



INDIAN ALCOHOLIC BEVERAGE INDUSTRY ANALYSIS

May - 2024



India is one of the fastest growing alcoholic beverages markets globally, given the growing urban population, evolving consumer preferences, burgeoning middleclass population along with improving purchasing power and a more aware younger consumer profile. Maharashtra, Karnataka, West Bengal, Odisha, Telangana, Delhi, Haryana and Punjab, among few others are the prominent consuming states for alcoholic beverages in India. The Indian alcohol business is highly regulated and each state has its own rules with respect to indirect taxes and duties. Besides, the industry is also highly competitive, with several large players dominating the market. A significant proportion of the alcohol industry is largely made up of Indian made foreign liquor (IMFL), Indian made Indian liquor (IMIL)/ country liquor, wine, beer and imported alcohol.

The industry contributes significantly to the Indian economy, by generating revenue to the states, supporting farmers' income and generating employment in related sectors such as agriculture, food and beverage industry (F&B), retail and hospitality. From production and supply chain management to retail, the sector offers many job opportunities that sustain families and stimulate local economies. Moreover, bottle manufacturers, advertisers and label printers find a lucrative market in the alcoholic beverages sector. From world-renowned whiskies to beers and wines, India's alcoholic beverages are making their mark globally. These exports further help bring valuable foreign exchange, improving the country's trade balance.

