Industry Report On
Indian Wine Retail

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1. Macroeconomic Overview of India

1.1. India's GDP and GDP Growth

India is the world's 6th largest economy and expected to be in top 3 global economies by FY 2050

Currently, India ranks sixth in the world in terms of nominal gross domestic product ("GDP") and is the third largest economy in the world in terms of purchasing power parity ("PPP"). India is estimated to be among the top three global economies in terms of nominal GDP by FY 2050.

Exhibit 1: GDP Ranking of Key Global Economies (CY 2020)

Country	Rank	% Share (World GDP, at current prices)	Rank PPP	% Share (World GDP, PPP)
United States	1	24.7%	2	15.8%
China	2	17.4%	1	18.3%
Japan	3	6.0%	4	4.0%
Germany	4	4.5%	5	3.3%
United Kingdom	5	3.2%	9	2.3%
India	6	**3.1%**	**3**	**6.7%**
France	7	3.1%	8	2.3%
Italy	8	2.2%	10	1.8%
Canada	9	1.9%	14	1.3%
Korea, Republic	10	1.9%	13	1.7%

Source: World Bank Data, RBI, Technopak Analysis

India expected to fare better than developed economies and recover to a high growth path in coming years

India's real gross domestic product (GDP) has sustained an average growth between 6% and 7% since FY 1991. India has been the fastest-growing G20 economy since FY 2015, with annual growth rate hovering around 7%. India's economy grew at ~7% in FY 2019. The real growth rate declined to 4% in FY 2020 and witnessed a de-growth of 7.3% in FY 2021 due to the outbreak of COVID-19 pandemic which led to the imposition of lockdowns towards the last quarter of FY 2020 and a major part of the first quarter of FY 2021 causing a contraction in the economy.

The impact of COVID-19 has caused major large economies to shrink. It is being estimated that India's GDP is expected to resume its pre-COVID growth momentum by FY 2022.

The services sector in the last two decades has become the bedrock of the Indian economy contributing to more than half of the GDP. The first wave of COVID-19 disrupted the service sector as first wave lockdowns were a new paradigm, and it took them some time to adjust to work from home and be productive. During the Second wave, the Services sector was well prepared and the impact it had was far less than the first wave.

At the start of FY 2022, projections of Indian government, of the IMF and other organizations projected India's GDP to resume its pre-COVID growth momentum in FY 2022. This was in the backdrop of India witnessing a lower-case load in the third quarter of FY 2021 and the economic recovery that ensued in the 3rd and 4th quarter of FY 2021. The second wave led to a further reduction in sentiment & economic activity. But due to high virulence, the second wave rose and decreased with an equal speed, hence effectively lasting 2 months. As of December 2021, all states had lifted their lockdown and have eased restrictions placed since the second wave. However, the third wave of COVID-19 started in January 2022, is expected to reach its peak by the end of January, 2022 or first week of February, 2022. India witnessed a caseload of more than three lakh cases on 20th January,2022. State governments had announced weekend curfews and/or shutting of theatres, and restaurants operating at 50% capacity. The rise of third wave and the plausible lockdown/restrictions and diversion of resources towards healthcare may impact growth forecasts. Due to the constant mutations in the virus, the threat of lockdowns and/or restrictions is present which may affect all future growth forecasts.

Exhibit 2: Real GDP growth rate of Key Global Economies (CY 2018 – CY 2021P)

Country	GDP Growth Rate - 2018 (in %)	GDP Growth Rate - 2019 (in %)	GDP Growth Rate - 2020 (in %)	GDP Growth Rate – 2021P (in %)
United States	3.0%	2.2%	-3.5%	5.1%
China	6.8%	6.0%	2.3%	8.1%
Japan	0.6%	0.3%	-5.8%	3.1%
Germany	1.1%	1.1%	-4.6%	3.5%
United Kingdom	1.3%	1.4%	-10.0%	4.5%
India*	6.1%	4.2%	-7.3%	9.5%
France	1.9%	1.8%	-7.9%	5.5%
Italy	0.9%	0.4%	-8.9%	3.0%
Brazil	1.8%	1.4%	-4.1%	3.6%
Canada	2.4%	1.9%	-5.3%	3.6%

Source: World Bank data, WEO January 2021 by IMF.
**Secondary sources and Technopak Analysis, For India CY 2019 means FY 2020*
2021P: Predicted numbers for 2021

GDP Comparison with other Countries

India's GDP is small in absolute terms, despite high growth

Despite its fast growth, India's GDP is small in absolute terms when compared to the GDP of larger economies. In 2019, India's GDP was approximately one eighth of that of the United States and approximately one fifth of that of China.

Global economy was severely impacted in CY 2020 due to COVID-19. In some countries economic downturn has been severe, while in the others it has been modest.

Exhibit 3: COVID-19 Recovery Across Countries – Q-o-Q growth for CY (in percentage)

Country	Q4-2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	Q1-2021	Q2-2021
U.S.	0.5%	-1.3%	-8.9%	7.5%	1.1%	1.5%	1.6%
Brazil	0.3%	-2.3%	-9.0%	7.7%	3.1%	1.2%	-0.1%
India	0.4%	0.6%	-24.5%	21.2%	8.6%	2.3%	-10.2%
Australia	0.4%	-0.3%	-7.0%	3.6%	3.2%	1.9%	0.7%
Germany *	-0.1%	1.8%	-10.0%	9.0%	0.7%	-2.0%	1.6%
China	1.2%	-8.7%	10.0%	2.8%	3.0%	0.4%	1.3%
United Kingdom	0.0%	-2.8%	-19.5%	16.9%	1.3%	-1.6%	4.8%
Japan	-1.9%	-0.6%	-7.9%	5.4%	2.8%	-1.1%	0.5%

Source: Technopak Analysis
**implies data is Provisional*

The country wise GDP of key countries is given in the table below:

Exhibit 4: Country Wise GDP (US$ trillion)

Country	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2025P	CAGR (2020-2025)
USA	15	15.5	16.2	16.8	17.5	18.2	18.7	19.6	20.6	21.4	20.9	26.7	5.0%
China	6.1	7.6	8.5	9.6	10.5	11.1	11.2	12.3	13.9	14.3	14.7	22.5	8.9%
Japan	5.7	6.2	6.3	5.2	4.9	4.4	5.0	4.9	5.0	5.1	5.0	6.3	4.7%
Germany	3.4	3.7	3.5	3.7	3.9	3.4	3.5	3.7	4.0	3.9	3.8	5.1	6.1%
UK	2.5	2.7	2.7	2.8	3.1	2.9	2.7	2.6	2.9	2.8	2.7	3.8	7.1%
India*	0.9	1.0	1.2	1.4	1.7	1.7	1.9	2.3	2.4	2.7	2.6	4.2	10.1%
France	2.6	2.9	2.7	2.8	2.9	2.4	2.5	2.6	2.8	2.7	2.6	3.4	5.5%
Italy	2.1	2.3	2.1	2.1	2.2	1.8	1.9	2.0	2.1	2.0	1.9	2.4	4.8%
Canada	1.1	1.8	1.8	1.8	1.8	1.6	1.5	1.6	1.7	1.7	1.6	2.3	7.5%
Korean Republic	2.6	1.3	1.3	1.4	1.5	1.5	1.5	1.6	1.7	1.6	1.6	2.1	5.6%

