

# **India Alcoholic Beverages Market Assessment, By Type [Beer, Wine, Spirits, Ciders and Flavoured Alcoholic Beverages (FABs), Others], By Alcohol Content [High, Medium, Low], By Packaging [Aluminium Cans/Tins, Pouch Packaging, Glass Bottles, Plastic Bottles, Others], By Category [Mass, Premium], By Distribution Channel [Convenience Stores, On Premises, Liquor Stores, Grocery Shops, Internet Retailing, Supermarkets, Others], By Region, Opportunities, and Forecast, FY2017-FY2031F**

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## **Abstracts**

India is one of the fastest growing markets for alcoholic drinks. India alcoholic beverages market was estimated at USD 60.48 billion in FY2023 and is expected to grow at a CAGR of 6.93% for the forecast period between FY2024 and FY2031 to reach USD 103.37 billion by FY2031. On the demand side, factors including rapid urbanisation, shifting consumer preferences, and a sizable and expanding middle-class population with rising spending power have all helped to enhance demand for alcoholic beverages. Foreign investments are welcome in the industry, while several governments provide subsidies for domestic production (such as Maharashtra and Karnataka for wine).

Alcoholic beverages are often one of the top three revenue-producing businesses in any state. However, it appears that the tax system lacks transparency, predictability, and clarity to ensure that the government's other goals, such as 'Make in India' and exports from India, are aligned with the goal of revenue generation. States have a wide range of

governance and pricing options for alcoholic beverages. The states have complete control over the alcoholic beverage supply chain, from production and distribution through registration and retail, through their excise regulations. These policies undergo frequent and sporadic modifications, which causes uncertainty and makes it difficult for manufacturers and distillers to plan their investments.

There is a noticeable trend towards premium and craft alcoholic beverages in India. Consumers are willing to explore and pay a premium for higher-quality products and unique flavours. This shift is driven by factors such as rising disposable income, evolving consumer preferences, and a desire for experiential drinking.

### Growing Focus on International Trade

India is currently a minor participant in the trade of alcoholic beverages worldwide. India has export potential in this industry, which may be addressed by taking steps like lowering tariffs and promoting clarity in state-by-state legislation to encourage production and 'Make in India'. Indian spirits including whisky, rum, vodka, and gin have gained recognition and appreciation in global markets. Export-oriented initiatives and participation in international trade events have enabled Indian brands to showcase their products and establish a presence in the global alcoholic beverages market. As per the commerce ministry, during the year 2020-21, India exported 2.47 lakh metric tonnes of alcoholic products for USD 322.12 million (or roughly ₹ 2,507 crore). India's increasing exposure to global trends and consumer preferences has led to a rise in the import of foreign alcoholic beverages. Consumers in India are showing a growing interest in exploring and experiencing international brands, flavours, and styles of alcoholic beverages. This has created opportunities for imported spirits, wines, beers, and other alcoholic products to enter the Indian market and cater to the evolving consumer demand.

### Rising Significance of Alcoholic Drinks

There wasn't much alcohol consumption in clubs or restaurants in India before fine dining became popular. This has fully altered today with a robust fine dining culture present in all metro areas as well as Tier II and Tier III cities. A growing number of young people, particularly in cities, are now socializing in restaurants, clubs, pubs, and bars after being excluded for two years due to the pandemic. Numerous factors, such as rapid urbanization, altering consumer preferences, and a sizeable and developing middle-class population with rising purchasing power, have contributed to the demand for alcoholic beverages rising even higher. Throughout the country, there has been a

variety of levels of demand for alcoholic beverages. Companies are even expanding their portfolios by manufacturing and introducing new alcoholic beverages under their name. For instance, in October 2022, launching its first made-in-India whisky under the brand name Legacy in Maharashtra, Telangana, and Uttar Pradesh, Bacardi India entered the Indian-made whisky market.

### Government Regulations

The production, distribution, and sale of alcoholic beverages require specific licenses and permits issued by state excise departments. These licenses vary based on the type of alcoholic beverage, such as country liquor, IMFL (Indian Made Foreign Liquor), or beer. Alcoholic beverages are subject to significant taxation and excise duties levied by both the central and state governments. The tax revenue generated from the alcoholic beverages market is an important source of income for state governments. In India, the legal drinking age varies from state to state and typically ranges between 18 and 25 years. The Delhi government, which is currently governed by the Aam Aadmi Party (AAP), has introduced changes to its excise policy that are youth-friendly in response to this trend.

A change was published by the government, notifying all districts that spirits will now be delivered to homes via mobile apps and online websites. This significant change undoubtedly resonated with the Capital's tech-savvy millennial drinkers, who see home delivery as a handy and safe way to refresh their high-end home bars. Confederation of Indian Alcoholic Beverage Companies (CIABC), the apex body of the Indian Alcoholic Beverage Industry, recommended reopening trend-setting airport shops in addition to the city's current government stores, lowering the drinking age to 21, and bringing retail time and the number of dry days in line with the adjacent states.

### Growing Brand Awareness of Premium and Imported Alcoholic Beverages

The Indian alcoholic beverages market is expanding as a result of rising brand awareness of imported and premium alcohol. Customers are becoming more eager to sample unique tastes, and they are prepared to shell out more money for well-known, premium brands. Existing Indian brands are also entering the market with innovative products. In June 2022, Hill Zill Wines Pvt Ltd (HZWPL) introduced Fruzzant?, the country's first-ever sparkling fruit wine, in Delhi and Arunachal Pradesh. Rapid globalization, which makes it simpler for consumers to obtain a broader variety of alcohol around the world, is one of the key elements influencing this trend. As a result, customers are more aware of the many alcohol varieties and look for novel and

intriguing options. The growth of craft brewing is another element promoting expansion in the premium beverage industry.

Additionally, the growth of e-commerce has made it simpler for customers to buy premium and foreign beverages. Compared to physical establishments, online retailers provide a greater selection of alcohol and frequently have lower prices. Also, social media has been crucial in raising brand awareness in the alcohol business as it is becoming a more popular place for consumers to discuss their experiences with and opinions on various alcoholic drinks, which can assist to increase consumer knowledge of and demand for lesser-known brands.

### Impact of COVID-19

To prevent a revenue shortage and address consumer health needs during the COVID-19 pandemic, approximately 21 states have increased excise duties, additional excise duties, maximum retail price (MRP), bottling fees, and implemented COVID-19 specific fees, cess, and surcharges. In states like Delhi, Haryana, Odisha, and Telangana, state-specific COVID-19-related cess/fees were implemented, and in Assam, Rajasthan, Karnataka, and Uttar Pradesh, the excise tax slabs were hiked. Except for Delhi, whose prices initially soared by 70 % due to the imposition of a special corona tax of the same proportion, the impact on the final pricing of the products ranged between 5 and 25%.

### Key Players Landscape and Outlook

The alcoholic beverages market in India is highly competitive and diverse, with a mix of domestic and international players. The outlook for the Indian alcoholic beverages market is positive, driven by various factors like changing consumer preferences, rising disposable incomes, urbanization, lifestyle changes, and a growing beer market. The market is witnessing a shift towards premium and craft products, as consumers seek higher-quality offerings and unique flavours.

In June 2023, Radico Khaitan Ltd. announced its plan to launch Jaisalmer Indian Craft Gin in its premium range. This launch will bring it in a direct competition to Baracdi's Bombay Sapphire.

There is also a growing interest in wine consumption, driven by urbanization, evolving lifestyles, and health consciousness. The market is expected to witness increased competition and product innovation as critical players strive to capture market share and

cater to diverse consumer segments.

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