

DEVELOPING PRINCIPLES FOR REGULATION OF
ALCOHOLIC BEVERAGES
SECTOR IN INDIA



Dr. Arpita Mukherjee | Mr. Aditya Prakash Rao | Angana Parashar Sarma | Nibha Bharti | Preksha Dugar

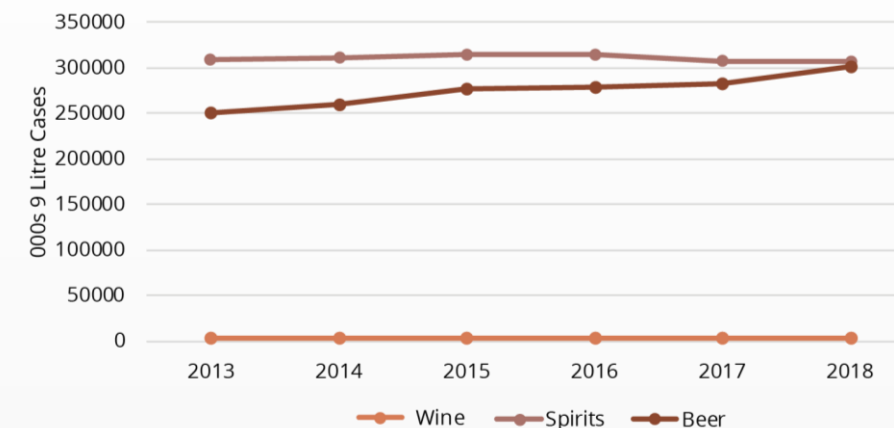
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Market Overview - India



- The global alcoholic beverages market was estimated to be at USD1.58 trillion in 2020 and is projected to grow at a CAGR of around 3.5 per cent between 2020 and 2023.
- India - estimated market size of USD52.5 billion in 2020 and the market is expected to grow at a CAGR of 6.8 per cent between 2020 and 2023.
- Production of alcoholic beverages in the country increased by about 23.8 per cent during the period between 2015-16 and 2018-19.
- Contributes to around 1.5 million jobs and generated around USD48.8 billion in sales revenue in 2019.
- The number of people consumption alcohol increased from approximately 219 million in 2005 to 293 million in 2018; it is **projected to increase to 386 million in 2030**
- By 2030, 50 per cent of consumers are expected to buy more of the same category of alcoholic beverages that they were consuming, 26 per cent are estimated to move to higher brands, and 24 per cent are expected to spend on newer categories of alcoholic beverages.
- States with high prevalence of alcohol consumption (i.e., percentage of total population who consume alcohol) in 2018 were Chhattisgarh (35.6 per cent), Tripura (34.7 per cent), Punjab (28.5 per cent), and Arunachal Pradesh and Goa (28 per cent each).
- In terms of the absolute number of people who consume alcohol, the top-ranking states are Uttar Pradesh (4.2 crore), West Bengal (1.4 crore), and Madhya Pradesh (1.2 crore).

Consumption by Product Categories (2018)