Source: Technopak Analysis
1US$ = INR 75 (for 2019 India numbers)
** For India, CY 2019 means FY 2020*

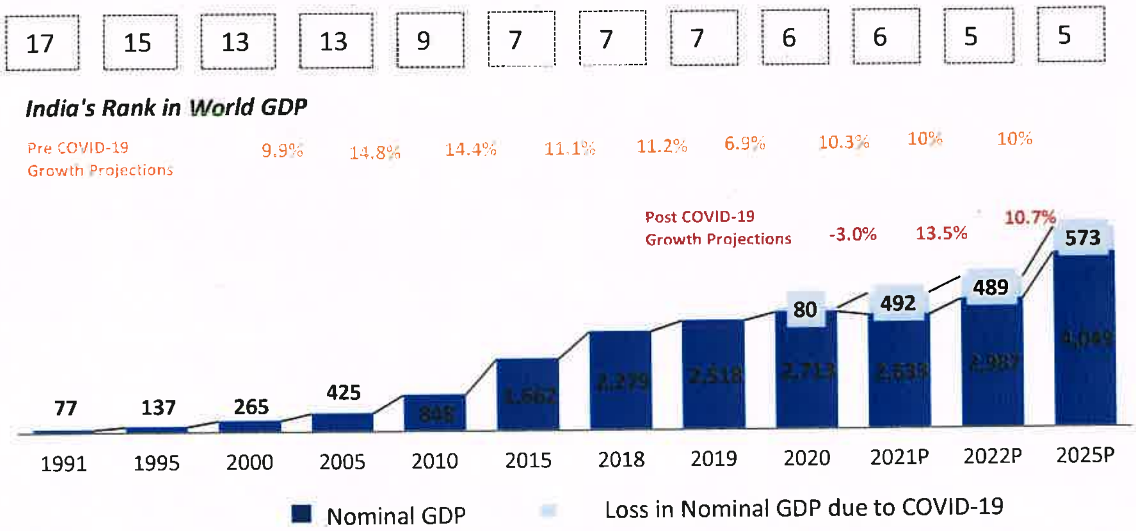
India's GDP Growth

Since FY 2005, Indian economy's growth rate has been twice as that of the world economy and it is expected to sustain this growth momentum in the long term. Due to COVID-19, India's real GDP contracted by 7.3% in FY 2021, but the economy is expected to bounce back with a RBI's real GDP growth estimated of 9.5% for FY 2022, with 6.6% growth in Q3 and 6.0% growth in Q4 of FY 2022. The real GDP growth going forward is estimated to be 17.2% for Q1 of FY 2023 and 7.8% for Q2 of FY 2023 and the GDP is expected to reach US$ 4 Tn by FY 2025. It is also expected that India's economic growth trajectory will enable it to be among the top three global economies by FY 2050.

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 & working population, IT revolution, increasing penetration of mobile & internet infrastructure, increasing aspirations and affordability etc.

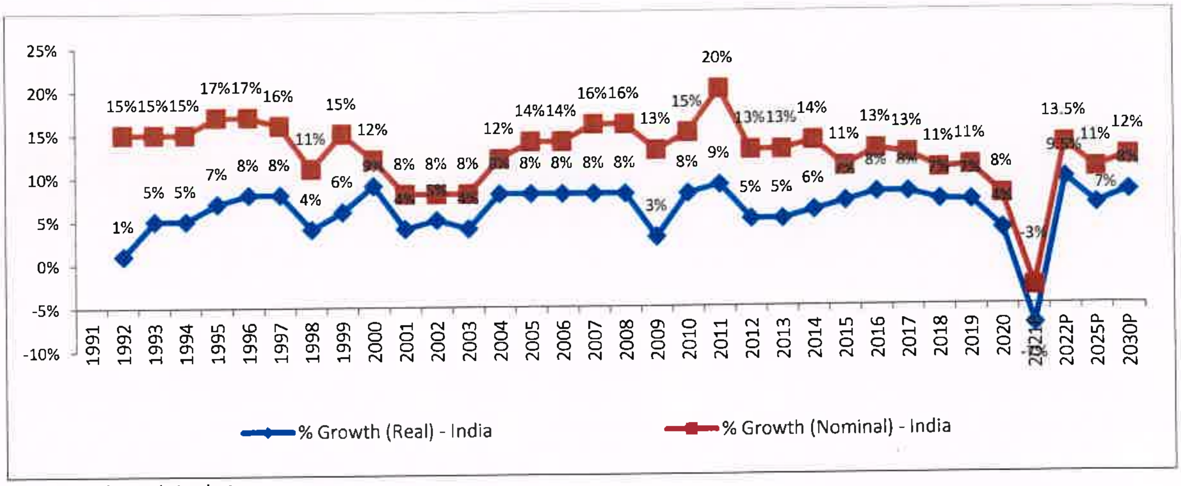
COVID-19 had a massive impact on the Indian economy in FY 2021, with GDP in Q1 FY 2021 contracting 24% as compared to same period last year. The contraction in Q1 FY 2021 was not uniform; it varied from state to state and sector to sector. Aviation sector was worst hit followed by tourism, realty, food services etc. But as government eased lockdown restrictions and economy started to open, the economic trajectory witnessed a V- shaped recovery in Q2 of 2021, however the growth figures remained negative (-24.4% in Q1 FY 2021 and -7.4% in Q2 FY 2021). In FY 2022, the Indian GDP was expecting a faster recovery and projected to grow at –15.4% (in nominal terms) with 11% real GDP growth and 4.4% expected inflation. However, with the second wave surge of cases due to the COVID pandemic in Q1 of FY 2022 that resulted in wide-spread disruption in the economy and diversion of attention and resources to mitigate it and the third wave that is expected to impact the last quarter of FY 2022, the projected growth of Indian nominal GDP may be restricted to 13.5% and real GDP is expected to grow by 9.5%.

Exhibit 5: India's Nominal GDP in FY (US$ Bn)



Source: Technopak Analysis
1 US$= INR 75
White boxes at the top refer to India's GDP rank on a global basis

Exhibit 6: Historical GDP Growth (%)



Source: technopak Analysis
**2012- GDP Spike in Real growth rate due to change of base from 2004-05 to 2011-12. Hence excluded from decadal growth rate as well*

