Given the large annual transport spend (reportedly over Rs 100 crore) and the volume of procurement across thousands of SKUs, such tender manipulation could produce materially significant unaccounted flows.

11. <https://hcmadras.tn.gov.in/>



### **6.6 Political and patronage networks**

Media reports also highlight the alleged role of intermediaries and political linkages. The ED reporting and press coverage frequently refer to named intermediaries or associates who allegedly acted as brokers between distilleries, contractors and TASMAC officials. Public political rhetoric has highlighted these linkages, and the Supreme Court and High Court have at times been asked to assess the scope of investigation and the federal balance (ED actions vs state administration).

### **6.7 Transparency failures: non-publication of annual reports**

A notable governance gap is TASMAC's failure to publish audited annual reports online for several consecutive years (reportedly up to eight years as of mid-2025), in apparent non-compliance with expectations under company law for disclosure. The last publicly available annual report referenced in news reporting was 2016–17; absence of published financials undermines external scrutiny and impedes independent audit analysis.

## **VII. DOCTRINAL ANALYSIS: LEGAL DUTIES, PUBLIC LAW OBLIGATIONS, AND FAILURES**

This section offers a doctrinal reading of the legal obligations that TASMAC, as a state company, must observe; the ways in which the recent evidence suggests breaches of those duties; and the remedial and accountability pathways available under the law.

### **7.1 Corporate governance and statutory disclosure duties**

**Section 134 of companies act, 2013 (Board's Report):** This is a cornerstone section requiring the board of directors to prepare and attach a report to the financial statements. It mandates detailed disclosures on the company's affairs, financial performance, risk management, Corporate Social Responsibility (CSR) initiatives, number of board meetings held, and a Directors' Responsibility Statement.

Tariq-style governance concerns arise when state companies fail to publish accounts: it impedes parliamentary/legislative scrutiny and frustrates rights of information (including Right to Information requests), making detection of irregularities harder. The media-reported failure to publish TASMAC's annual reports for multiple years therefore raises potential non-compliance with the spirit (and perhaps letter) of statutory disclosure obligations.

Remedies under corporate and administrative law include mandatory production of records to the legislature, CAG/state audit orders, and judicial mandates compelling disclosure. If the non-publication masks material irregularities, criminal and PMLA investigations may proceed based on predicate offenses.

### **7.2 Procurement law and public contract fairness**

Procurement by state companies is governed by principles of fairness, non-discrimination and transparency, which receive reinforcement from judicial precedent. When tenders are manipulated — single-bid awards, irregular documentation, favouritism — there is a legal breach of procurement fairness and potential criminality (fraud, conspiracy) where deliberate misreporting or collusion exists. The ED's finding of manipulated tenders and the DVAC FIRs documenting irregularities suggest potential violations of procurement norms and criminal provisions (IPC/Prevention of Corruption Act) which can then ground money-laundering investigations under PMLA.

### **7.3 Public law duties and constitutional obligations**

TASMAC's operations affect public health — which is a policy area reflected in **Article 47 of the Constitution** (duty of the State to raise the level of nutrition and standard of living and to improve public health). The state's role as a revenue-maximizing operator must be balanced against obligations to protect public health and order. Judicial orders that close outlets on public-nuisance grounds emphasize that state action in promoting liquor sales cannot be insulated from constitutional public-health imperatives. When state-operated systems incentivize proliferation of outlets and lax enforcement of distance/operating norms, there is a potential breach of constitutional public-interest obligations.

K.Kannan Vs the Managing Director & others<sup>14</sup> Justice S M Subramaniam and Justice A D Maria Clete recorded that "mere adherence to the distance criterion

13. Justice SM Subramanian and Justice AD Maria Clete in WP(MD)No.2919 of 2025, order passed on 02.06.2025



is insufficient when certain mitigating circumstances are raised by an aggrieved citizen." It further noted, "Undoubtedly, a TASMACHOP shop may cause a nuisance to the road users in the locality, particularly, to the children during School hours."

#### **7.4 Administrative law and internal grievance handling**

The Madras High Court's observation that "something is wrong" and its quashing of disciplinary action against whistleblowing employees highlights the administrative law duty to ensure fair inquiry mechanisms and to protect employees exposing wrongdoing.<sup>15</sup> Administrative law principles require procedural fairness, genuine investigation, and non-retaliation for whistleblowing where allegations appear to have substance. TASMACHOP's internal inquiry findings (which the Court found unsatisfactory) indicate a procedural failure, raising questions about institutional culture and internal controls.

#### **7.5 Money-laundering framework and predicate offenses**

PMLA investigations rest upon predicate offenses (FIRs, corruption, fraud). The DVAC FIRs (alleging bribes, seizures of cash, overcharging) provide predicate grounds; where proceeds of crime are routed through shell companies or used to purchase assets, PMLA triggers ED action. The doctrine of tracing proceeds and attachment/seizure of property is being applied in the TASMACHOP investigations. Importantly, PMLA outcomes (and any attachment) must conform to procedural safeguards, and judicial review remains available to contest overreach. The inter-institutional balance between state investigations and central ED jurisdiction has been contested in the wider context of federal principles.

### **VIII. REFORM RECOMMENDATIONS: DOCTRINALLY-GROUNDED AND OPERATIONAL**

Based on the doctrinal analysis and the patterns of irregularity observed, the paper proposes a prioritized reform agenda that is legally grounded, operationally practical, and cognizant of political realities.