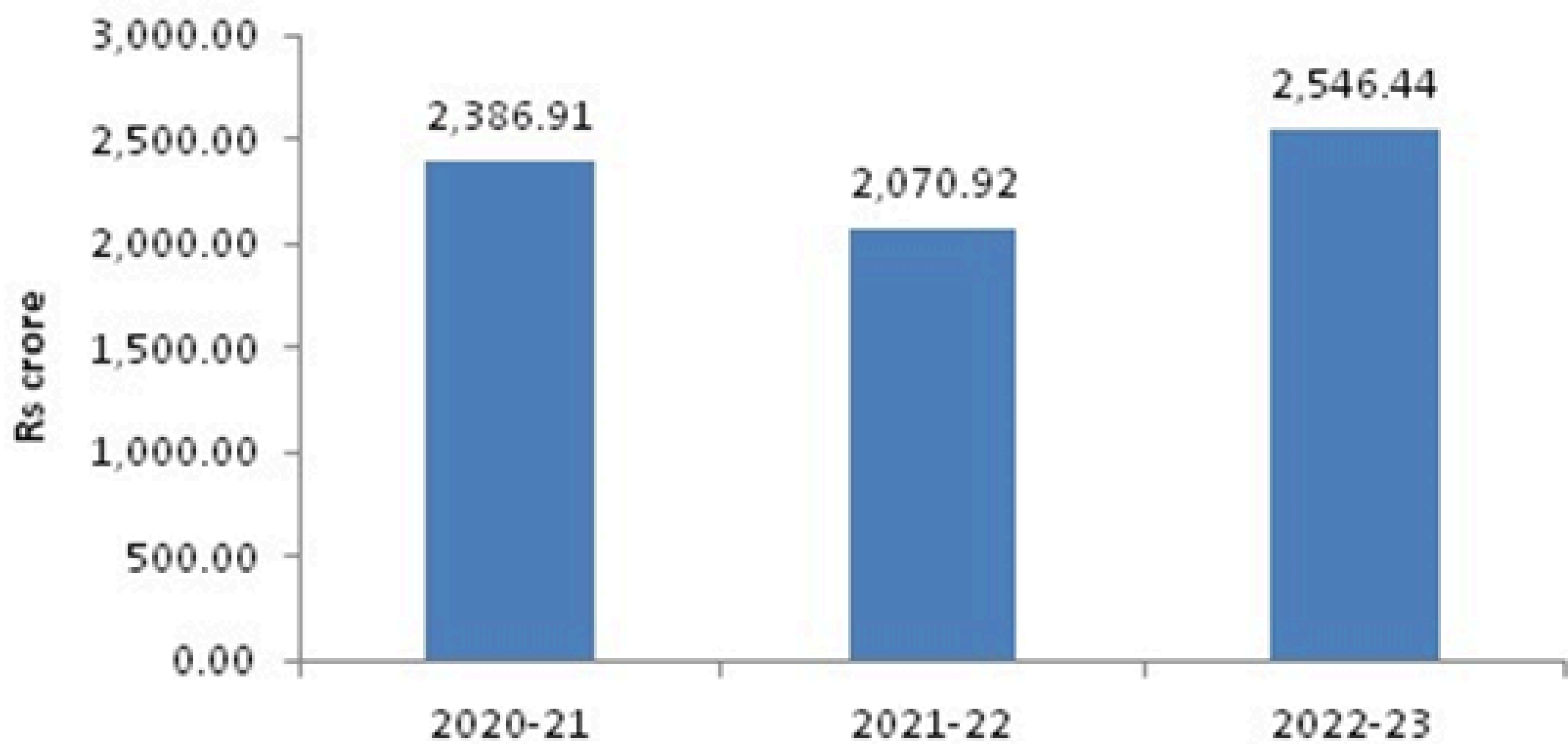
INDIAN-MADE FOREIGN LIQUOR SALES

Indian-made foreign liquor (IMFL) sales surged 14 per cent in volume terms to 385 million cases in FY 2022-23. According to industry body the Confederation of Indian Alcoholic Beverage Companies (CIABC), whisky remained the largest segment in FY23, with an expected sales volume of 243 million cases, contributing 63 per cent of sales of the total industry. Region wise, barring a few states, growth has been fairly consistent across India. Western region witnessed a strong growth of 32 per cent, while Eastern region logged 22 per cent growth. Sales in Northern region and Southern region were lower at 16 per cent and 9 per cent, respectively. However, the Southern region has remained the largest contributor to sales volume in terms of share.

EXPORTS OF ALCOHOLIC BEVERAGES

Registering 22.96% growth, India has exported 230,903.45 MT of alcoholic products to the world for the worth of Rs 2,546.44 crore (\$316.24 million) during the year 2022-23 as against Rs 2,070.92 crore export witnessed in the year 2021-22, on account of increasing demand and accelerating popularity of Indian-made spirits worldwide. Negotiations for free trade agreements (FTAs) play a crucial role in facilitating the growth of Indian spirits exports. Besides, the CIABC has been actively advocating for improved market access for Indian products in the European Union (EU). Meanwhile, during 2021-22, the country exported 197,868.34 MT of alcoholic products to the world, while exports stood at 247,455.69 MT in 2020-21.