1.2. Domestic Consumption Growth

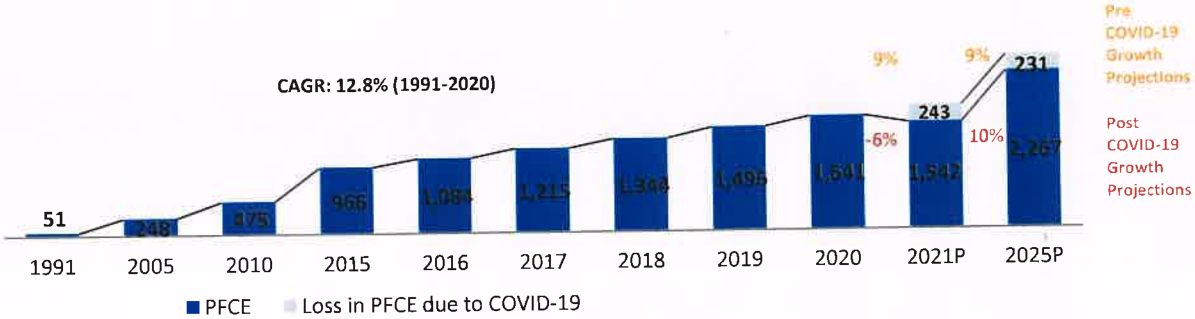
Private Final Consumption Expenditure

High share of domestic consumption in Private Final Consumption Expenditure (PFCE)

India's share of domestic consumption, measured as private final consumption expenditure, in its GDP was ~54% in FY 2021. This private consumption expenditure includes final consumption expenditures of Households and Non-profit institutions serving Households, and comprises both goods (food, lifestyle, home, pharmacy etc.) and services (food services, education, healthcare etc.). In comparison China's domestic consumption share to GDP in CY 2020 was 39.2%. High share of private consumption to GDP has the advantage of insulating India from volatility in the global economy. It also implies that sustainable economic growth directly translates into sustained consumer demand for goods and services. India's domestic consumption has grown at a CAGR of 7.3% between FY 2016 and FY 2021, compared to 2.8% and 4.7% in the USA and China, respectively during the similar period of CY 2015 and CY 2020.

However, with the outbreak of COVID-19, there has been a depression in demand with an estimated loss of revenue worth US$ 117 Bn in merchandise retail in FY 2021. With the economic environment becoming uncertain, not only have the consumers become more thoughtful about their consumption but also more conscious of their savings and investments. The consumption priorities are also being driven by the health and safety concerns and the other behavioral changes adopted because of the pandemic. While the discretionary categories like apparel and lifestyle were severely impacted by the pandemic, need based categories like food and pharma have witnessed growth in the last year.

Exhibit 7: India's Household Final Consumption Expenditure (in USD Bn)



Source: Technopak Analysis, Year indicates FY
1 US$= INR 75

The annual growth rate for FY 1991-2005 was ~12% and this increased to ~14% for FY 2020. In FY 2019, PFCE accounted for ~59.0% of GDP. This is much higher than that in China (~39.0%) and lower than that of the US (~68.0%).

The drop in consumption is mainly because of consumer sentiment being weak due to both health and economic reasons. Structurally, if all the other variables remaining the same, the quantum of consumption should not take long to revive. However, the losses suffered during COVID-19 manifested itself as loss of momentum of growth. While consumption will suffer a setback in the short term, it is expected to reach to ~US$ 2.27 Tn by FY 2025.

Exhibit 8: Total Private Final Consumption Expenditure (Current Prices US $ Bn)

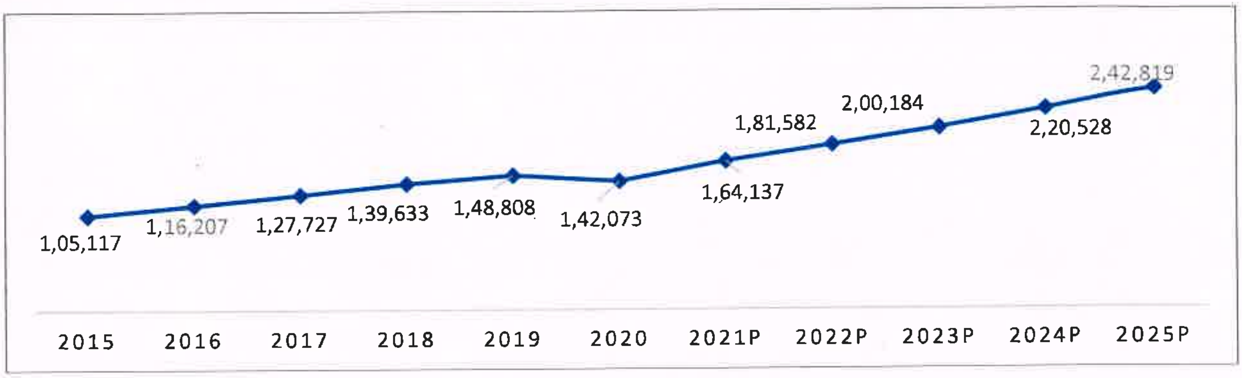
Country	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021P	Contribution to GDP (2019)	CAGR 2015-2020
U.S.	10,260	10,699	11,047	11,363	11,847	12,263	12,693	13,239	13,993	14,428	14,047	14,347	64.80%	2.75%
China	2,090	2,637	3,019	3,429	3,845	4,178	4,344	4,745	5,353	5,605	NA	6,347	37.20%	-
Germany	1,872	2,036	1,937	2,036	2,075	1,778	1,829	1,918	2,068	2,018	1,951	1,924	49.60%	1.87%
India*	**411****	**447****	**749**	**863**	**966**	**1,084**	**1,215**	**1,344**	**1,505**	**1,641**	**1,542**	**1,718**	**57.50%**	**7.30%**
France	1,463	1,573	1,469	1,536	1,549	1,318	1,341	1,397	1,503	1,463	1,398	1,394	48.80%	1.19%
Italy	1,296	1,401	1,279	1,304	1,309	1,116	1,128	1,179	1,258	1,202	1,093	1,108	54.80%	-0.42%
Brazil	1,330	1,577	1,514	1,526	1,546	1,153	1,154	1,331	1,239	1,216	906	1,230	56.40%	-4.71%
Indonesia	424	495	518	519	509	495	539	582	594	648	624	723	48.50%	4.74%
Thailand	178	196	212	221	214	206	207	223	248	271	265	259	50.20%	5.17%

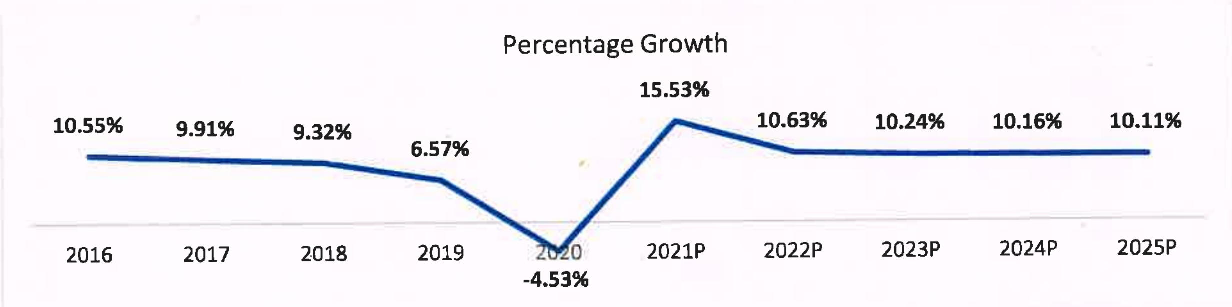
Malaysia	123	143	156	167	177	163	165	177	206	218	205	226	19.00%	4.69%

Source: Technopak Analysis
2020P: The projections have been arrived at by considering impact of COVID-19
** For India, CY 2020P means FY 2021P (Data for India is for Financial Year)*
*** For CY 2010 & CY 2011, base year was 2004-05*
1US$ = INR 75

Per Capita Income Growth

Exhibit 9: India's GDP Per Capita (₹) (Current Prices)





Year indicates CY
Source: IMF projections
Note: Numbers for 2021-2025 are Provisional

The per capita income of India has been showing an increasing trend since 2012; growing at a healthy CAGR of approximately 10%, the per capita income reached ₹1,48,808 in CY 2019. Given the impact of COVID-19, it decreased to ₹1,42,073 in CY 2020. However, it is expected to bounce back to ₹1,64,137 in CY 2021 and continue its growth journey at a CAGR of 10.3%.

