

2022

ALCOHOLIC BEVERAGES

INDIAN MARKET ANALYSIS



Realized by:

apexBrasil 

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ALCOHOLIC BEVERAGES IN INDIA

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1. SCOPE OF WORK

This analysis is focused on the industry of alcoholic beverages in India detailing the current situation of the same, consumer trends, trade analysis, as well as highlighting the major rules and regulations applicable to the sector.

2. INTRODUCTION

The alcoholic beverages industry contributes to around 1.5 million jobs in India and generated around USD 52.000 million in sales revenue in 2020 with a growth rate of 6.8%, far ahead of global average of 3.5%.

The sector is open to foreign investments and many states offer subsidies for local manufacturing (for example, Maharashtra and Karnataka for wines). From the demand side, factors such as rapid urbanization, changing consumer preferences and a sizeable and growing middle-class population with increased purchasing power have contributed towards growth in demand for alcoholic beverages.

According to industry estimates, the number of people consuming alcohol increased from approximately 219 million in 2005 to 293 million in 2018; it is projected to increase to 386 million by 2030. The share of the upper- middle income group in alcohol consumption has increased steadily from 7% to 21% and is expected to increase to 44% by 2030. Due to this scale factor, despite average consumption is quite low, India is already the third largest market for alcoholic beverages worldwide.

However, India still plays a modest role in alcoholic beverages international trade, ranking only 32th in the case of exports, with a market share of 0.27% of global commerce, and 20th in value of imports, meaning 0.75% of total. Undoubtedly, India potential is yet to be uncovered in this sector.

Alcohol in India is highly regulated, and its consumption is disincentivized by some governments, even totally banned as in the case of Gujarat or Bihar. As per some ancient Hindu and Jainist traditions, consumption of alcohol is considered a bad habit, and abstinence of alcohol is regarded as a moral value.

High import tariffs and Cess (surcharge) of 150%, even for intermediate products, counters the basic premise of "Make in India". While imports will not be more than one percent of the domestic consumption even if tariffs are phased out, imported liquor prices in India are significantly higher than 95% of the countries in the world and India's trading partners have repeatedly raised this as a key barrier in their trade agreement negotiations.

Due to high taxation and licensing fees, alcohol means the third largest source of income for most of the states. Since alcoholic beverages are kept out of Good and Services Tax Regime (Indian value added tax), state governments have the freedom to implement their price control mechanisms based upon their priorities.

New generations are fast adopting western habits and accepting consumption of alcohol as a part of their social life and willing to taste new beverages. Historically, and maybe as result of British influence, consumption of spirits dominated the Indian market (especially whisky), while other products such as beers or specially wine, were not consumed as much as in other countries.

While beer consumption has increased sharply in last 5 years (from 44% to 50%), consumption of wine remains in a marginal 0.5% from a previous data of 0.42%.

3. INDIAN ECONOMY OVERVIEW

India overtook last summer (2022) to UK to become the fifth largest economy of the world, and it is expected to be in the top 3 global by 2027, surpassing Germany and Japan in terms of nominal gross product (GDP). In terms of purchasing power parity (PPP) it is already the third one.

Country	Rank	%Share	Global Rank	% Share
Developed Economies				
USA	1	24.7%	2	15.8%
Japan	3	6.0%	4	4.0%
Germany	4	4.5%	5	3.3%
United Kingdom	5	3.2%	9	2.3%
France	7	3.1%	8	2.3%
Developing Economies				
China	2	1.4%	1	18.3%
India	6	3.19%	3	6.7%

Chart 1: GDP Share per country (Source Indversis)

Since 2005 Indian Economy has grown at twice the rate of the world economy, and still scores amongst the fastest growing countries. Despite COVID-19 impact, India bounced back to a growth pace of 9% in FY2022 after their GDP contracted 7.3% in FY2021.

After an outstanding growth during second quarter of the year 2022 (13.5%), Indian economy is showing signs of slowing down, after recording a sharp pace reduction in the third quarter (6.0%), mainly as result of high inflation which is affecting mostly lower income households.

The combination of a fallen rupee with the effects of Russian invasion of Ukraine is increasing sharply energy and food prices, beyond targeted band of 2%-6% by Reserve Bank of India. This factor may impact negatively in the growth rate during 2023.

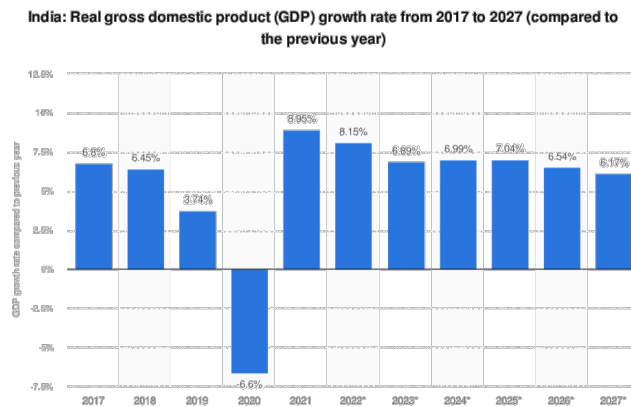


Chart 2: GDP Growth India (Source: Statista, IMF)

Several structural factors are likely to contribute to economic growth. These include favorable demographics, reducing dependency ratio, rapidly rising education levels, steady urbanization, growing young and working population, IT revolution, increasing penetration of mobile and internet infrastructure, increasing aspirations and affordability, etc.

As result of this favorable trend, the average income of Indian households has experimented a sharp increase having doubled available funds in the period 2010-2020, and expecting to raise the pace during current decade.

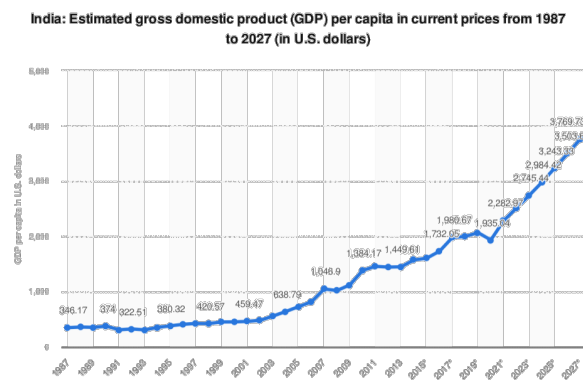


Chart 3: GDP per capita growth (Source IMF, Statista)

4. INDIAN SOCIAL OVERVIEW: GROWTH DRIVERS

India's medium to long term growth and its positive impact on private consumption will be determined by inter-play of demographics, urbanization, and policy reforms.

4.1. YOUNG POPULATION

India has one of the youngest populations globally compared to other leading economies. The total population of India is estimated at 1.39 billion for 2021. The median age in India is estimated to be 28,1 years in 2021 as compared to 38,1 years and 37,4 years in the United States and China, respectively and is expected to remain under 30 years until 2030.

The size of India's young population is contributing to a decline in the dependence ratio (the ratio of dependent population size compared to the working-age population size (15 to 64 years of age), which has decreased from 64% in 2000 to 49% in 2020. This trend is expected to lead to rising income levels per household as well as higher levels of discretionary expenditure.

A substantial rise in India's working age population from 36% in 2000 to 67% in 2020 is expected to sustain the growth momentum of the Indian economy and lead to rising income levels in the long-term. The younger segment of the population is naturally pre-disposed to adopting new trends and exploration given their educational profile and their exposure to media and technology, which presents an opportunity for domestic consumption in the form of branded products and organized retail.



Chart 4. Population growth vs median of age (Source: Our World in Data)

4.2. PARTICIPATION OF WOMEN IN WORKFORCE

Multiple factors, including better health care and greater media focus are allowing women in India, in both urban and rural areas, to exercise greater influence on their families and society. The most important factor, however, is educational opportunity. Between 2005 and 2015 wherein enrolment of girls in secondary education increased from 45.3% to 81% and in FY 2019 it was higher than enrolment

of boys. Higher education has also seen an increase in women enrolment, with 49% of women holding a share in higher education in FY 2020. The Gross Enrolment Ratio (total enrolment as a percentage of eligible official population) for FY 2020 has been 27.3% for women and 26.9% for men. These changes are expected to have a broad impact on societal factors, including workforce demographics and economic independence for women.

The share of working women in the services sector increased from approximately 14% in 2000 to approximately 17.5% in 2010 and to approximately 28% in 2019. This increase of women in the workforce has resulted in a shift of patterns in terms of household activity, an increase in incidence of eating out coupled with entertainment which may lead to higher acceptability of women consuming alcohol.

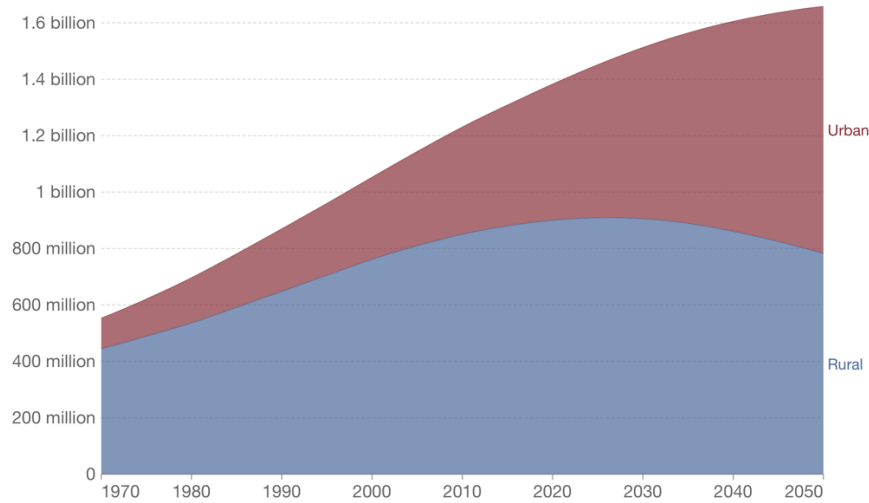
4.3. URBANIZATION

India has the second largest urban population in the world in absolute terms at 486,9 million in 2020, trailing only to China. However, only 34.9% of India's population is classified as urban compared to a global average of 56.2% in 2020. It is the pace of India's urbanization that is a key trend to note with strong implication on India's economic growth.

In the year 2019, the urban population contributed 63% of India's GDP. Going forward, it is estimated that 37% (541 million) of India's population will be living in urban centers by 2025. Urban population is expected to contribute 70% of the country's GDP by 2030. This trend is expected to continue with approximately 50% of India's population expected to be living in urban centers by 2050 and contributing approximately 80% of India's GDP.

Urban and rural population projected to 2050, India, 1970 to 2050

Total urban and rural population, given as estimates to 2016, and UN projections to 2050. Projections are based on the UN World Urbanization Prospects and its median fertility scenario.