**INDIA IS ONE OF THE
FASTEST
GROWING
MARKETS**

Objective & Methodology

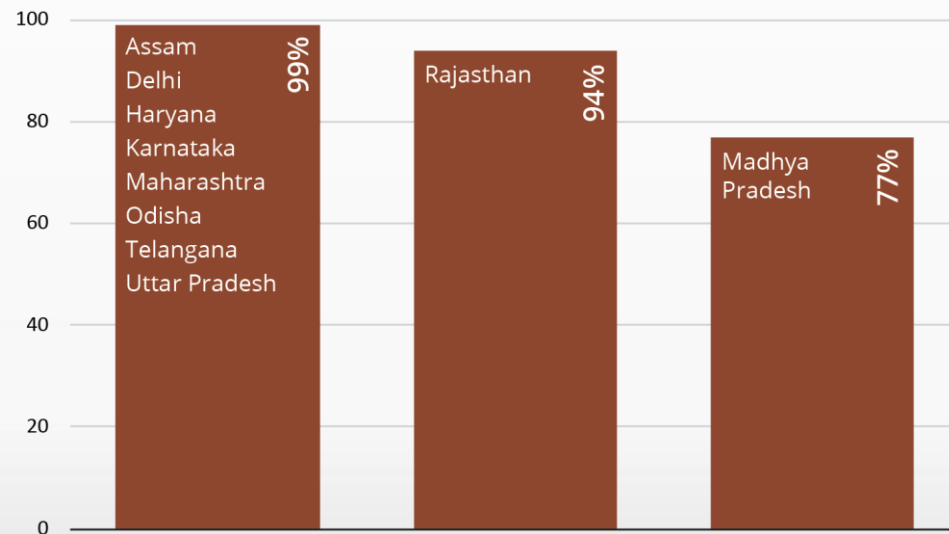


Alcoholic beverages are among the top three sources of revenue earning across most states. Yet there seems to be a lack of transparency, predictability, and clarity in the regulatory, pricing and taxation regime to ensure that the revenue earning objective is aligned with other objectives of the government like 'Make in India', consumer safety and exports.

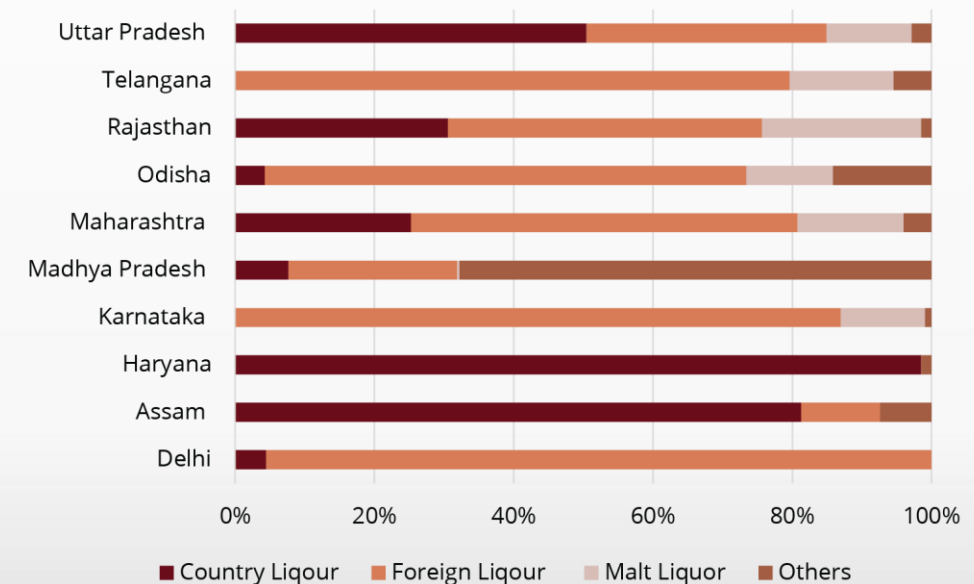
Aim: Develop Principles for Regulation and Taxation

Methodology: Secondary Data Analysis & Survey

Share of Alcoholic Beverages in the Revenue Collection of 10 States (Excluding Petroleum, 2017-18)



Revenue by Product Categories (2017-18)



Variation across States



State-wise Processes for Registration and Lead Time (as of March 31, 2021)