Per Capita Final Consumption Expenditure

The Per Capita Final Consumption Expenditure had shown a significant growth pre COVID. In CY 2020, the average Per Capita Final Consumption expenditure was valued to be around USD 1,189, a steep increase from USD 385 in CY 2010. Due to emergence of COVID-19 in FY 2020, there has been a significant drop in the Per Capita Final Consumption Expenditure, to USD 1,103. It is expected to grow at 4% CAGR over the next 5 years and is expected to reach USD 1,540 by 2025.

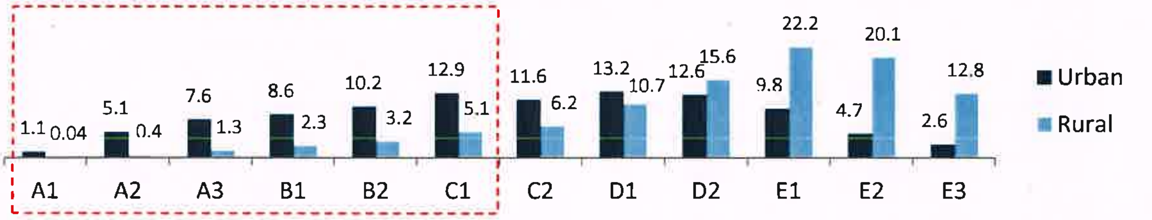
Exhibit 10: India's Per Capita Consumption Expenditure (USD) (Current Prices) (for CY)

Source: Technopak analysis
Note: Numbers for 2021 and 2025 are Provisional

Top 20% of Indian households account for nearly half of the total household consumption

Household consumption in India is skewed towards the urban population. Socio-economic classifications ("**SEC**") A, B and C1, which account for approximately 45.5% of urban population and approximately 12.3% of rural population is commonly referred to as the "top 20%" by income of Indian households.

Exhibit 11: SEC Break-up of Indian Households (in %age) FY 2020



Source: Technopak Analysis
Note: Socio economic classification is a stratification of Indian households used by marketers to understand consumer worthiness and consumption lifestyle. It is widely agreed that consumption behaviour in India is better predicted by SEC (socio economic class) classification, which is based on Education of chief earner and number of "consumer durables" (from a predefined list)-owned by the family. The list has eleven items, ranging from 'electricity connection' and 'agricultural land' to cars and air conditioners

In FY 2020, the top 20% accounted for 40% to 50% of total household consumption expenditure and approximately 44% of household income. The next 40% of households accounted for 40% of the overall household expenditure, whilst the bottom 40% of households (largely comprising SEC E) made up 10% to 20% of household consumption. The per capita consumption for the top 20%'s was twice the national average.

1.3. 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.

Young population

India has one of the youngest populations globally compared to other leading economies. The total population of India is 1,394 Mn for FY 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.

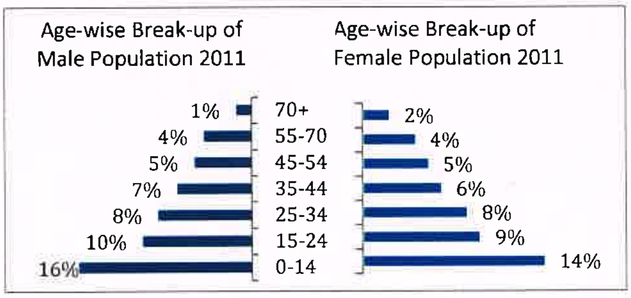
Exhibit 12: Median Age: Key Emerging & Developed Economies (CY 2021 Estimated)

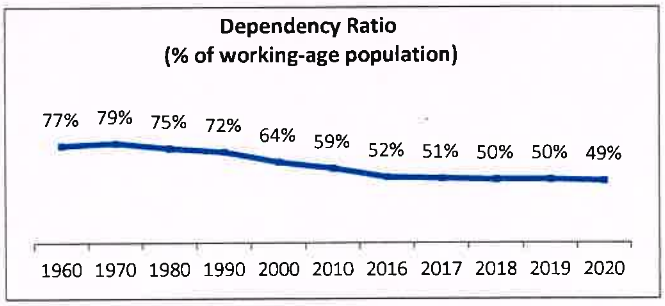
Country	India	China	USA	Singapore	Russia	Korea	Canada	UK
Median Age (Yrs.)	28.1	37.4	38.1	34.6	39.6	41.8	42.2	40.5

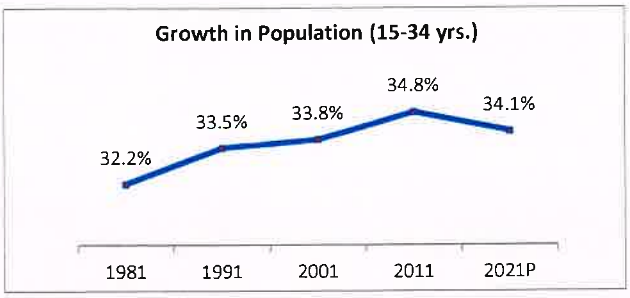
Source: World Population Review, Technopak Analysis

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 FY 2000 to 49% in CY 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 FY 2000 to 67% in CY 2020 is expected to continue sustaining 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.

Exhibit 13: Age Dependency Ratio







Source: Census of India 2011, World Bank, MOSPI
Years mentioned are CY
Age wise break up of population not adding up to 100% due to rounding off

Women 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, enrolment of girls in secondary education increased from 45.3% to 81% and in FY 2019 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 high acceptability of women consuming alcohol especially wine.