Exports of alcoholic beverages

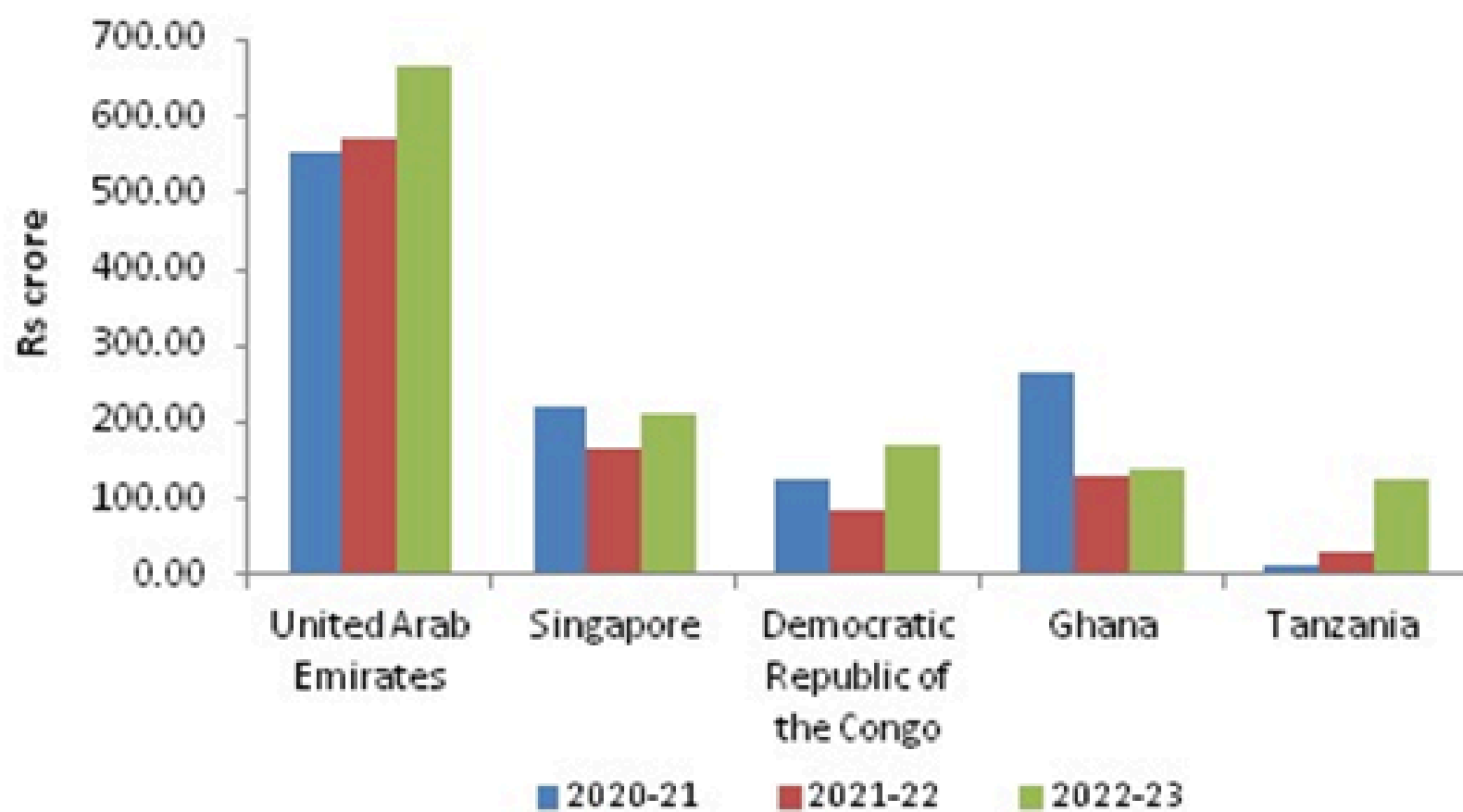


INDIA'S EXPORT DESTINATIONS

The major export destinations of Indian alcoholic products include the United Arab Emirates, Singapore, Democratic Republic of the Congo, Ghana and Tanzania, with the demand of India's products like beer made from malt, wine, white wine, brandy, whisky, rum, and gin has increased manifold in the global market. The majority of the beverages were exported to the United Arab Emirates.

Out of total exports of alcoholic beverages from India, the majority of the beverages were exported to the United Arab Emirates. In value terms, alcoholic beverages exports to United Arab Emirates surged 16.58% to Rs 664.80 crore in 2022-23 as against Rs 570.25 crore in 2021-22, while exports to Singapore jumped 24.80% to Rs 209.34 crore in 2022-23 as against Rs 167.74 crore in 2021-22. Further, exports to Democratic Republic of the Congo, Ghana and Tanzania stood at Rs 170.12 crore, Rs 140.67 crore and Rs 126.67 crore, respectively.