Source: OWID based on UN World Urbanization Prospects 2018 and historical sources (see Sources)OurWorldInData.org/urbanization · CC BY

Chart 5. Urbanization in India (Source Our World in Data)

4.4. GROWING MIDDLE CLASS

The households with annual earnings between USD 5,000 and USD 10,000 have grown at a pace of 10% between 2012 and 2020 and their number is projected to further double by 2025 from 2020 levels. The households with annual earnings between USD 10,000 and USD 50,000 have grown at a rate of 20% between 2012 and 2020. Increasing number of households with annual earnings of USD 10,000 to USD 50,000 has been leading to an increase in discretionary spending on food and beverages including alcoholic beverages, apparel and accessories, luxury products, consumer durables and across other discretionary categories. The consumption pattern also has moved towards higher spend on branded products and through organized channels.

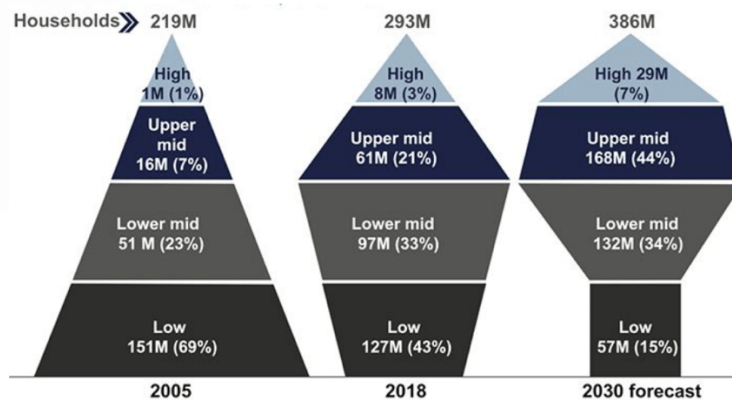


Chart 6. India wealth distribution

4.5. IMPORTANCE OF MIDDLE CLASS

Middle class is considered the engine of the growth of any economy. Development of a wide middle class segment plays a vital role due to the following factors:

- Once the size of the middle class passes a threshold size, a virtuous cycle is initiated: a bigger middle class spends more, leading to higher business profits, savings and investment, higher growth, and a larger middle class.
- The Indian middle class will truly come into its own. By 2030, India will move from being an economy led by the bottom of the pyramid to one led by the middle class. Nearly 80% of households in 2030 will be middle-income, up from about 50% today. The middle class will drive 75% of consumer spending in 2030.
- Digitally influenced consumption by Middle Class. India is a huge market, with immense potential. There is lots of activity, lots of players, and lots of products.
- "Connectedness" lower-middle-class will drive a significant difference in preferences, even at the same income level. As many as 50-70% of the most digitally connected consumers today, across income levels, already use digital platforms for product discovery and pre-purchase research. By 2030, more than 40% of all purchases will be highly digitally influenced, up from 20-22% today.
- A section of India's emerging middle class (EMC) also resides in less urban areas along the periphery of Tier 1 cities, referred to as Tier 2, 3, and 4 cities.

Another important factor which is happening as consequence of development of middle class is the progressive nuclearization of Indian households. If in 2001 only 65% of households have less than 5 members, this figure has growth up to 75% in 2011 and likely to above 80% in present (last census is dated 2011). Smaller households with higher disposable income will lead to a greater expenditure in categories like jewellery, fashion, home and living, packaged food, alcoholic beverages and food services.

According with estimations of the World Economic Forum, high and upper medium segments will grow from 25% in 2019 to 50% in 2030.

The combination of favorable demographics, with an additional working force every year of 10 million employees, and economic development of middle class is facilitating the access of population to alcoholic beverage market.

This young generation of Indians are challenging traditional lifestyles and social barriers of alcoholic products and driving growth of beverages in India. Social drinking is becoming an acceptable pattern

even at homes or in social events. Globalization, wide spread of internet and social media are playing a key role in modification of these habits.

5. REGULATION ON CONSUMPTION OF ALCOHOL IN INDIA

Alcohol consumption is divided in three major product categories including Spirits, Beer and Wine. Alcohol consumption is divided across three major categories of alcoholic beverages with varying trends across countries. The consumption of different alcoholic beverages has matured in developed economies, but it is still going through a transition in developing countries.

World Health Organization measures alcohol consumption as total alcohol per capita in terms of liters of pure alcohol per person per year. Therefore, consumption is related to the amount of a specific drink consumed and its content of pure alcohol.

Distilled alcoholic drinks are the largest category of alcoholic beverages, accounting for almost 44% of global consumption (also due to its high alcohol percentage). Beers and Wines together contributes almost equally than distilled drinks.

World per capita consumption in 2021 reached 6.6 liters of pure alcohol, out of which only 4.8 liters were sold in organized official markets (subjected to country taxes).

5.1. INDIAN MARKET

India is one of the fastest growing beverage markets in the world, having doubled from a base consumption of 1.3 liters per capita in 2005 to 2.7 liters in 2010 and 3 liters in 2020. The demographic factor adds more than 10 million potential consumers every year to the population, converting India in one of the most attractive targeted markets.

Alcoholic drink market amounts in India USD 44.300 millions in 2021, out of which spirits accounted for a revenue of USD 31.100 millions. In comparison with other countries, China spent USD 300.000 millions in the same year.

Though India is one of the largest consumers of alcohol in the world owing to its huge population, the per capita alcohol consumption of India is very low as compared to the western countries.

The Indian alcohol industry is segmented into IMFL (Indian made foreign liquor), IMIL (Indian made Indian liquor), wine, beer and imported alcohol. Imported alcohol has a meager share of around 0.8% in the Indian market. The heavy import duty and taxes levied raise the price of imported alcohol to a large extent. Alcohol is exempted from the taxation scheme of GST. IMFL are Indian versions of international beverages such as whisky, rum, vodka, gin or brandy, distilled locally and marketed at affordable prices in comparison with original imported brands.

India is one of the leading spirits markets with more than 90% of consumption in the form of spirits. More than 90% of alcohol consumed in the form of spirits. The per capita consumption of spirits in India is one of the highest among top economies of the world.¹ Amongst them whisky is by far the most adopted choice. More than 80% of consumers in India drinks whisky as preferred choice.

Consumption of domestic spirits increased 3.5 times in one decade according with estimations from Boston Consulting Group (2018).

Still an important percentage of India society disapproves alcohol consumption. At many Indian homes it is still unthinkable the image of a family sharing a drink, even in a soft version of a beer or a glass of wine. Therefore, much of hard liquor consumption can be understood in the way in which it is consumed. Many youngsters search for quick “bang-shot”, rather than enjoying the taste of a drink. Likewise, a small quarter bottle of hard liquor is easy to be hidden than a dozen of beers.

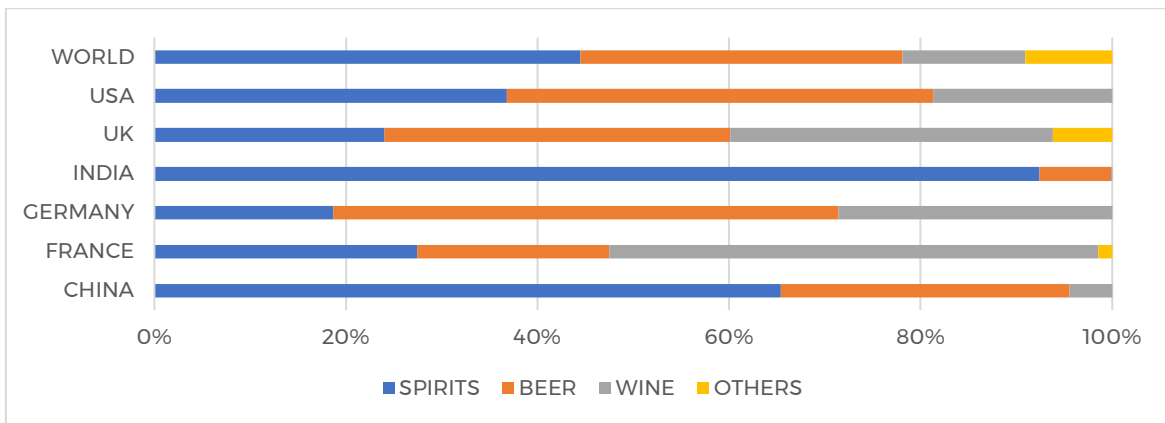


Chart 7: Market share of beverages in the world. (Source Indversis)

The Indian alcohol market is growing at a pace of 8.8% and it is expected to reach 16.800 million liters of consumption in 2022. The popularity of wine and vodka is increasing at a remarkable growth rate of 21.8% and 22.8% respectively. India is the largest consumer of whisky in the world, and it constitutes about 60% of the IMFL market. Whisky consumption in India is about three times higher than in the US, the second consumer.

¹ Second consumer behind China

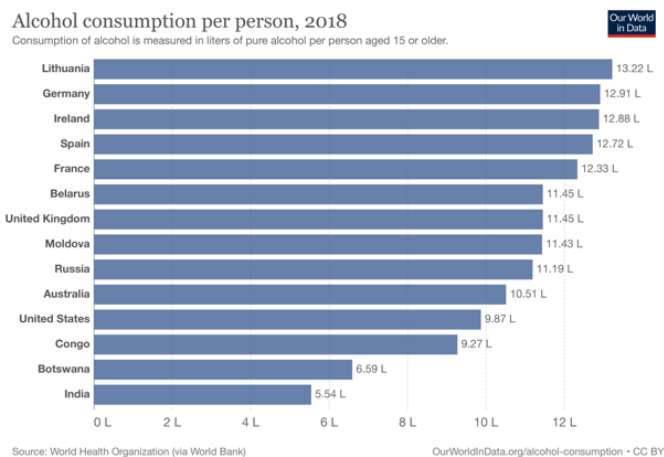


Chart 8: Consumption of alcohol per country (Source: WHO, Our World in Data)

5.2. REGULATORY FRAMEWORK IN INDIA

Indian alcohol distribution structure is complex and generally varies from state to state. Liquor is a state subject in India and consequently, the liquor industry is subjected to very strict distribution controls by the state governments. The distribution structure consists of three types of market- Government controlled, open market and auction market. States like Assam, West Bengal and Pondicherry are states with open market States like Tamil Nadu and Kerala fall under the complete regulation of government whereas states like Haryana, Chandigarh and Punjab fall under the auction market structure. The Indian alcohol industry is characterized by high entry barriers due to government regulations.

ENTRY BARRIERS

REGULATORY BARRIER

Indian alcoholic beverage industry operates in a highly regulated environment with state-specific policies which impact industry volumes. High inter-state duties compel Indian spirits producers to set up owned or engage third-party manufacturing units in every state. Licenses are required to produce, bottle, store, distribute or retail alco-beverage products. Distribution of alcoholic beverages is also highly controlled, both at the wholesale and retail levels. All these factors serve as potential entry barriers for new players.