Exhibit 14: Sector wise Split of Female Employment in India(% share in total)

Sector	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Agriculture	67.0%	63.6%	60.0%	59.4%	58.7%	57.9%	57.2%	56.4%	55.5%	54.7%
Industry	15.5%	17.1%	18.8%	18.4%	18.2%	18.0%	17.7%	17.5%	17.3%	17.4%
Services	17.5%	19.3%	21.3%	22.2%	23.2%	24.1%	25.1%	26.1%	27.2%	28.0%

Source: World Bank Data

Urbanization

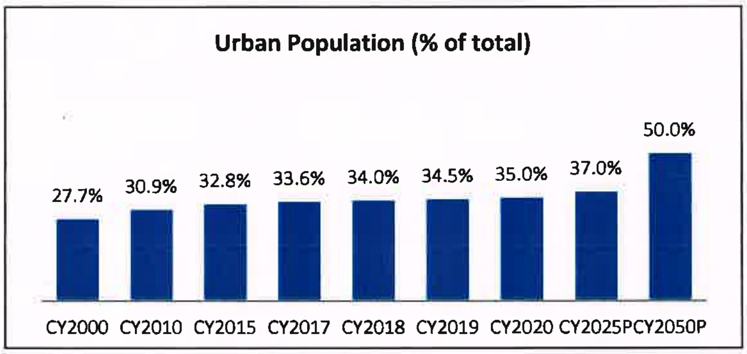
India has the second largest urban population in the world in absolute terms at 486.9 Mn in CY 2020, second only to China. However, only 34.9% of India's population is classified as urban compared to a global average of ~56.2% as of CY 2020. It is the pace of India's urbanization that is a key trend to note for implication on India's economic growth. In FY 2019, the urban population contributed 63% of India's GDP. Going forward, it is estimated that 37% (541 Mn) of India's population will be living in urban centers by FY 2025. Urban population is expected to contribute 70% of the country's GDP by FY 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.

Exhibit 15: Urban Population as Percentage of Total Population of Key Economies (CY 2020)

Country	World	India	China	USA	Singapore	Russia	Malaysia	Vietnam	UK
Urban Population as %age of total population	56.2%	34.9%	61.4%	82.7%	100.0%	74.8%	77.2%	37.3%	83.9%

Source: World Bank

Exhibit 16: India's Urban Population



Source: Technopak Analysis

India's urbanization trend will also witness the following sub-trends

- This growth of urbanization will witness people moving into cities from rural hinterlands, from smaller towns to bigger cities and from one city to the other due to nuclearization of the family. This is likely to create urbanities that will display "migrant tendencies" within the city. It will be less attached to past baggage of habits or bound by any rigid rules viz. food or retail preferences. They will be open to experimentation and form new habits.
- The quality of India's urbanization faces challenges in terms of formal housing, access to utilities and adequacy and capacity of public spaces. 100 Mn of Indian population lives in slums or informal establishments and this is expected to increase to 120 Mn by 2031. Merely 35% of urban households are connected to central sewage systems thereby creating stress on sanitation. Improving these aspects through public infrastructure development programs and upgradation of city's infrastructure will witness continued policy focus and that in turn will witness inward movement of people to implement these programs. However, the funding priorities and pace of change will witness a lag from the urgency of improving the status quo and the next decade will witness this churn of India's urbanization trajectory.

- The disruptive factors due to the pandemic and quality of urbanization will make urban population time poor and resource constrained. Access to physical retail will be limited, extended WFH may extend working hours leaving little time for family and recreation, pollution and transport challenges may lead to changed behaviour towards convenience over destination. This will impact the choices of consumers while consuming products and services to pivot towards options that offer value, convenience, and ease.

Urbanization is also creating two trends that are impacting India's domestic consumption habits:

Growing Middle Class

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

Exhibit 17: Household Annual Earning Details

Year (CY)	Total House Holds (in Mn)	HHs with Annual earning US$ 5,000 – 10,000 (Mn)	*% of total HHs*	HHs with Annual earning US$ 10,000 –50,000 (Mn)	*% share of total HHs*
2009	236	36	*15.2%*	11	*4.7%*
2012	254	60	*23.8%*	22	*8.7%*
2014	267	71	*26.5%*	27	*10.2%*
2015	274	85	*30.9%*	36	*13.2%*
2018	295	121	*41.2%*	86	*29.3%*
2020*	310	132	*42.5%*	95	*30.6%*

*Source: EIU, *Technopak Estimates*

Nuclearization

The growth in the number of households exceeds population growth, which indicates an increase in nuclearization in India. According to the 2011 census, 74% of urban households have five or less members, compared to 65% in 2001. It is expected that that smaller households with higher disposable income will lead to a greater expenditure in categories like jewellery, fashion, home & living, packaged food, alcoholic beverages and food services.

Exhibit 18: Indian Household Size and Growth Trend

Year (CY)	Total No. of HHs (Mn)	Avg. HH Size	Avg. Urban HH size	Decadal growth rate of HHs	Decadal growth rate population
1981	119	5.5	5.4	19.2%	24.7%
1991	148	5.5	5.3	24.4%	24.4%
2001	192	5.3	5.1	30.4%	25.7%
2011	248	4.8	4.6	28.5%	16.4%

Source: Census

Exhibit 19: Distribution of Households by number of persons (No. of Household in Mn)

No. of person	FY 2001			FY 2011		
	Total HH (Mn)	Rural HH (Mn)	Urban HH (Mn)	Total HH (Mn)	Rural HH (Mn)	Urban HH (Mn)
1 Person	8	6	2	10	7	3
2 Persons	16	12	5	24	17	8
3-5 Persons	95	65	29	137	88	49
6-10 Persons	67	50	17	70	51	19
11 Persons and above	7	5	2	7	5	1

Source: Technopak Analysis

Increasing Disposable Income

Due to the growing number of middle- and higher-income households and rising per capita income, consumption of discretionary products is likely to grow. The World Economic Forum projects that high and upper-middle-income groups will grow from 25% in 2019 to 50% of household by 2030. An increase in disposable income leads to increase in spends on categories which are non-basic in nature and helps in elevating the lifestyle.

Growing economy, favourable demographics, urbanization and a west influence cultural change is set to drive growth in alco-beverage market in India

Rapid increase in urban population, sizable middle-class population with rising spending power, and a growing economy are driving consumption of alcohol in India. A favourable demographic dividend with an increase of more than 10 Mn people to working age population every year for the next two decades is going to drive alco-beverage market . The growing incidence of young adult earners has created an entire generation of consumers that did not exist earlier. Indians are joining the work force sooner than in the past and together with changing lifestyles, dismantling of social barriers to consumption of alcoholic products is driving growth in alco beverage market in India. Technology boom and increasing number of multinational company's expanding presence in India has further led to increased disposable income and prevalence of Western culture of social drinking, which is boosting alcohol consumption. Social drinking is increasingly acceptable even in homes and traditional weddings. Consumption of alco-beverages is also increasing amongst women underpinned by participation is work force and financial independence. Globalisation is playing a key role an internationalisation of food and beverage consumption patterns. It is expected that per capita consumption will increase with changes in lifestyle and aspiration of the population

Reforms: Critical to create Demand Stimulus

Structural reforms are critical to harness dividends of positive demographics and urbanization and there are risks if they fail to do so.

The first wave of reforms started in the mid-1980s, with increased participation of private sector in economy as the public sector began to reduce its role in the economy. Economic performance improved, with GDP growth accelerating from an average of 3.9% in the first half of the 1980s to an average 5.3% in the second half of the decade.

The second wave of reforms came as a response to the FY 1991 balance of payments crisis. The crux of the reform process was to signal the shift to a more open economy, involving a greater role of market forces, the private sector and foreign investment. As the benefits of reforms began to trickle through, the global economy slowed down and the benefits from the reforms did not translate fully into India's economic performance. From the early 2000's as global economy recovered India's growth trend improved significantly.