State	Label Registration	Import/Export Permit	Excise Verification Certificate	Renewal of Distillery Licence/Sub-Lease Licence	Lead Time (days)
Assam	Online	Online	Ex-AROMA online	Online	20
	Manual	Manual	Ex-GAPL manual	Manual	20
Delhi	Application is through manual process and approval is online	Online	Manual	No local manufacturing unit	14-21
Haryana	Manual	Online	Manual	Manual	21
Madhya Pradesh	Manual	Online	Manual	Manual	30
Maharashtra	Manual	Manual	Manual	Manual	Min 45
Odisha	Manual	Manual	Manual	Manual	15
Rajasthan	Manual	Manual (Online for CSD)	Manual (Out of the State)	Manual	14
Karnataka	Manual	Manual	Manual	Manual	40-45 (display period of 20 days)
Telangana	Manual	Manual	Manual	Manual	20-25 (display period of 7 days)
Uttar Pradesh	Manual	Manual	Manual	Manual	7

Differences in Determination of EDPs Across Select States (as of March 31, 2021)

States	Existent Structure/Model
Assam Maharashtra Karnataka	Free Pricing
Delhi	Lowest EDP in India for less than INR400 MRP brands and free pricing for above INR400 MRP brands.
Haryana	Administered by state excise commissioner. Seeks information on EDP from neighbouring states and allows pass through of excise levies
Madhya Pradesh	Lowest EDP across India
Odisha	Administered by the pricing committee. There is no regularity of price hearings
Rajasthan	Administered by the state corporation
Telangana	Tender through rate contract
Uttar Pradesh	Seeks lowest EDP amongst specified nearby states and does not allow pass through of levies

Delhi Excise Policy has since seen a change and the free EDP zone above Rs. 400 MRP has been eradicated and has become 100% minimum EDP in India

Different Definitions and Methods of Calculation of Final Price

States	Liquor type	Definition of the Final Price of the Product	Method of Calculation of the Final Price
Haryana	Country Liquor, IFL, IMFL, Beer	Minimum Retail Sale Price	EDP+ED+Transportation charges, etc. (including government levy)+VAT
Rajasthan	IMFL, IFL, Beer, Wine	MRP/MSP	Principle of landing cost of Wholesale (EDP+ED+AED)+Wholesale margin + RSBCL Selling Price + retail margin +VAT
Uttar Pradesh	IMFL, Beer	Maximum Retail Price	EDP+ED+AED+wholesale margin + Maximum wholesale price +retailers' margin+ Maximum selling price (MSP)+AED
Odisha	IMFL, CL	Maximum Retail Price	Principle of landing cost (ED-P+ED+AED)+ all taxes/duties/other fess+ wholesale margin +retail margin
Karnataka	IMFL, Beer	Maximum Retail Price	Principle of landing cost (ED-P+ED+AED)+ all taxes/duties/other fess+ wholesale margin +retail margin

As of March 31st, 2021

Examples of Outcome of State Policies: Different Retail Margins by Liquor Type Across Select States (In Percentage)

Items	Haryana	Rajasthan	Odisha (Issue price +VAT)
Beer and Ready-to-Drink (RTD) – (India made as well as imported)	10	22	12
Country Liquor	-	20	10
IMFL & India made wine imported	10	22	12
Foreign Liquor (BIO)	10	20	10

As of March 31st, 2021

After COVID-19, as of December 2020 around 21 states have imposed Corona Cess and/or other measures. Most states have now removed Corona Cess or merged it to raise excise levies.