FRAGMENTED DISTRIBUTION CHAIN AND STRONG RELATIONSHIP BETWEEN INCUMBENTS

Distribution of alco beverage products is highly controlled by state government. The universe of retail outlets for alcoholic beverage industry in 2021 is estimated at close to one lakh outlets. The entry of new players in distribution is prohibitive due to high regulation across states and strong relations between the current players and the retail outlets which may include exclusive arrangements.

LIMITED ACCESS TO MARKETING LEVERS WITH BAN ON ADVERTISING

Alco-beverage category in India is media-dark. Mass media activation including Above the Line (ATL) marketing activation has been banned in India as per the Cable Television Network (Regulation) Amendment Bill, which came into effect on 8 September 2000.

In-shop advertising or on-premises promotions are allowed in all states except Delhi. The lack of promotional activities for alcohol consumption in the country and unfavorable rules for domestic marketing except in few states has hindered the proper growth of this sector.

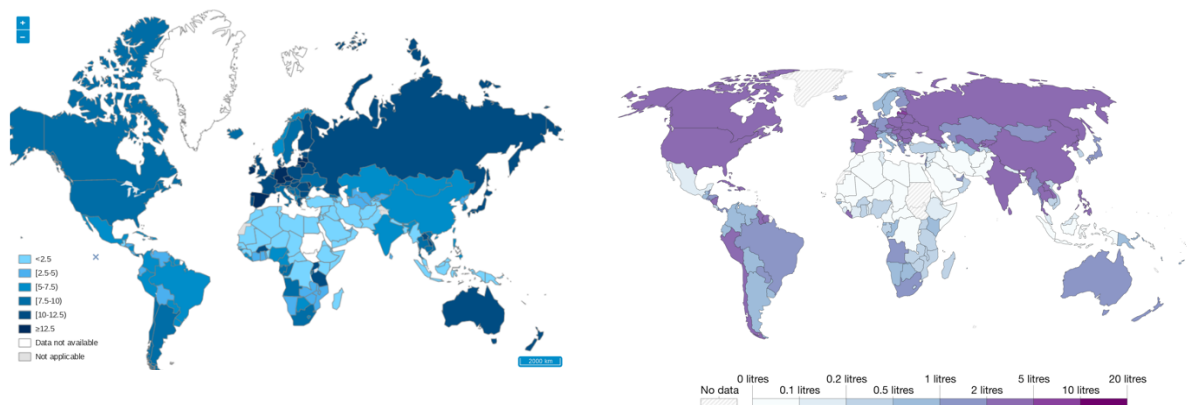


Chart 9: World Map consumption of alcohol (left) and spirits (right) (Source WHO)

GOVERNMENT RESTRICTIONS

Although alcohol is one of the major income sources in India, its distribution is highly regulated and with a complex structure. Since Alcohol is not subject to national taxation, each state has the freedom to regulate it.

States decide which is the most appropriate channel for alcohol distribution through their excise policies. We can identify four major types of distribution:

- **Distributor model.** (Maharashtra, Assam). Company -> distributor -> retail
- **Corporation model.** (Rajasthan, Karnataka, Tamil Nadu). Company -> corporation -> retail
- **Wholesale model.** (Haryana). Company -> wholesale -> retail
- **Direct model.** (Delhi). Company -> retail

For many states alcohol revenue means the whole revenue in Excise Duties out of petroleum derivatives.² However, excise duties applied to alcoholic beverages can vary severely from 30% to 85%

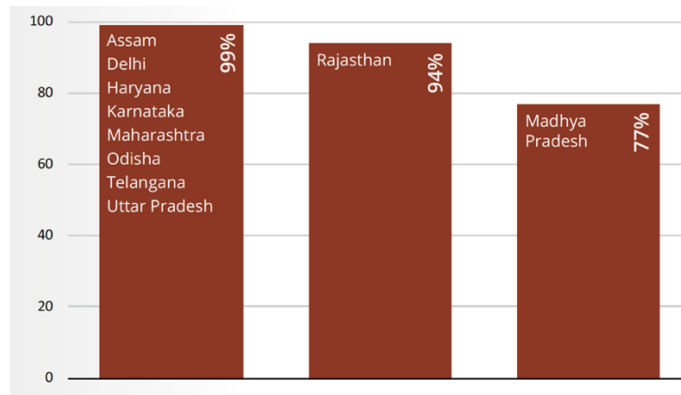


Chart 10: Share of Alcoholic Beverages in revenue collection in main 10 states (Source ICRIER)

Interestingly revenue in some states such as Delhi, Maharashtra or Karnataka was earned under “foreign liquors” category while in others as Haryana or Assam it came from country spirits.

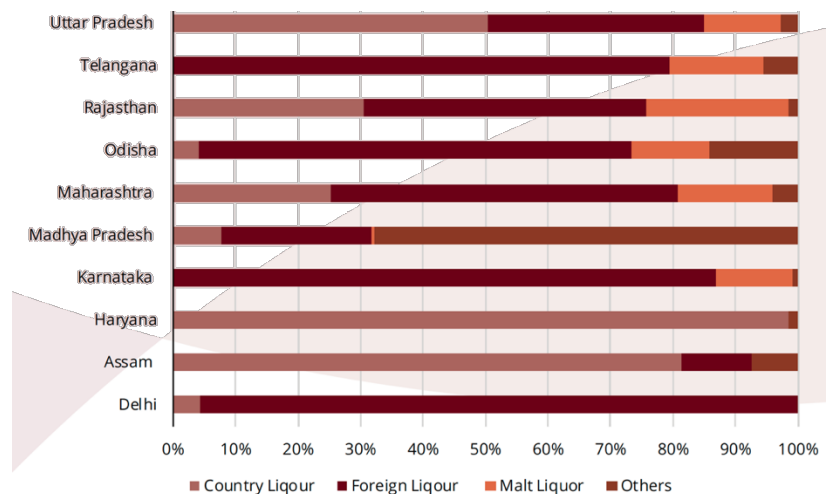


Chart 11: Share of tax revenue by product (Source ICRIER)

As mentioned before, consumption of alcohol is banned or discouraged severely in many states. Most of them regulates not only the distribution of alcohol but also the manufacture and the consumption

² Since 2017, most of products are levied by GST, and out of Excise regime.

of the same. States as Gujarat or Bihar, and recently Mizoram, Tripura, Nagaland and Lakshadweep has a complete restriction on the sale of alcohol (the latest mentioned states are newly created states).

In addition to that, India also observes some “dry days” when selling alcohol is prohibited all over the country. These days are Republic Day (Jan 26), Independence Day (Aug 15) and Gandhi Jayanti (birth of Gandhi) (Oct.2nd), in addition to any voting day or some festivals and celebrations.

Market Structure	Overview	Pricing Control	States
Free / Open market	A business may apply for a license for a fee defined by the state government subject to license availability	Company has reasonable independence over price increases	Arunachal, Assam, Goa, Maharashtra, Meghalaya, Tripura, Uttar Pradesh
Auction market	The license for sale of liquor is auctioned by the Government to the highest bidder on an annual basis based on an auction process	Company has to negotiate price increases with state appointed distributors	Chandigarh, Haryana, Punjab
State owned / Government corporations	The government is the wholesaler and/or distributor who purchases directly from a company. Some states also have retail shops run by the government	Strict control on pricing by the state government	Andhra Pradesh, Chhattisgarh, Delhi, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Rajasthan, Tamil Nadu, Telangana, West Bengal
Prohibition	States where sales of liquor is prohibited	Not applicable	Bihar, Gujarat

In most of states legal age for consumption of alcohol is 21 years, but it is not common all over India:

State/UT	Legal Drinking Ages
Andhra Pradesh	21
Arunachal Pradesh	21
Assam	25
Bihar	21
Chandigarh	25
Delhi	25
Goa	18
Gujarat	Illegal
Haryana	18
Himachal Pradesh	18
Jammu Kashmir	21
Jharkhand	21
Karnataka	21
Kerala	21
Maharashtra	25

Madhya Pradesh	18
Meghalaya	25
Mizoram	Illegal
Orissa	21
Pudducherry	18
Punjab	25
Rajasthan	18
Sikkim	18
Tamilnadu	21
Uttar Pradesh	18
Uttarakhand	21
West Bengal	21
Manipur	Illegal
Lakshadweep	illegal

Chart 12: Legal age for consumption of alcohol per state

FSSAI REGULATIONS

On December 18, 2020³, the Government of India’s Food Safety and Standards Authority of India (FSSAI) issued new regulations and standards for alcoholic beverages. These regulations include

3

https://www.fssai.gov.in/upload/notifications/2020/12/5fe0894d618cfGazette_Notification_Alcoholic_Beverages_21_12_20.pdf

updated requirements for low alcoholic beverages including craft beers, alcohol-free beer and wine-based beverages, geographical indications, and labelling requirements for wine.

The alcoholic beverages have been categorized as per their characteristics for the ease of defining and implementing the standards. Beverages such as Brandy, Country Liquors, Feni, Gin, Rum, Vodka, Liqueur, Whisky, and Pot-still distilled spirit with their sub-types have been defined under the category of Distilled Alcoholic Beverages. A separate section of Wine and other fermented beverages has been mentioned which includes the standards for Table Wine, Sparkling Wines, Fortified Wines as well as Wines from fruits other than grapes. Beer and its types have a separate section, where the standards for types of Beer such as Lager, Ale, Stout, Porter and Draught Beer has been defined.

A separate section of labelling requirements has been mentioned in the standards. The key labeling requirements for alcoholic beverages include:

Non-Rectifiable labeling requirements should be printed on the product label and cannot be affixed.

- Name of Product (Red/White Wine)
- Ingredient List
- Manufacturer Name and Complete Address (Produced and Bottled By)
- Date of Bottling/Vintage
- Country of Origin
- Net Weight/ Volume

Rectifiable labeling requirements signify that a label can be rectified by affixing a single non-detachable sticker next to the principal display panel without altering or masking the original label information in any manner. The rectification will be carried out at custom bond warehouses.

- Name and address of importer.
- FSSAI logo and license number.
- Statutory warning - "consumption of alcohol is injurious to health" and "be safe-don't drive and drive".

FSSAI has also imposed various restrictions on the labelling of alcoholic beverages. The regulations prohibit the display of nutritional information or health claims on the label. The use of words such as 'non-intoxicating' or words implying similar meaning has also been restricted. The labels for wine shall state geographical indication, variety of grapes used, and the name of residues of preservatives or additives present in the final product.

DISTRIBUTION AND PRICING STRUCTURE

Regulated distribution is one of the tools used by state governments to control sale of alcoholic beverages. As each state has its own model of distribution, there are multiple modes being used in the country including complete control of distribution network with state run wholesaling and retailing to control over either wholesaling or retailing and in some cases both. However, in some states, distribution is not carried out directly by the state where both wholesaling and retailing is in the hands of private players. States also control distribution by not allowing to open new outlets in their areas. Any movement of alco beverages outside the manufacturing units is authorized by government officials.