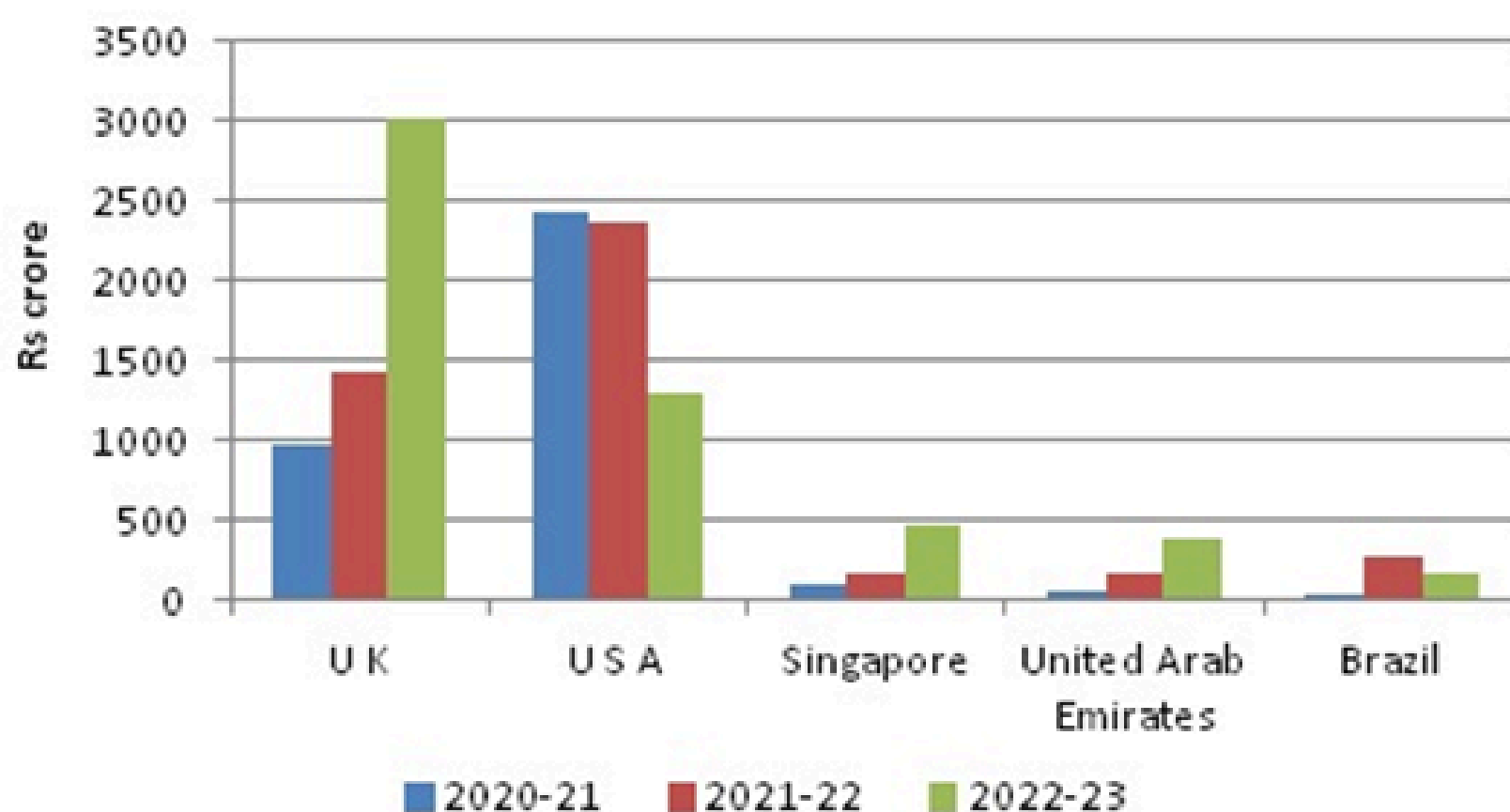
Top 5 India's export destinations



IMPORTS VOLUME OF ALCOHOLIC BEVERAGES

India imported majority of alcoholic beverages from the United Kingdom (UK) which amounted to approximately Rs 3,002.49 crore in 2022-23, higher by 109.63% compared to Rs 1,432.25 crore in 2021-22, on the back of improving consumption. The second leading exporter of alcoholic beverages to India was the United States of America (USA) with an import value of Rs 1,290.51 crore in 2022-23, followed by Singapore (Rs 468.98 crore), United Arab Emirates (Rs 380.27 crore) and Brazil (Rs 165.75 crore). Among various religious groups, the proportion of alcohol consumption by men is higher among Christians and lowest among Muslims, while the proportion of alcohol consumption by women is highest among Christians and lowest among Sikhs.