In the last 10 years, Government has pushed towards infrastructure investments in roads, railways, defense, and power; public-private partnerships; smart cities; skill development; widening of domestic manufacturing base and taxation needs to yield jobs for India's working population. This push also needs to deliver sustainable urbanization that provides affordable housing, improved public health metrics and mass transportation. Many of these interventions continue to be work in progress and outcome on these initiatives will deliver the advantages of urbanization and India's demographic dividend towards sustained growth of private consumption and its positive impact on discretionary purchases.

Make in India Campaign

Government of India launched 'Make in India' campaign in 2014 to boost the manufacturing sector, promote foreign investments and reduce the dependency on imports with the primary goal of increasing the contribution of manufacturing sector to India's GDP to 25% by FY 2025. The government identified around twenty-five sectors where progress was possible in the short-term, and the likelihood of FDI was high. Some of the key sectors are leather, textiles, automobile and transportation, electrical and electronic systems, information technology, biotechnology, pharmaceuticals, energy, and tourism.

The share of tax revenue to the states from the sale of alcoholic beverages is very high and the sector has a huge growth potential by increasing the exports. The share of Indian alcohol in global alcohol trade is very small. The share of alcohol exports from India in 2019 was 0.27% and that of alcohol imports was 0.75% with global ranks of 32 and 20 respectively. A reduction in import tariff and cess on intermediate raw materials will help in improving manufacturing under Make in India. It will help increase investment in this sector which is in line with the Make in India campaign and will help in employment generation, Foreign Direct Investment (FDI) and increase exports.

1.5 Impact of COVID-19

COVID-19 had a massive impact on the Indian economy with GDP in Q1 FY 2021 contracting 24% as compared to same period last year. The impact of COVID-19 in following quarters was less severe as the economy showed resilience to come back and show growth in Q3 of FY 2021. The overall contraction in economy for FY 2021 was recorded at 7.3%.

Exhibit 20: Quarter wise GDP Growth Trend India

Data for Q4 2022, Q1 2023, Q2 2023 is provisional
Source: Secondary Research

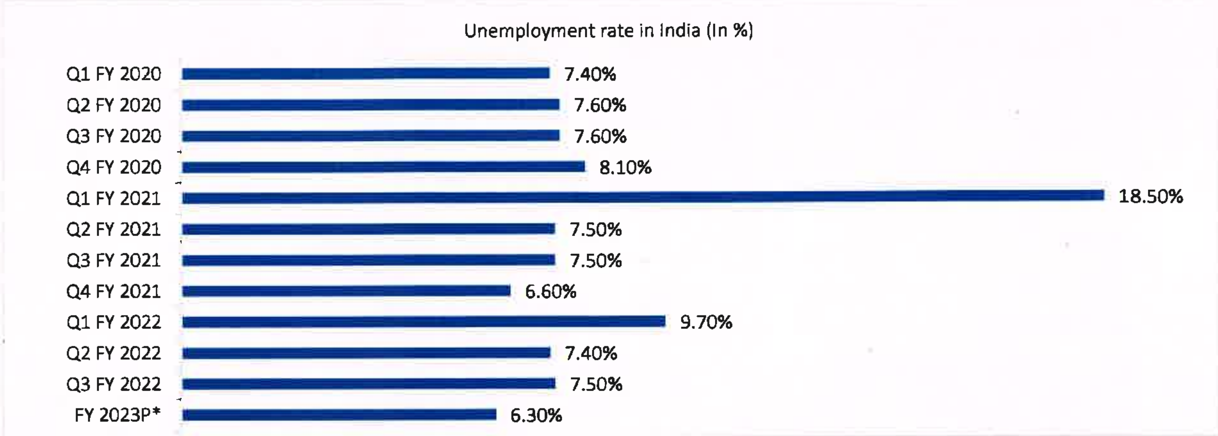
Impact on Urbanisation

During the first lockdown starting March 25, 2020, reverse migration trend was seen where nearly 1.5 Cr migrant workers from cities such as Delhi NCR, Mumbai Metropolitan Region (MMR), Bangalore, etc. moved back to their native places because of no job availability due to lockdown. Also, an estimated 43 lakh white-collared jobs were lost since Apr 2020 and the people that could not sustain living in cities moved back to their native places. But after the restrictions eased, people moved back to the cities in search of employment due to lack of adequate job opportunities in the rural regions. However, some people who migrated to their rural roots are not expected to return and are expected to take advantage of govt. employment schemes such as MNNREGA, Pradhan Mantri Rojgar Yojana, Nehru Rozgar Yojana, Rural Employment generation Programme, etc.
There has been a temporary slowdown in migration of new workers from rural areas to urban centres because of but is expected to pick up in the coming months. Since the number of people that have reverse-migrated is very small as compared to the migration that has happened till 2019, there has not been a large impact of COVID-19 on urbanisation.

Impact on Unemployment

The unemployment rate in India immediately prior to when the second wave of COVID-19 hit India in April 2021 was ~8%. Unemployment rate had been consistently around 7-8% in FY 2020. It went as high as 18.5% in Q1 of FY 2021 when the first wave of COVID-19 hit India. However, the recovery was witnessed in Q2 of FY 2021 onwards till Q4 of FY 2021, with unemployment rate at or below 7.5%. However, there was a slight increase in the unemployment rate in Q1 of FY 2022 May when unemployment reached 9.7%, but it has currently reached the pre-COVID levels and is expected to be ~6.5% in FY 2023.

Exhibit 21: Quarterly Average Unemployment Rate in India (in %)

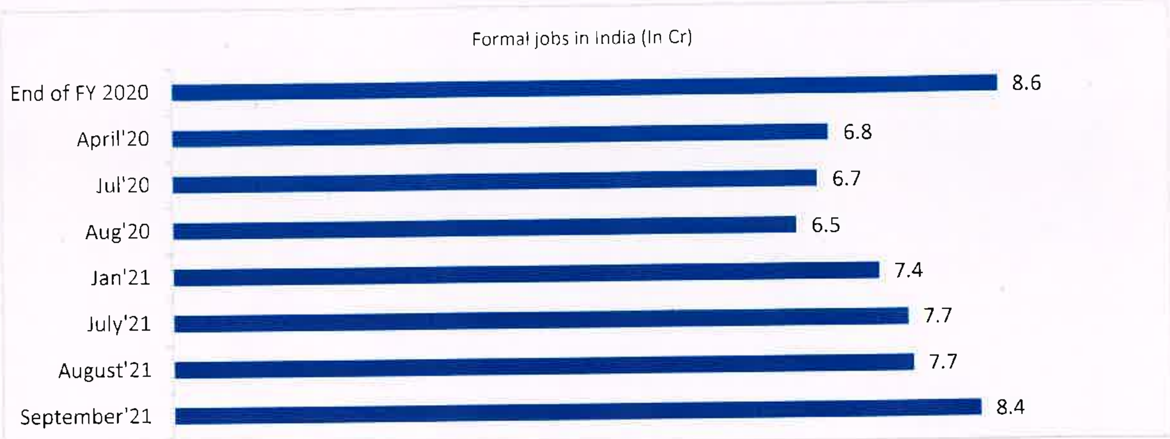


Source: CMIE, Technopak Analysis, Secondary Research
**Data for FY 2023* is privisional*

Impact on Formal Jobs

The number of formal jobs in India significantly reduced due to the first and second wave of COVID-19. At the end of FY 2020, the number of formal jobs stood at 8.6 Cr. The number significantly reduced to 6.5 Cr in Aug'20. However, there has been a sign of recovery as the number of formal jobs reached a value of 7.7 Cr in Aug'21 and 8.4 Cr in Sep'21. Employment in August 2021 was 5.7 million lower than it was in 2019-20. This involves an 8.8 million loss of salaried jobs and 2 million losses of employment to entrepreneurs.