To sell alcohol in India, any local needs to procure a liquor license. Usually, liquor stores, pubs, clubs, discos, bars, hotels, and restaurants own a license to sell alcohol. So, the sellers are required to hold a license to sell alcohol, otherwise, the selling of alcohol is illegal and prohibited until registration for a liquor license is done.

Liquor is associated with the complex socio-legal backdrop of a nation. Often associated with crimes and other violent activities, liquor is a sensitive issue to deal with for any state government. This is why in order to regulate and control the manufacturing, production, and selling of liquor and other intoxicants, each state government allots a liquor license. The liquor license for online selling of liquor in India is also mandatory and can be acquired from the Excise Department of the State Government.

LIQUOR LICENSE REGULATES:

- Businesses allowed to sell alcohol
- When and where businesses can sell alcohol
- The quantity of alcohol being sold at a time
- The alcohol charges allotted by businesses
- The type of alcoholic beverages sold
- To who alcohol can be sold
- Businesses permitted to manufacture and distribute alcohol

CLASSIFICATION OF LIQUOR LICENSES

While many of the Indian States grant a single liquor license for various kinds and classes of alcohol, in some states, an application for a grant of license of a specific class is required. Therefore, in states where a permit is required for different classes of alcohol, the following are the different set of general liquor licenses available in India:

- **Beer and Wine License** - The Beer and Wine License is for those who are wishing to sell soft and mild liquors like beers and wine. Once a Beer and Wine License is obtained, there is a prohibition upon the license holder to deal with any kind of hard liquor.
- **Restaurant Liquor License** -The Restaurant Liquor License is for restaurants that are willing and wish to serve alcohol on their premises. This type of license is also called the "All-Liquor License". However, this type of license is only granted to restaurants whose business is mainly generated from the sale of food items, and only a percentage (not exceeding 40%) of sales come from liquor.
- **Tavern Liquor License** - This type of license is granted to businesses, which in spite of offering food items make up half of their profits out of the alcohol sale.
- **Brewpub Liquor License** -As the name suggests, this type of License is granted to those who make/ brew their wine and beer.

Depending upon the legislation and laws of each state, a valid liquor license covers a wide ambit in relation to the manufacture, import, export, transport, possession, purchase, sale, etc., of liquor.

Thus a liquor license granted by the state excise department is applicable to not only to the businesses/entity involved in selling alcohol, it also caters to subjects like when and where the liquor can be sold/served/stored, details about the quantity and container in which the liquor must be sold, the cost and type of alcohol that can be sold/served and to whom the alcohol can be sold/ served.

Additionally, a Liquor License also implies regulations relating to the manufacturing, import, export, transport, and possession of liquor and other intoxicants.

LICENSE COST

As stated above, since liquor laws vary from state to state, the cost of a liquor license also varies from state to state. Depending upon the type of Liquor License granted and the event for which it is granted, the following are the average costs that are incurred in obtaining a Liquor License:

- **Temporary Liquor License Cost** - In case the liquor is to be served at an event/party or a marriage organized in a small town, with a population below twenty lakhs, the temporary liquor license will cost somewhere around Rs.10,000 for more than 100 members and Rs. 7,000 for less than 100 members.
- **Liquor License cost for a Party in a Private Resort or Flat** - As per the excise department, the FL-4 license is required for bringing in liquor in a party organized in a resort or a private flat. The average cost of an FL-4 license is Rs. 13,000.

- **Serving Liquor License Cost in Permit Rooms** – The Liquor License cost for serving in permit rooms is INR 544,000 and that for a restaurant or beer shop is INR. 150,000.
- **Liquor License cost for a particular State** – For obtaining a Liquor License in a particular state, the applicant is required to submit an application fee along with the relevant application form. The license fee attached ranges from INR. 5.000 to INR. 15.000 or more depending upon the prevailing state laws and regulations.

The application in cascade of all duties and licenses fees creates a massive impact on the distribution price to the retailer of any imported alcoholic beverage. Duties are the same for the whole country while Excise, VAT and other duties can be modified locally. Retail price can vary anywhere between x4 to x10 times value of import.

#	Price parameter - Per Unit	Rate of Calculation	Example(INR)
1	Cost, Insurance, freight (CIF)	Determined	500
2	Custom Duty	150%	750
3	License fee	50x4	200
4	Profit Margin	Determined by licensee	140
5	EDP (deemed)	(1+2+3+4)	1.590
6	Profit margin for importer	12% of 5	190
7	Wholesaler Price	(5+6)	1.780
8	Excise Duty	85% of WSP up to 1000+ 50% of amount by which MSP exceeds Rs 1000	1.240
9	Price to retailer	(7+8)	3.020
TOTAL INCREASE OF DUTIES AND DISTRIBUTION ON ORIGINAL PRICE			X 6

Chart 13: Estimation of costing on alcoholic drink distribution

6. BEER MARKET IN INDIA

6.1.MARKET SIZE AND OVERVIEW

Beer is a rapidly expanding segment in the Indian alcoholic beverages industry. It is the third largest segment in the Indian alcoholic beverages industry. Beer market has been segmented into strong beer and mild beer based on their alcohol content. Strong beer, which has alcohol content of more than 5%, dominates the Indian market largely due to the drinking preference of the Indian consumers.

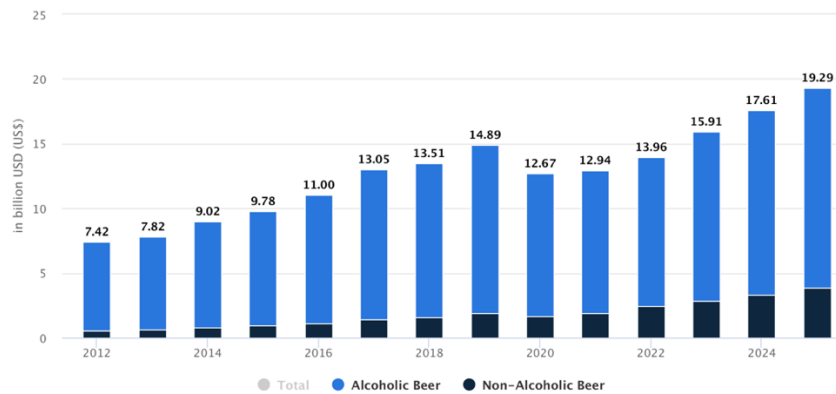


Chart 14. Revenue from Beer market India (Source Statista)

Beer growing consumption may reveal a change on the historical trend of heavy drinks consumption. Young consumers may demand soft drinks as a “social lubricant” rather than looking for an immediate effect of alcohol on them. Tighter traffic regulation on urban environments also refrains hard drink consumption. As mentioned before, beer consumption will be tied to the acceptance of social drinking, as immediate replacement of quick hard shots.

Rapid urbanization, rising middle class and change in societal perspective, along with the launch of new low- and no-alcohol variants of beer and technological advancements, are poised to propel market growth.

6.2. MARKET SEGMENTATION

India is among the top five beer markets in Asia Pacific in terms of volume. Four large global players—Heineken, Anheuser-Busch InBev, SABMiller and Carlsberg have a strong presence in the Indian market and operate their breweries in India.

Strong beer market was witnessed to dominate India beer market during past years with more than 85% of market. It is estimated that lager beer (with alcohol content more than 5%) is generally preferred the most in the market followed by Wheat beer, Stout & Porters, Ale, Sahiti and others. The remaining market was collectively captured by mild and craft beer they seemed to have high growth potential in the market with first time alcohol drinkers preferring to consume mild beer or craft beer to get the acquired taste of beer for frequent consumption.

It was observed in India beer market that men have a greater share in the consumption pattern across India owing to higher consumption per capita among men compared to women, other reason is, in many regions, men are the only bread winners for their family and with much more financial independence, they have more financial capability to spend on their lifestyle choices as compared to women.

The distribution of beer in India is still controlled by state/government corporations owing to stricter regulations across various states in India so to have better control over prices, consumption, and excise duty. It was also observed in the market that emergence of modern retail outlets and hypermarkets across various metropolitan areas has increased the convenience of beer consumers who would like to purchase beer for their consumption.

The Southern and western regions in India were witnessed to dominate the country's beer market in FY'2018 in terms of sales volume. One of the main reasons for their dominance was that, majority of the states in these regions do not have winter season and has either humid or summer season prevailing for most of the months in an year, which acts as another factor for increased beer consumption in these states. On the other hand, north and east side states grabbed the remaining market during FY'2018.

6.3. PLAYERS

The beer market in India is evolving from manufacturing usual beer products such as strong- lager beers to flavored beers owing to adoption of trends and technologies from markets such as America and Europe. Today, there is presence of more than 140 beer brands in Indian beer market, which could address the palate of each customer segment. The per capita beer consumption in India is still very low compared to other countries in Asia Pacific region and therefore the market could witness huge growth in the coming years owing to factors such as shift from hard liquor to beer consumption by consumers in India, increase in disposable income, change in societal perspective and others.

Due to high tax levied on imported products, imported beers are unable to compete with local players. Imported brands, besides available in India (Hoegarden, Corona, Amstel, Asahi, Bavaria...) they are restricted to a small niche of selected consumers, mostly youngsters with high economical resources in large metros. Imported beers means less than 0.15% of market share.

Many international players brew their own beers in India (Sab Miller, Carlsberg, Mahou – San Miguel, Anheuser Buch in Bev, etc.). In this way Indian consumers can find brands as Carlsberg, Foster's, Tuborg, San Miguel, Mahou or Budweiser at far more affordable prices than their imported versions.

The contribution of Indian market to the global consumption of beer is less than 2% of the 2.000 millions of Hectoliters consumed every year. However, it is projected that annual growth of the sector will be close to 22%, reaching in 2025 a value of 1000 million USD.

Country	Per Capita Consumption
Germany	5.5
USA	3.9
United Kingdom	3.5
France	2.5
China	1.6
India	0.2

Country	Per Capita Consumption
World	1.7

Chart 15: Average consumption of beer (liters of pure alcohol) (Source WHO)

COMPETITIVE LANDSCAPE IN INDIA BEER MARKET

Competition stage in the country's beer segment was witnessed to be concentrated major 3 players in terms of sales volume in FY'2018. Companies compete based on product variants product quality and distribution network, brand value and promotion strategies. Some of the major players operating within this segment include UB Group, Carlsberg and Anheuser-Busch InBev and other players include Molson Coors, Mohan Meakin, White Rhino, B9 Beverages Pvt Ltd, Arbor Brewing Company India, Gateway Brewing Company and others. Pricing, brand value as well as marketing strategies adopted by a particular company are considered as of high importance in order to reach a wider target audience in the country.