Imports of alcoholic beverages



E-COMMERCE PLATFORMS TO EXPAND REACH; SUMMER SEASON TO HEAT UP SALES

The rapid growth of the e-commerce market in India has opened up new avenues for the industry. Online platforms provide an accessible and convenient way for consumers to purchase alcoholic beverages, which will help industry expand reach, tap into new markets, improve efficiency, and boost sales. E-commerce platforms are also expected to help Indian companies reduce costs, streamline their operations and create a more customer-centric experience with innovative business models that cater to the changing demands of the modern consumers.

The summer season brings warm weather and outdoor activities as summer is a peak vacation season for many people. Tourists and travelers often indulge in local or regional beers to explore the flavors of the area they are visiting, as beer is a refreshing and cooling beverage, making it a popular choice to quench thirst during the hot weather. The season is also a time for weddings and other celebrations, where beer is often served at parties and gatherings. Overall, all these factors are expected to create a surge in beer demand during the summer months.

RECENT DEVELOPMENTS

- **ISWAI URGES STATE GOVERNMENTS TO RATIONALIZE EXCISE DUTIES**

The International Spirits & Wines Association of India (ISWAI), which represents the imported premium portfolio of spirits and wine brands in India, urged state governments to rationalize high excise duties. ISWAI said manufacturers of alcohol beverages (Alco-Bev) are facing shrinking margins due to high discriminatory taxes, along with soaring inflation and import tariffs.

It has urged regulators to consider an 'inflation-linked model that will bring much-needed transparency and a consistent approach to state supplier pricing'. It said that as inflation rates rise in the country, the Alco-Bev sector faces significant challenges due to escalating costs of production, transportation, raw materials, and exorbitant import duties. This combination poses a dire threat to the industry's sustainability.

It has suggested a uniform inflation-linked supplier pricing model for the industry and rationalization of ad hoc levies and taxes imposed by state governments. ISWAI believes these steps will stimulate economic growth, and called for a collaborative outlook between industry stakeholders and policymakers to ensure the continued prosperity of the Alco-Bev sector and its contribution to the Indian economy.

- **INDIA-EFTA TRADE AND ECONOMIC PARTNERSHIP AGREEMENT**

India-European Free Trade Association (EFTA) signed a Trade and Economic Partnership Agreement (TEPA) on March 10, 2024. The agreement comprises of 14 chapters with main focus on market access related to goods, rules of origin, trade facilitation, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, investment promotion, market access on services, intellectual property rights, trade and sustainable development and other legal and horizontal provisions. The European

- **FREE TRADE ASSOCIATION (EFTA) COMPRISES ICELAND, LIECHTENSTEIN, NORWAY AND SWITZERLAND.**

The alcohol industry has welcomed the recent trade pact between India and European Free Trade Association (EFTA), stating that the trade deal will help in providing easier access to high quality wines from EFTA countries without affecting domestic wine industry adversely. As per the deal, wine priced between \$5 and \$15 will see reduction of custom duty up to 50% over a period of 10 years. The deal will also help the domestic industry further lift its quality by exposure to quality wines and possible investments.