Issues

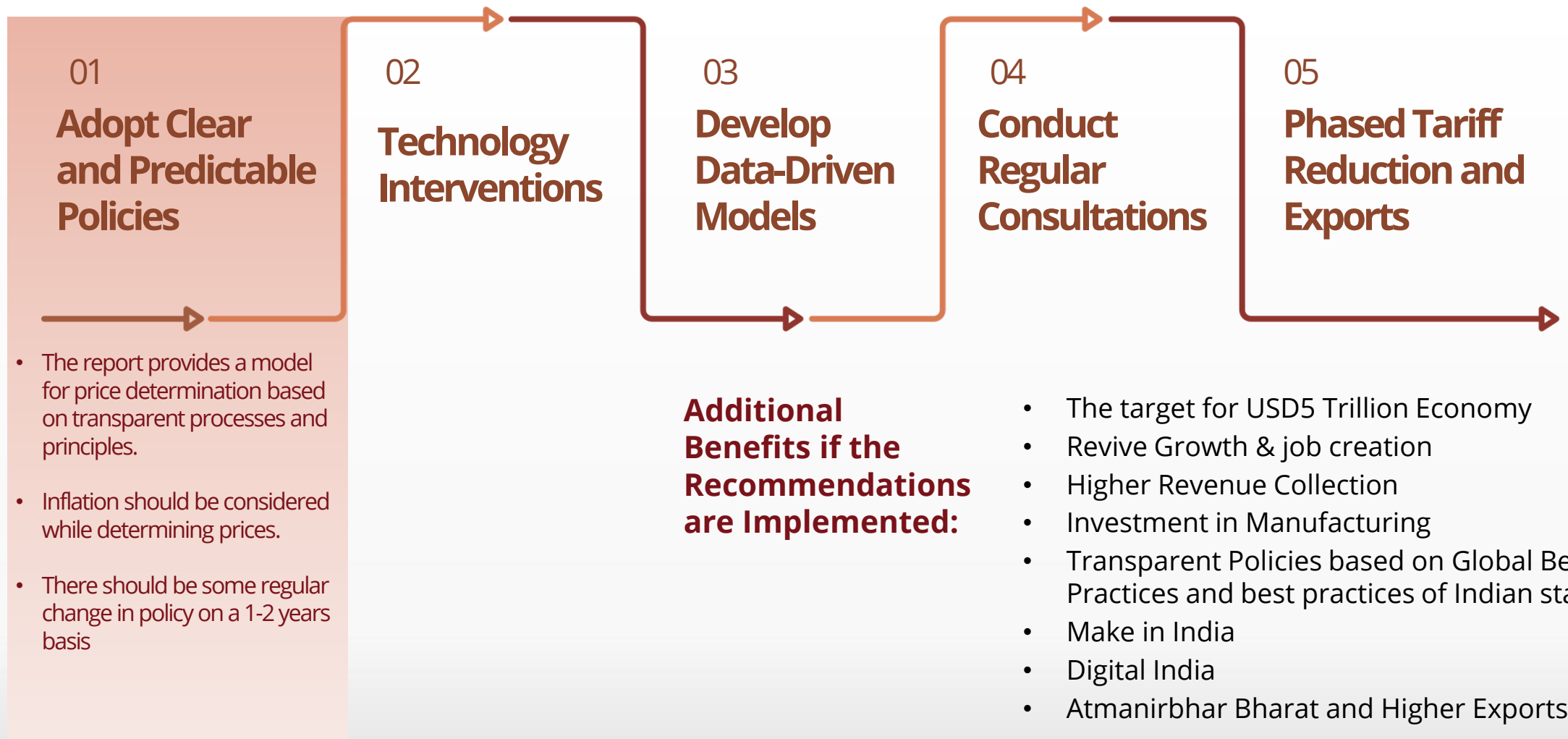
- Variation across states in terms of definition, terminology used, methods of calculating the prices, objectives, frequency of policy, and taxes
- Price control barriers – **Lack of Inflationary Price Adjustment**, Take EDP of neighbouring states
- High import tariffs
- Lack of technology-based, data-driven policy making



Impact

- Decrease in Revenue
- Increase in compliance burden/
Low Ease of Doing Business
- Corruption and bribes
- Illicit market and illicit inter-state trade
- Compromise on quality and consumer health
- Unable to sign trade agreements and exports

The Way Forward – 5 Key Recommendations



The Next Step ?





Thank You

For queries, please contact:

Dr. Arpita Mukherjee | Ph: 98101 89326 | E-Mail: arpita_mukherjee@hotmail.com

Mr. Aditya Prakash Rao | Ph: 88006 01360 | E-Mail: aditya.rao@plrchambers.com