6.4. DUTY STRUCTURE

Country	Per Capita Consumption
22030000 Beer made from malt	100%

Imported beers are levied at 100% import duty, substantially lower than other alcoholic beverages such as wine or spirits (rum, whisky, brandy, vodka, tequila...) taxed at 150%.

Still, such a high duty will increase enormously the base of calculation of license cost and other margins, raising the final retail price to twice or thrice the price of similar beer in other countries.

6.5. MAIN INDIAN IMPORTERS

The top 15 Indian importers of beer are:

Indian importers
Anant Wines
Aspri Spirits
Brindco Sales
Ciro Trade
Claro Enterprises
Crown Beers
Dark Horse Beverages
Grano69 Beverages
Hema Connoisseu
Hops Barrels
Kaza Global
Kumaon Georesou

Indian importers
Ruby Shipping
Tk Beer Bonded
Unispirits

Chart 16: Indian main beer importers

6.6. NEW EMERGING TRENDS

The consumers who were unable to go to a liquor store earlier and purchase their preferred drink, have found a new option with home deliveries. The Indian beer market has been experiencing the trend of microbreweries and some exclusive beer outlets. Such emergence has contributed in increased awareness and easy availability of beer in Indian markets. Also, a rage in the industry is the craft beer boom. Indian market is swamped with several craft beers with new and innovative flavors. Beer consumers are now a days shifting their preferences from regular mainstream bottled beers to artisanal brews, new fresh flavors, and unique local ingredients. Many microbreweries are currently selling their bottled craft beer in market and are gaining a firm foot on the ground.

One of the recent trends to hit the industry is emergence of 0% beer. Since the consumer profile for beer industry in India is evolving so are their preferences and hence the emergence of new varieties. Consumers are now increasingly opting for drinks that are low on sugar, carbs and hence the calories. In the view of increasing demand for such drinks, a lot of brewers have come up with their versions of 0% beer to tap the demand from this segment. With a ban on direct advertising of alcoholic beverages in India, companies nowadays are using innovative concepts to market their products. Indian market players have been forced to be more innovative in their approach to engage the consumers, branching out into concepts such as non-alcohol brand extensions and surrogate advertising and alignment with sport. Also, with the emergence of more health-conscious consumer class, the health benefits of drinking beer, in moderation, has come into the light.

Company	Brand
United Breweries	Kingfisher Ultra Witbier, Desperados, Sol, Dos Equis
Carlsberg	Tuborg classic, Tuborg white
Bira 91	Bollywood IPA, Kokum Sour, Brown Ale, and Mango Lassi.
White owl	Spike
Simba	Simba wit, Simba Stout
Kati Patang	Kati Patang
Molson Coors	Miller

7. WINE MARKET IN INDIA

7.1. MARKET SIZE AND OVERVIEW

Wine consumption in India is low. Wine means just 0.6% of total alcohol consumption in 2020, very low amount compared to consumption of other alcoholic beverages, such as beer or whisky. However, it is a young sector with great potential and consumption is growing steadily, with an average growth rate of approximately 10% over the last decade.

Indian wine market is valued in about 450 million USD, with a percentage of imported wines close to 30% of total share.

The pandemic forced a decline in the market during 2020, with a reduction in sales, both in terms of volume (-13%) and value (-24%), as well as wine imports (-39.4%). However, the latest estimates show how the market has already overcome this brief setback, and in 2021 the sales figures were similar to those before the pandemic.

The outlook for coming year is positive. For the period 2021 - 25, a 63,3% sales growth is forecasted. At the same time, there has been a spectacular development of local production that developed since 2001 thanks to state stimuli, particularly in the states of Maharashtra and Karnataka.

Since 2012, wineries such as Samant Soma (Sula Wines) and Grover Zampa are producing high quality wines which awarded international recognition, contributing to increase interest in this product among local consumers.

In 2021, imports segment was dominated by Australian wines with 42% of market share, with large distance to alternate markets. We can find a major reason for this position due to the success of the Jacob's Creek brand distributed by the Pernod Ricard company.

Top trading partners (import of "Wine of fresh grapes, including fortified wines; grape must other than that of heading 20.09.") of India in 2021:

COUNTRY	VOLUME	SHARE
AUSTRALIA	9,6 million USD	40%
ITALY	3,47 million USD	14,7%
FRANCE	2,65% million USD	11,3%
SINGAPORE	2 million USD	8,53%
CHILE	1,76 million USD	7,52%
USA	843.000 USD	3,58%
SPAIN	810.000 USD	3,44%

In sparkling wines, the main source is Singapore, although the quantities are far smaller than red wines. The market share that Spanish wines have reached is very low (just 3.8% in 2021) compared to countries such as Australia with 45.2%, Italy with 16.4%, or France with 12.5% of total imports.

Wine continues to face the ignorance of most Indian consumers, although a predilection for this drink is beginning to be appreciated among a certain sector of the population – mainly young people and people from the main cities. Wine consumption has been historically associated to women drink, while men opted for heavy alcoholic drinks.

The increase of consumption of wine in pubs and nightclubs, the influence of a Western lifestyle and the increase in purchasing power are driving a positive consumption forecast.

Top 10 Countries Market Share by Value in USD

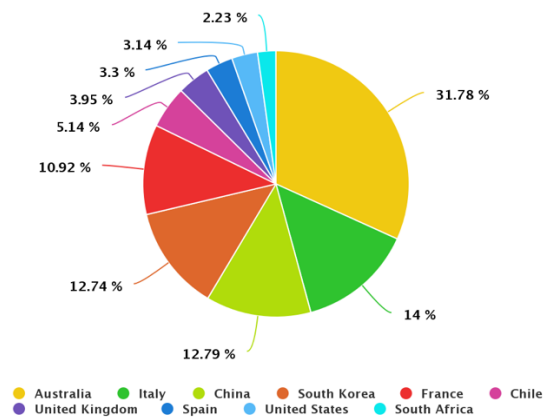


Chart 17: Sources of imported wine (Source Volza)

7.2. DOMESTIC PRODUCTION

Domestic wine players in India now have a wide variety of wines- ranging from still to sparkling based on multiple popular grape varietals. Indian wine companies have also collaborated with international wine developers to bring authentic wine experience to India. The quality of Indian wine has improved tremendously and are now comparable with international wines and international standards of wine making. Indian wines are now being exported to more than 30 countries.

The first varietal wines were started in India in 2000, including Sauvignon Blanc, Chenin Blanc, and others. Indian wines have been awarded multiple times by top international agencies for their high quality and innovative range of wines.

The country's largest producer is located in the Nashik region, Sula Vineyard. However, in this region there are many other wineries, among which we can highlight Vallé du Vin (Zampa), now merged with the Grover group of Bangalore Vallonne Vineyards; York Winery; Vintage (Reveilo); Mercury Wines, Renaissance; and the wineries of the Pernod Ricard and Chandon groups.

Over the years, the company has launched multiple varieties of wine in different price ranges to make its products accessible to all consumers. It markets its wines under the Sula brand, grouping its products under the categories: Sula Reds, Sula Whites, Sula Sparkling and Sula Rosé. The acquisition of Heritage Winery in 2017 not only provided the company with a base for making wine in Karnataka, but also helped it strengthen its wine tourism business. Wine tourism acts as an important opportunity to market your Sula Brut brand, while educating customers about wine.

Sula Vineyard under the brand Sula Selections has become one of the leading distributors of alcoholic beverages selling a wide variety of foreign brands imported from around the world, such as Rémy Cointreau, from France; Rufino, from Italy; Nobile, from New Zealand; Santa Rita, de Chile; Astica, by Argentina; Two Oceans, South Africa; Hardy's, from Australia; and Torres, from Spain.

Other large producers are Grover Zampa, mostly located in Karnataka region, but with some properties in Nashik as well, as it happens with Sula. Their products are more expensive than Sula wines, falling mostly in premium segment. Grover trademarks are Insignia, Chene, Auriga, Vijay Amritraj, Soiree, La Réserve, Santé, Art Collection, Zampa and OTH.

Other competitors in this segment are companies such as KRSMA and FRATELLI which are positioning their products in the premium sector. Fratelli has just overtaken Grover as second producer at far distance from Sula Wines.

Most of these wineries produce good quality wines, among which those of Reveilo stand out. Others, such as Vinsura and ND Wines, are large grape producers that sell mainly in bulk.

United Breweries, owner of Kingfisher beer brand (largest selling beer in India with more than 40% share), also manufactures wine in the state of Maharashtra under the brand Four Seasons.

7.3. HEAVY DUTY

Three elements directly affect the formation of prices, the tariffs set by the Central Government, the taxes of the state governments and the margins of the distributors. The general tariff applied on CIF value is 50% BCD to which is added 100% of the AIDC (Agriculture Infrastructure and Development Cess), resulting in a total levy of 150%.

In addition to import cost, excise duties logistic cost, distribution and state fees together with sale license fee at regional level increase further the final bill, as mentioned before.

Many countries have complained about the elevated duties paid by alcoholic drinks, but specially wine in India. Wine duties have been discussed deeply in trade agreements with European Union, Australia or USA.

HS CODE	DESCRIPTION	DUTY
22.04	Wine of fresh grapes, including fortified wines; grape must other than that of heading 2009. Harmonized System Codes of Chapter Beverages, spirits and vinegar: Beverages, spirits and vinegar.	150%
22.04.10	Sparkling wine	150%
22.04.21	Port and other red wines, Sherry and other white wines, and Others; In containers holding less than 2 liters	150%
22.04.29	Other: Port and other red wines, Sherry and other white wines, and Others, In container holding more than 2 litres	150%
2204.30	Other Grape Must	150%

Chart 18: Customs duties wine in India: (Source Indversis)

One clear evidence of small penetration of wine consumption in Indian population is the distribution of wine sales amongst different Indian territories. It clearly evidences that wine is mostly demanded by foreign nationals, and consumed in larger quantities in touristic destinations:

STATE	MARKET SHARE (IN VOLUME)
Andhra Pradesh	1.2 %
Assam	2.2%
Delhi	10.7%
Goa	26.4%
Karnataka	19.4%
Maharashtra	25.9%
Punjab	0.9%
Rajasthan	1.0%
Tamil Nadu	1.5%
Uttar Pradesh	1.0%
West Bengal	2.0%

Chart 19: Sales distribution of wine by state (Source: Trade&Commerce Office Spain)

As it has been already analyzed, cost of imported wine could be 6 to 15 times the cost of exported wine. Therefore, retailing price in India is often 6 times the average price of the same wine in original markets.