#### **8.1 Immediate transparency & disclosure fixes (legal and administrative)**

**Mandatory public disclosure of audited annual reports:** TASMACHOP should publish audited financial statements and directors' reports for all missing years immediately (and institute a policy to publish future reports online). This fulfils Companies Act duties and improves public oversight.

**Parliamentary/Legislative oversight report:** The Prohibition & Excise Department should present a consolidated TASMACHOP account in the State Assembly with a special audit annexure and make the report public.

**Public procurement registry:** All large tenders (above a threshold) should be published on a central procurement portal with bid details, evaluation matrices, and award justifications.

These measures align with statutory duties under the Companies Act and procurement fairness doctrines.

#### **8.2 Procurement and contracting reforms**

**E-tendering and two-stage tender protocols:** Mandatory e-tendering with strict KYC, escrow, and technical bid transparency reduces single-bid manipulation.

**Third-party procurement audit and rotating panels:** Appoint independent procurement auditors for large contracts and rotate procurement officials to reduce capture.

**Vendor GST/invoicing reconciliation:** Link procurement invoices to GST returns to detect bogus billing and fabricated transactions involving bottle-making/packing firms.

Such steps would ensure compliance with procurement fair play and provide evidence trails for forensic audits.

#### **8.3 Organizational separation and regulatory independence**

**Separate licensing/regulation from commercial functions:** Create an independent state liquor regulatory authority (for licensing, zoning, compliance) distinct from TASMACHOP's commercial/distribution role. This doctrinally addresses conflict of interest where the same administrative instrument both regulates and profits.

**Statutory safeguards for the regulator's independence:** Place regulator appointments and tenure protections under statute to minimize political pressure.

14. Justice.Pugalendhi's observation in *K. Mayakannan & others V. The Managing Director & others* in Writ Petition WP(MD)no.20439 to 20441 of 2022 passed in 16.05.2025. [2025 LiveLaw (Mad) 117]



This separation respects public law duties and reduces incentive misalignment.

#### **8.4 Internal compliance, whistleblower protection, and administration of justice**

**Strengthen internal audit and compliance units:** Create an anti-corruption cell with external oversight (independent member), implement mandatory rotation and disclosure of assets for senior officials.

**Robust whistleblower protection:** Enact and operationalize anonymous reporting channels, with protection against retaliation and legal support for complainants.

**Fast-track disciplinary review:** For allegations substantiated by DVAC/ED, adopt immediate provisional measures and public reporting of outcomes (consistent with due process).

These measures align with administrative law norms on fairness and whistleblower protection and improve internal accountability.

#### **8.5 Retail-price and consumer protection mechanisms**

**Real-time electronic billing (POS) with central aggregation:** Mandate POS billing that uploads sales data centrally; mismatches (MRP vs billed amount) should trigger automatic alerts and inspection.

**Mystery shopping and consumer grievance dashboard:** Regular anonymous compliance audits and a public grievance dashboard to capture complaints and outcomes.

**Penalties for overcharging and illegal bar operations:** Enforce meaningful monetary and criminal penalties against managers/contractors proven to overcharge or run illegal bars.

These operational reforms protect consumers and deter petty corruption.

#### **8.6 Public-health oriented licensing and revenue earmarking**

**Distance, density and hours regulation:** Enforce strict distance norms from schools, hospitals and places of worship; limit outlet density in vulnerable neighbourhoods.

**Earmark TASMAC revenue for harm-reduction:** Legislate allocation of a defined share of TASMAC margins to community health, rehabilitation and road safety programs.

**Periodic impact evaluations:** Mandate independent studies to measure public-health outcomes (domestic violence, accidents, addiction prevalence) and tie licensing renewals to community performance measures.

These measures align TASMAC's revenue model with constitutional public-health duties (Article 47) and international best practices.

#### **8.7 Longer-term structural options**

**Independent governance review commission:** Constitute a commission (judicially overseen if possible) to examine the long-term viability of the monopoly model vs regulated private retail under strict oversight.

**Phased structural options:** Any move toward devolution or privatization should be phased, conditional on strict procurement and regulatory reforms, to avoid incentivizing a rapid proliferation of outlets.

The doctrinal justification for a commission is to ensure evidence-based policy choices that respect statutory duties and public health imperatives.

## **IX. CONCLUSION**

TASMAC sits at a fraught intersection: a state-owned commercial vehicle relied upon for fiscal revenue but operating within domains of intense public-health and social concern. The ED and DVAC findings, alongside judicial observations, underscore systemic governance gaps — gaps that are doctrinally problematic given TASMAC's duties under company law and the state's constitutional obligations to public health.

Addressing these failures requires doctrinally-informed reforms: immediate transparency and audit action, procurement fairness and e-governance, institutional separation of regulatory functions, internal compliance and whistleblower protections, and a public-health focused licensing regime. If implemented with political will and administrative capacity, these reforms can align TASMAC's revenue functions with public interest, reduce opportunities for rent extraction, and restore institutional credibility.



This paper's doctrinal contribution is twofold: (1) it situates TASMAC's operational failures within the legal obligations applicable to a state company and the administrative law duties of the state; and (2) it proposes reforms that are legally grounded and operationally specific. The task ahead is institutional — reform must be sustained, evidence-driven and accompanied by independent oversight.

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