- **CIABC SEEKS GREATER MARKET ACCESS FOR ALCOHOLIC PRODUCTS IN EU TO BOOST EXPORTS**

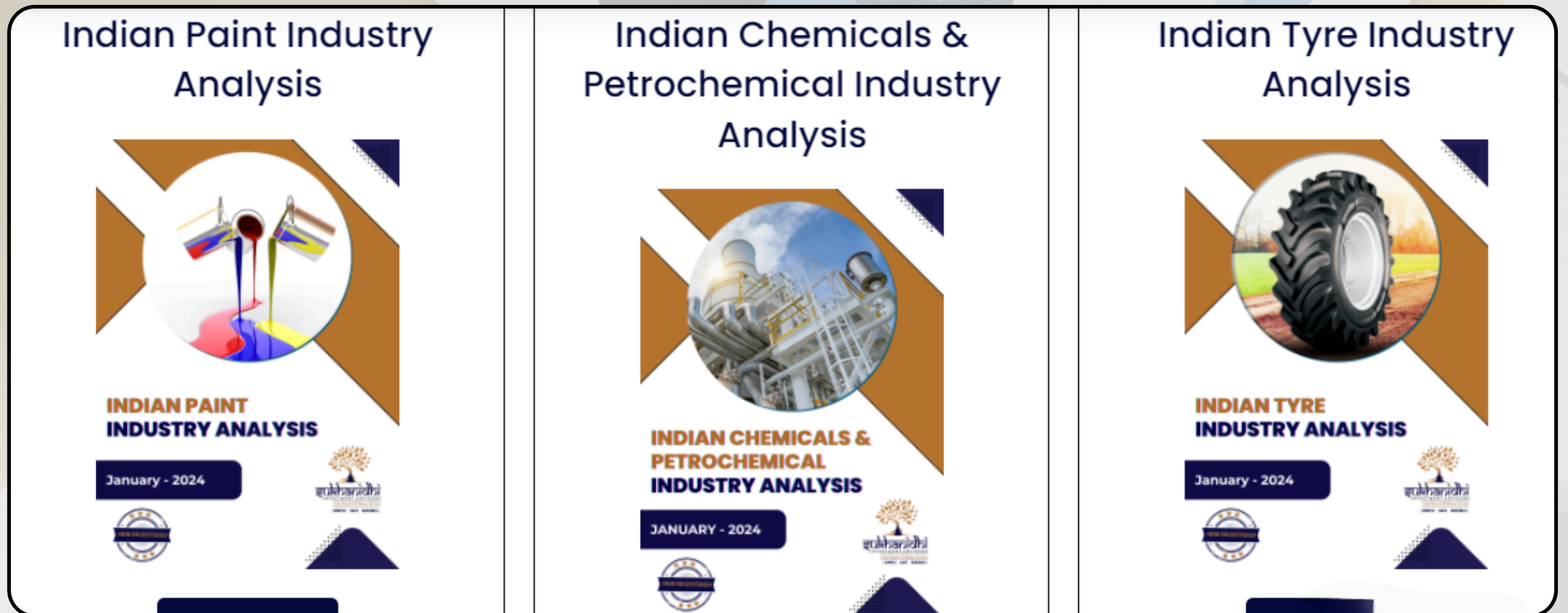
Alcoholic beverages makers' body CIABC sought greater market access for domestic products in the European markets and removal of non-tariff barriers to boost exports. It said that the EU should remove the non-tariff barriers which prevent the vast majority of Indian products from being sold in their market. It added that the conditions that for a product to qualify as a whisky, it must be matured for a period not less than three years; and for brandy, one year, should not be applicable for products made in India, where climate is warm and maturation happens fast.

OUTLOOK

The growth outlook for the Indian alcoholic beverages industry is optimistic and promising with factors such as advanced production techniques, favorable climatic conditions, a younger population and an increase in disposable income. Introduction of online order, ease of doorstep delivery in certain states, new and innovative products in line with consumer trends may further stimulate consumption and contribute to the growth of the sector. Premiumisation and growth of the out-of-home (OOH) segment which includes bars, restaurants and other social venues are also driving the growth. Besides, rising celebratory occasions, higher domestic as well as international tourism and focus of the states on keeping the Excise revenues buoyant are expected to help in growing the market in a sustainable manner. To cater to new consumers and capture market opportunities, the companies will continue to offer new product ranges.

Furthermore, the logistics infrastructure improved through the development of dedicated freight corridors and the modernization of ports will facilitate the distribution of alcoholic beverages products. The innovation, improving ease of doing business, 'Make in India' and enhanced exports will help the country to be a key player in global value chains of alcoholic beverages. The competitive environment in the sector is likely to remain intense with the introduction of new products in various segments. This intense competition can make it difficult for new entrants to gain a foothold and compete effectively within industry. Besides, the manufacturers need to focus on developing a strong brand image, as brand loyalty plays a significant role in the industry. Further, pricing regulations and inadequate market infrastructure may pose challenges to the industry, with an influence over consumption.

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