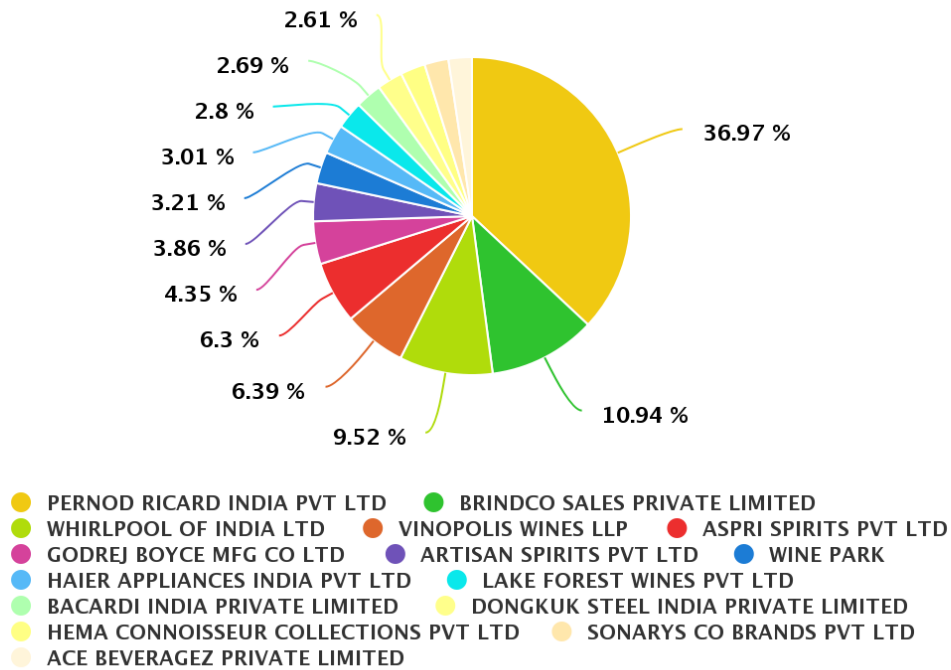


Chart 20: Major wine importers (Source Volza)

7.4. MAIN INDIAN IMPORTERS

The top 15 Indian importers of wine are:

Indian importers
Ace Beveragez
Agnetta Interna
Anant Wines
Artisan Spirits
Aspri Spirits
Brindco Sales
Fides Sales
Gusto Imports
Hema Connoisseu
Lake Forest Win
Pernord Ricard
Rad Elan Distributor
Sonarys
Vinopolis Wines
Wine Park

Chart 21. Indian main wine importers (source: Volza)

8. WHISKY MARKET IN INDIA

8.1. MARKET SIZE AND OVERVIEW

India is the largest whisky market in the world, with almost one out of every second bottle of whisky sold in India. A large population base with positive demographic trends including young population, growing income and increasing urbanization is driving growth of Indian whisky market. India is traditionally a distilled spirits market with close to 90% of pure alcohol consumption in form of distilled spirits.

Consumption of whisky is by far the most important one amongst the spirits, meaning almost ¾ of total sales.

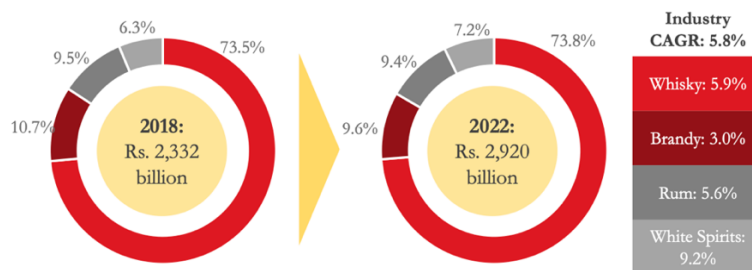
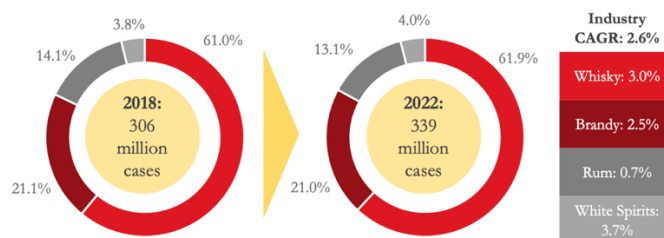


Chart 22. Market Share of spirits in India

Sales of Spirits by Category (Volume)



Indian whisky market can be divided into four main segments: popular, prestige, premium and luxury. Both entry levels contributed to more than 85% of total. This factor defines clearly the interest of Indian average consumers on a highly graduated drink at affordable price. Amongst them, prestige segment means almost half of total sales gaining more relevance driven by higher expenditure capacity of consumers. Popular segment remains as preferred choice on rural areas with lower incomes.

Premium segment is projected to be the fastest growing slab amongst all segments leveraging premiumization trends, urbanization, rising incomes and access of new young consumers.

Luxury brands are mostly reserved to HORECA channel due to high retail price. A large proportion of it is formed by high end imported whiskeys either bottled in origin or in India.

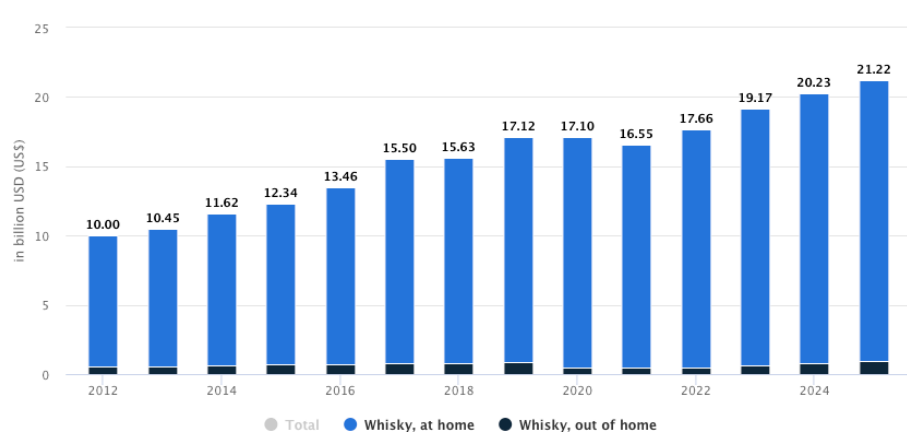


Chart 23: Consumption of Whisky pattern in India (Source: Statista)

It is very interesting to notice that most of consumption happens inside homes, while consumption in restaurants, bars, pubs, etc. is quite small. Indian socialization habits differ substantially from western patterns. At the same time, India is a very price sensitive market. Consumption of alcohol by glass in any establishment increases the price of the same and makes it unaffordable for a substantial portion of the population. Most of consumers of entry level segments purchase bottles due to economic reasons.

Amongst most popular brands we can identify the following ones per segment:

Segment	Price (Rs)	Brands
Popular	Upto 450	Aristocrat, Baggiper, Bangalore Malt, Director's Special, Gold Riband, Haywards Fine, Officer's Choice, Original Choice, Old Tavern
Prestige	450-1,000	Director's Special Black, Imperial Blue, McDowell's No. 1, Officer's Choice Blue, Royal Stag, Royal Green Whisky, White and Blue, Sterling Reserve B7, Royal Challenge
Premium	1,000-2,200	100 Pipers, Blender's Pride, Signature, Sterling Reserve Premium
Luxury	2,200 and above	Chivas Regal, 100 Pipers 12 Years, Paul John, Rampur, Amrut, Ballentine,

Amongst imported luxury brands, the fastest moving brands are determined by price factor, being Johnnie Walker, Black Dog, Vat 69, 100 Pipers and Chivas Regal the most usual ones.

Nevertheless, Indian whisky market is witnessing a strong trend towards premiumization with new launches and brand relaunches in prestige and above segment. Premiumization of whisky market in India has a strong bias towards up-trading from popular to prestige and similarly prestige to premium segment. Prestige segment is the new popular segment for alco-beverages companies in India as marketing spend is focused on prestige and above segments. Top companies are launching new products which stand out in terms of the ingredients, flavors, packaging, and other distinctive

properties of alcoholic beverages including smell, taste, and sight. Top companies are investing in premium space including Indian single malt. United Spirits entered premium craft whisky segment with the launch of Epitome Reserve, a limited first batch of 2,000 bottles which is made with rice.

Year	Brand	Company
2016	McDowell's Silk Honey	Diageo/ United Spirits
2018	Oakton Barrel Aged	Unibev Ltd.
	Black Bow Himalayan	Ginglani Distillers
	JW White Walker	Diageo/ United Spirits
	Governer's Reserve	Unibev Ltd.
2019	Singleton of Glendullan	Diageo/ United Spirits
	Woodburns	Fullarton Distilleries
	Sterling Reserve 87	Allied Blenders and Distilleries
	Sterling Reserve BIO	Allied Blenders and Distilleries
2020	Ardbeg Wee Beastie	Ardbeg Distilleries
	Suntory Toki	Beam Suntory
2021	Copper Dog	Diageo/ United Spirits
	Oaken Glow	Pernod Ricard
	Epitome Reserve	Diageo/ United Spirits
	Royal Ranthambore	Radico Khaitan
2022	Jameson Black Barrel	Pernod Ricard
	Godawan Single Malt	Diageo/ United Spirits
	Indri	Piccadily distilleries

Chart 24: New IMFL Whisky launches in past years (Source: Technopak)

8.2. TAXATION OF SPIRITS

Whiskies as well as any other spirits of high alcoholic content are levied at 150% import duty. This huge taxation level creates a difficult competition with those beverages produced locally.

2208 STRENGTH BY VOLUME OF LESS THAN 80% VOL.; SPIRIT, LIQUEURS AND OTHER SPIRITNOUS BEVERAGES		
2208 20	<i>Spirits obtained by distilling grape wine or grape marc :</i>	
	<i>In containers holding 2 l or less:</i>	
2208 20 11	Brandy	150%
2208 20 19	Other	150%
	Other	
2208 20 91	Brandy	150%
2208 20 99	Other	150%
2208 30	<i>Whiskies:</i>	150%
	<i>In containers holding 2 l or less:</i>	
2208 30 11	Bourbon whiskey	150%
2208 30 12	Scotch	150%
2208 30 13	Blended	150%

2208 30 19	Other	150%
	Other	
2208 30 91	Bourbon whiskey	150%
2208 30 92	Scotch	150%

Similarly, any other alcoholic beverage included in 2008 chapter are taxed at 150%.