Exhibit 22: Formal jobs in India (In Crores)



Source: Technopak Analysis, Secondary Research

These losses were partially offset by a 4.7 million increase in employment in farming and 0.7 million increases in employment as daily wage workers & small traders. The recovery seems to have discriminated against salaried employees and entrepreneurs. Informal workers in areas of medium and high COVID risk sectors like agriculture, mining, manufacturing, construction, transport, hospitality, etc. accounted for 45% of the workforce. There was a massive job loss both in the formal and informal sector, followed by recovery.

Income Levels

As a result of job losses and informalisation, the pandemic made a serious dent in household earnings of middle income and mid to upper income households. The cost of the crisis has been borne disproportionately by the poorest households. Poverty levels as well income inequality had witnessed a rise because of decreased income levels. Low average earnings pre-pandemic and consequently low levels of savings meant that workers had to rely on assistance of either employers or the State. However, only 10% of the workforce will be able to receive employer- provided social safety nets at the formal level. In addition, the public social safety measures, such as subsidised food under the Public Distribution System, right to work under the Mahatma Gandhi National Rural Employment Guarantee Act, pension support under the National Social Assistance Programme, are rooted in domicile and not place of work.

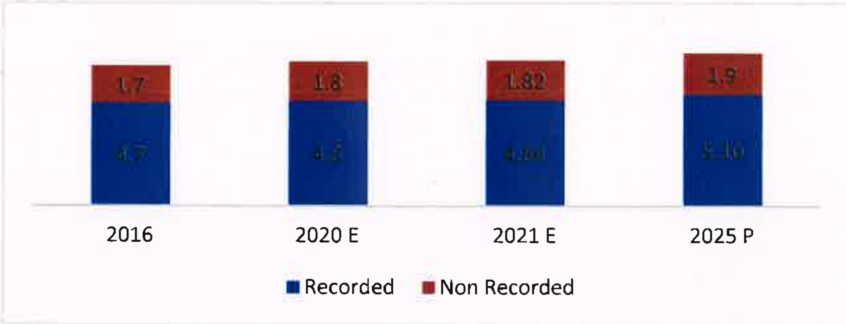
Between September,2019 and October,2019 and September,2020 and- October,2020, real average earnings per worker fell by 17 per cent. This drop in earnings is seen across all employment arrangements. Self-employed workers saw the highest fall, with earnings declining by nearly 18 per cent from approximately Rs. 15,000 in 2019 to Rs. 13,000 in 2020. Mean earnings of daily wage workers also saw a fall of about 13 per cent. Given that a large share of the workforce is in self-employment and daily wage work, this sharp fall in earnings has significant welfare implications.

2. Global Consumption Trends in Alco-beverages

2.1 Consumption Trend in Alco-beverages

Alcohol consumption is captured by WHO as total alcohol per capita consumption in litres of pure alcohol per person per year and alcohol consumption in grams of pure alcohol per person per day. Alcohol consumption is further divided into recorded data and unrecorded data. Recorded data is alcohol sales captured through excise department in most countries. World per capita alcohol consumption in CY 2021 is estimated at 6.6 litre of pure alcohol per year for the world population of 15 years above. The recorded alcohol per capita consumption for CY 2021 is estimated at 4.8 litres.

Exhibit 23: World Per capital Alcohol consumption in Pure alcohol form for CY (in litres)



Source: WHO : Global status report on alcohol and health 2018, Technopak Analysis

India is one of the fastest growing alco-beverage consumption markets among the top economies in the world

India is one of the fastest growing alco-beverage markets in the world growing from a small base of 1.3 litres per capita of recorded consumption in 2005, per capita alcohol consumption has jumped to 2.7 litres in 2010. In addition to the growth in per capita alcohol consumption, positive demographic factors including more than ten Mn people added every year to the population eligible for drinking makes it one of the most attractive markets for alcoholic beverages.

Exhibit 24: Recorded Per capita consumption of pure alcohol (in litres) (Years in CY)

Country	2005	2010	2020	2025	CAGR 2005-10	CAGR 2010-20	CAGR 2020-25
France	12.9	12.3	11.2	10.8	-1%	-0.9%	-0.8%
Spain	11.9	8.9	10.8	11.4	-6%	1.9%	1.1%
Germany	11.7	11.6	10.3	9.8	0%	-1.1%	-1.0%
USA	8.6	8.6	8.9	9.2	0%	0.4%	0.5%

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Japan	8.0	8.3	8.3	8.1	1%	0.0%	-0.5%
Russian Federation	11.6	10.8	6.9	6.2	-1%	-4.4%	-2.2%
South Africa	7.2	7.1	7.2	7.2	0%	0.2%	0.0%
Brazil	6.8	7.2	5.9	5.4	1%	-2.0%	-1.8%
China	2.9	5.8	4.2	3.6	15%	-3.0%	-3.0%
India	1.3	2.7	3.0	3.2	17%	0.8%	1.7%
World Average	4.4	4.7	4.8	4.8	0.70%	0.0%	1.20%

Source: Technopak Analysis

Exhibit 25: India alcohol market size in 100% pure alcohol (in Mn Litres) (Years in CY)

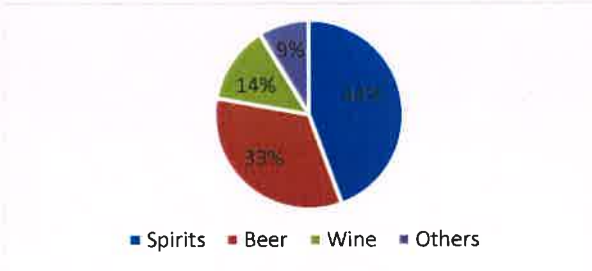
Year	2005	2010	2020	2025
Per capita consumption (in Litres) (100% pure alcohol)	1.3	2.8	3.0	3.2
Population in Crores	105	119	135	141
Drinking Population (15+) in Crores	69	82	97	104
Alcohol market size (in Mn Litres) (100% pure alcohol)	856	2263	2891	3370

Source: Technopak Analysis

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. Spirits as a category are more popular in developing countries whereas contribution of beer and wines is higher in developed countries. An overall comparison shows that beer is the largest category in terms of actual volume consumed. Wine consumption is almost equivalent to spirits' consumption in actual litres of sales. As per WHO, contribution of wine in the consumption of alcoholic beverages has progressively risen from 8.6% in 2005 to 11.7% in 2016 and has been estimated to reach 13.5% in CY 2021 as per data on recorded 100% pure alcohol consumption.