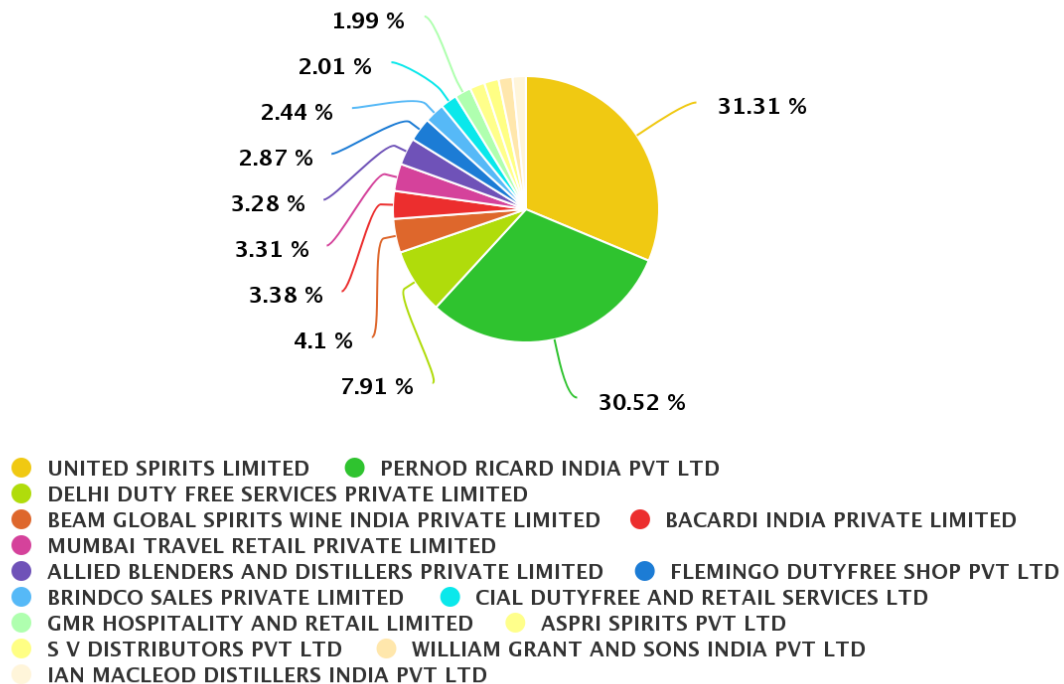


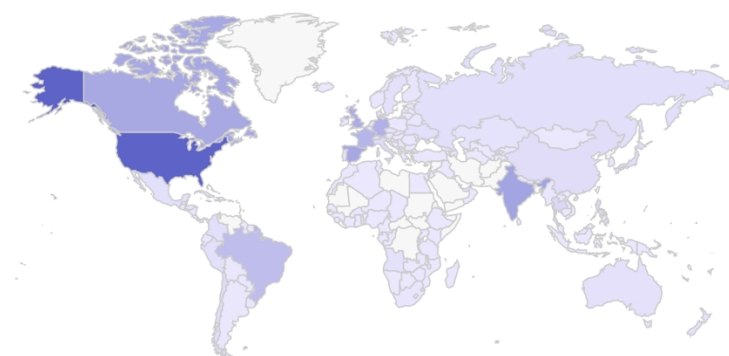
Chart 25: Largest spirits importers India (HS 2008)

9. RUM AND CACHAÇA MARKET IN INDIA

9.1. MARKET SIZE AND OVERVIEW

Analysis of consumption of rum in India could be valuable towards understanding the potential of development of cachaça sale in the years to come. Both, rum and cachaça, are sugar cane distilled products with similar alcoholic content of 40-45%. Despite there are some differences manufacturing processes and taste, both can be perceived on a similar manner by the Indian consumers.

Interestingly India is the world's largest rum market as per Euromonitor statistics ahead of USA. However, as it happens in the case of other spirits, in terms of value India scores below USA, due to the larger preference on entry level categories.



Top 5 (2022) in million EUR (€)

1. United States	2,192.00
2. India	1,103.00
3. Spain	1,045.00
4. Canada	1,031.00
5. United Kingdom	966.40

Chart 26: Revenue of rum per market (Source: Statista)

Amongst top 10 most consumed rum brands in India we cannot find any imported brand, out of world's largest producer Bacardi, who bottles their product in India and Malibú.

Rank	Rum Brand	Segment	Parent Company
1	Mc Dowells No.1 Celebration	Indian	United Spirits Limited
2	Old Monk	Indian	Mohan Meakin
3	Contessa	Indian	Radico Khaitan
4	Old Port	Indian	Amrut
5	Jolly Roger	Indian	Allied Blenders & Distillers
6	Hercules	Indian	Khodays
7	Old Secret	Indian	Empee Distilleries
8	Madira Rock	Indian	Tilaknagar Industries Ltd
9	Bacardi	International-Distilled in India	Bacardi Limited
10	Malibu	Imported	Pernod Ricard

Chart 27: Main rum brands

As it has been found in some other spirits, the large consumption of this product does not imply a large potential for imported brands. Indian consumers are largely driven by price factor and imported products are restricted to the top-most premium segment.

If such is the case of imported rum, in the case of cachaça the situation is still more marginal. In this case, Brazilian liquor does not have any IMFL version and thus, the only available products are imported brands.

Cachaça import values since 2018 are quite small, with just few operations adding little bit more than 25.000 USD. Many of those operations are made by hotel chains and fine liquor specialist as Mumbai's The Vault Fine Spirits.

Despite volumes are small, progressive premiumization of Indian consumers can be a growth driver for the potential development of Cachaça in India. Unfortunately, legal restriction to advertisement of alcoholic drinks means an important barrier for the promotion of a new product in India.

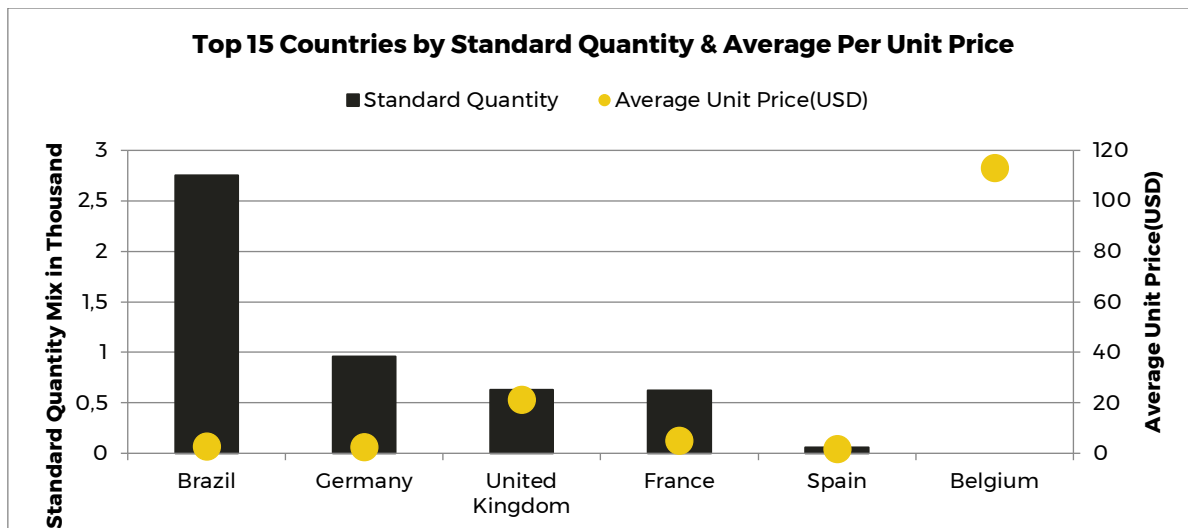


Chart 28: Origin of Cachaça imported in India (Source: Volza)

Despite Brazil is the largest source of exported cachaça into India, some products are being sourced by other countries such Germany or UK. In these cases, it can be understood that due to small volumes, consignments have been shipped from aggregators or centralized warehouses on a consolidated manner with other products.

9.2. TAXATION OF SPIRITS

Average price of Cachaça imported directly from Brazil is approximately 2 USD per liter and subject to an import duty of 150% (as in the case of Rum, Whisky and other spirits).

2208 STRENGTH BY VOLUME OF LESS THAN 80% VOL.; SPIRIT, LIQUEURS AND OTHER SPIRITNOUS BEVERAGES		
2208 40	Rum	150%
2208 90	Cachaça	150%

9.3. IMPORTS DATA

RUM

HS CODE	COUNTRY	2021	MARKET SHARE
220840	World	1,344	
	Singapore	580	43%
	Spain	123	9%
	Jamaica	111	8%
	United Kingdom	105	8%

Netherlands	91	7%
United States of America	85	6%
Italy	69	5%
Sri Lanka	36	3%
United Arab Emirates	36	3%

Chart 29: Main sources of Rum exports to India (Source Volza)

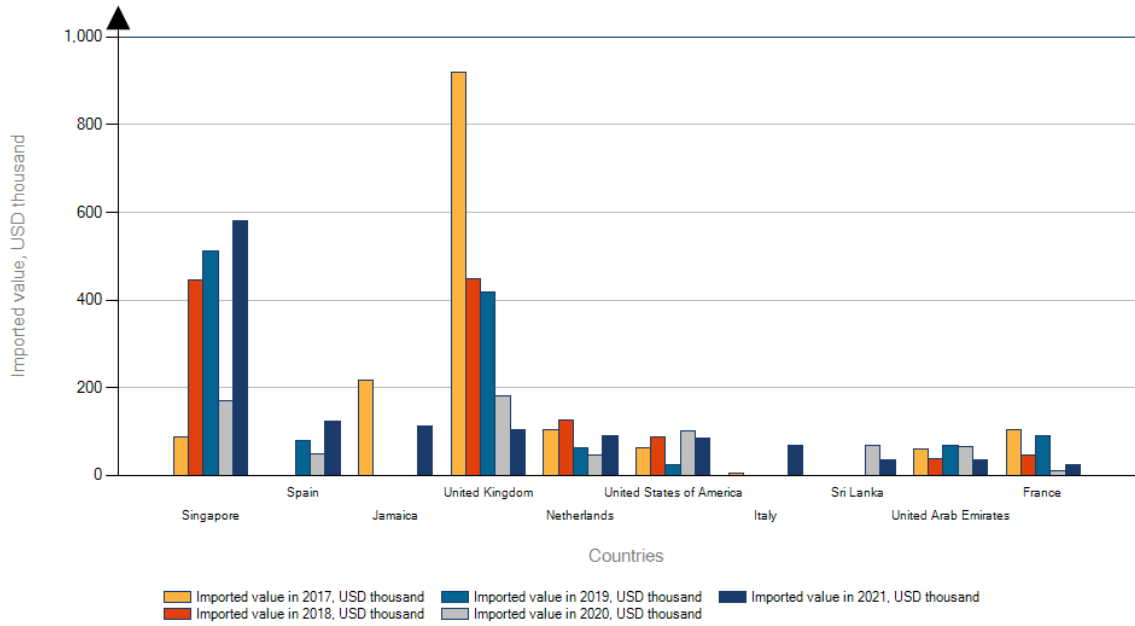


Chart 26: Imported Value (Source: Trade Map)

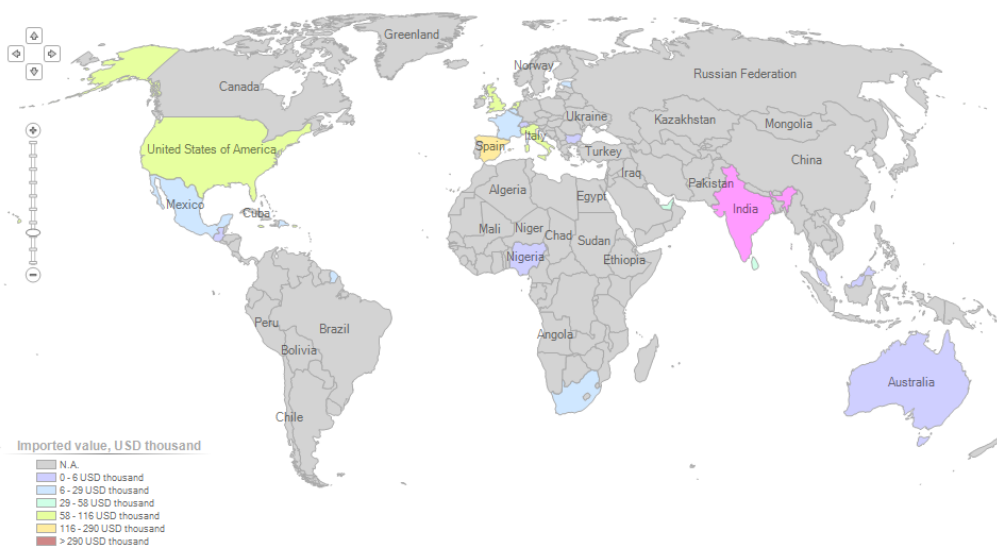


Chart 27: Imported Value (Source: Trade Map)

CACHAÇA

HS CODE	COUNTRY	2021*	MARKET SHARE
220890	World	72,086	
	UK	34,987	49%
	France	18,618	26%
	Belgium	11,262	16%
	Netherlands	4,220	<1%
	Mexico	1,065	<1%
	USA	925	<1%
	Germany	437	<1%
	Singapore	287	<1%
	UAE	132	<1%
	Chile	34	<1%

*Miles USD - Fuente: www.trademap.org

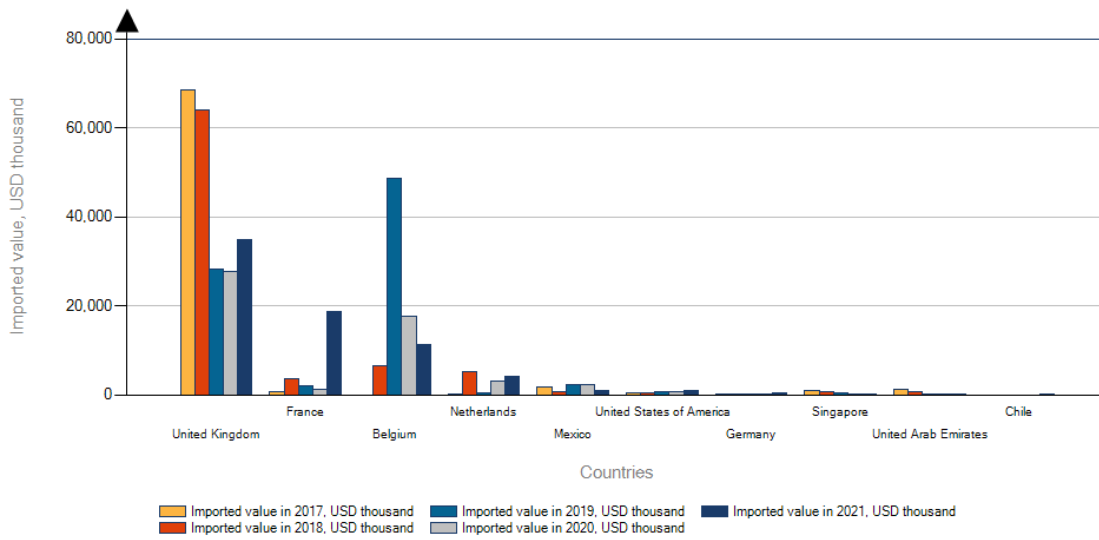


Chart 28: Imported Value (Source: Trade Map)

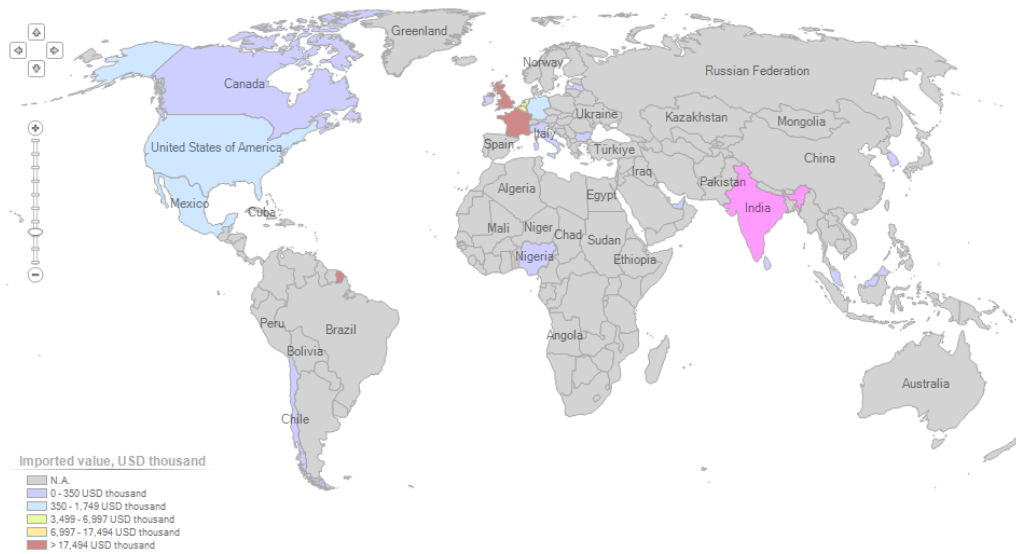


Chart 29: Imported Value (Source: Trade Map)

9.4. MAIN INDIAN IMPORTERS

RUM

The top Indian importers of rum are:

Indian importers
FAIRMACS SHIPSTORES PRIVATE LIMITED
GHAIO MALL SONS
HE MS NINA VASKUNLAHTI AMBASSADOR
MR RAOAGA ITUMELENG LETHOKO

Chart 30: Main Rum importers India (Source: Volza)

CACHAÇA

The top 15 Indian importers of cachaça are:

Indian importers
AMBATTUR DEVELOPERS PRIVATE LIMITED
ARALIAS BEVERAGES PRIVATE LIMITED
ARTISAN SPIRITS PVT LTD
ASK AGENCIES INVESTMENT PVT LTD
BHARAT HOTELS LTD OWNER OF HOTEL THE LALIT
CEEBROS HOTELS PVT LTD
CHARISHMA HOTELS PVT LTD
CON OF BRAZIL MR SERGIO ID 47CD38
HE MR BULAT SARSENBAYEV
HOTEL LEELAVENTURE LIMITED
INDOSPIRIT DISTRIBUTION LIMITED
ITC LIMITED
ORIENTAL HOTELS LIMITED

Indian importers
ROYJEE MANUFACTURING TRADING PVT LTD
SULA VINEYARDS PVT LTD
THE INDIAN HOTELS COMPANY LIMITED
VAULT FINE SPIRITS PVT LTD

Chart 31: Main Cachaça importers India (source Volza)

10. WAY FORWARD FOR WINE, BEER AND CACHAÇA EXPORT TO INDIA

As it has been extensively analyzed in the lines above, India is a massive market for alcoholic beverages, especially spirits. Due to heavy duties levied on all spirits prices paid by end consumers for imported products is almost 3 times higher than in any other similar market and also with respect to their local competition. Due to this factor Indian consumers prefer to buy local versions of foreign liquors and spurious ones rather than authentic but overpriced foreign liquors. Most of the imported alcohol are classified as premium products and are primarily available in Modern Retail Stores, Upmarket Liquor Stores, Pubs, Clubs, Fine Dining in metropolitan markets and in Luxury Hotel & Resorts across India.

10.1. BEERS

Beer export into India is a tough task for any brand, even for internationally established. Local beers, either from Indian brands (Kingfisher) or Indian brewed international brands (Carlsberg, Tuborg) are offering a strong competition at far more affordable prices.

Many international players have decided to compete with local breweries by localizing themselves in India and avoiding the cost impact of logistics and duties.

For any newcomer into this market, positioning themselves in mass distribution would become almost an impossible mission, so most of them decided to focus into small niches of consumers and promote their products there. Otherwise, localization of production into India is almost a must to avoid duty impact.

10.2. WINES

Amongst selected three categories, wines are the ones with largest penetration of imported products. Despite local wines are improving rapidly, still they are unable to compete with the taste and quality of foreign products.

Besides exorbitant prices paid by local consumers, imported wines still means more than 30% of market share, being by far the largest of the three. Consumption of wine is growing steadily and may offer opportunities for Brazilian products since consumers have a good exposure to foreign products.

Being wine a market traditionally driven by the tendency to taste different origins, varietal products, brands, ages, etc, India offers a far narrower market than mature ones. As mentioned just 1/3 of wines are imported from overseas. 80% of the rest of them are produced in India by only three companies, Sula vineyards, Fratelli wines and Grover Zampa.

10.3. CACHAÇA

In the case of cachaça, and besides there is no local version of the same, the high level of duties paid for an imported product will increase the final price of the same and position the consumption of cachaça in the premium sector reserved to high end consumers.

Being a quite unknown beverage for Indians, and due to the impossibility of promoting its consumption due to Indian ban on liquor advertisement, it is quite complicated to target a mass consumer. Promotion should be targeting HORECA channel where consumers are more educated in alcoholic beverages and exposed to foreign trends.

Promotion of cachaça in the country should be linked to the image of the country and culture to overcome the restriction. Tasting events, social meetings, etc., are allowed and are a good option to position cachaça in the beverage list of top star hotels and restaurants.

Government is lifting the ban to participation of alcoholic companies in Food Exhibitions. Recent edition of Sial Delhi was hosting a Wine Expo corner where about 40 companies promoted wines and other liquors. Likewise, Prowine exhibition in Mumbai was celebrated in 2022 with great response from the market.

It is evident that demand of alcoholic products in India will grow exponentially in the years to come driven by the development of middle class and economic growth. Besides obstacles created by some governments, socially alcoholic consumption is being accepted broadly by more and more consumers which are in a nurture stage in terms of education and palate. Per capita consumption has increased 3x in the last decade as a clear evidence of natural adoption of alcoholic drink consumption.

As it has been analyzed India offers a very large market mostly centralized on Indian Made Foreign Liquor and domestic production. Import market is quite small, heavily penalized by duties and distribution taxes and restrictions.

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