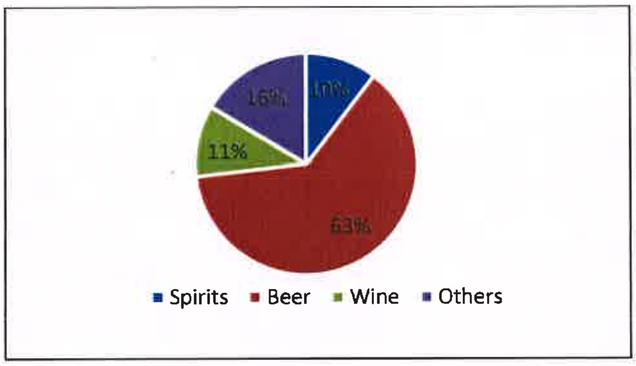
Exhibit 26: World Per capita Recorded Alcohol consumption CY 2021 (in litres)



Contribution to Consumption in pure alcohol form	Per Capita consumption of alco-beverages

Source: Technopak Analysis
Per capita consumption of alcohol as per actual alcohol content of each category.

Exhibit 27: :Per Capita consumption of alcoholic beverages as per alcohol concentration CY 2021 (total 51.8 litres)



Note: Data converted from pure alcohol data to average concentration for each category
Source: Technopak Analysis

India is one of the leading spirits markets, but other segments hold promise with growing income and evolving customer tastes. Low alcohol content drinks have a huge potential.

India is a predominantly a spirits' market with 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. A comparison with world averages shows that the share of low alcoholic beverages in overall consumption of alcohol is more than 50% . In case of developed countries, it is more than 75% of overall alcohol consumption. In case of China the share of low alcoholic beverages is more than 30%. India with its share of low alcoholic beverages at close to 8% is at a very low base and a prolonged period of correction in favour of wine and beer categories is bound to take place.

A growing economy and positive demographic factors along with globalisation is set to redefine the alco-beverage market in India. The share of wine and beer is projected to increase both by expansion of the market and taking share of the market from spirits. While earlier, family celebration with alcohol was very infrequent and viewed as a taboo, it is more acceptable now in all kinds of social settings, be it birthday parties, get-togethers, official meetings, etc. Beer and wine with low alcoholic content are the preferred choice of drinks in such celebrations and are big opportunities in the Indian alco-beverage industry.

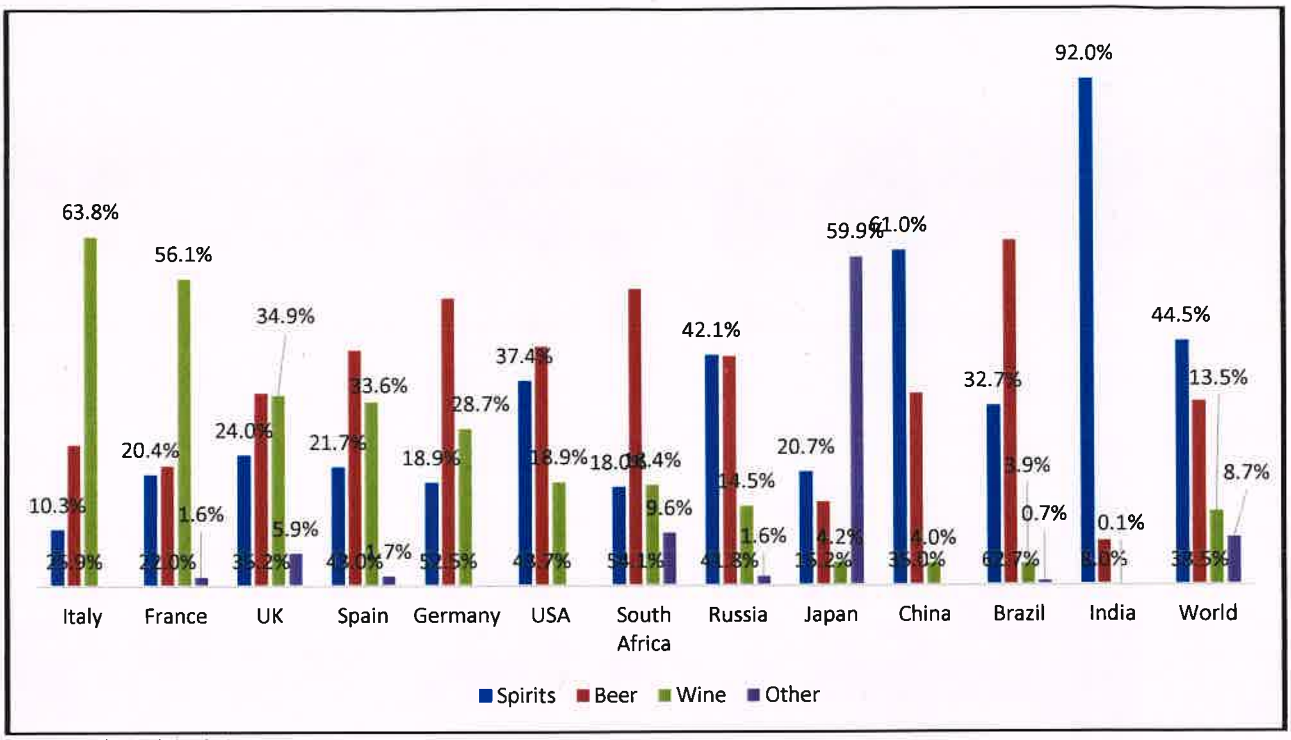
Wine Consumption in India with a very low base has the potential to grow multiple times

India's per capita consumption for wine is less than less than 100 ml. The contribution of wine to overall alcohol consumption in India is less than 1% against the world average of close to 13% . Consumption of wine is higher in developed countries which is as high as close to 30% in Europe.

A comparison between India and China shows that in China even though contribution of wine to overall alcohol consumption is close to 3% only, China's per capita consumption of wine is more than fifty times than that of India . Growth of per capita consumption of wine in China has a strong co-relation with the economic growth of the country . In China, the per capita consumption of wine grew from 170 ml in 1980 to cross one litre in the year 2000 with an annual growth of more than 10%, as per capita income grew from close to USD 195 to USD 960 in the same period.

India with the per capita income of close to USD 2100 in the calendar year 2019 , has crossed the per capita income threshold as benchmarked to growth of wine consumption in China, which augurs well for growth in wine consumption in India. The current per capita consumption of wine in India at close to twenty-five milli litre is the lowest among top economies in the world but is one of the fastest growing countries in the world. A very low base underpinned by economic growth , positive demographic dividend and increasing acceptance of low alcohol content alco-beverages is set to drive Indian wine market to a prolonged period of strong growth. Indian wine market has the potential to grow in multiples leveraging growth opportunities

Exhibit 28: Contribution of alcoholic beverages in 100% alcohol CY 2021 (volume in %)



Source: Technopak Analysis

Exhibit 29: Per Capita alco-beverage consumption as per alcohol concentration CY 2021 (in Litres)

Location	Spirits	Beer	Wine	Other	All types
Germany	4.97	110.53	25.19	-	140.68
Japan	4.55	26.77	3.07	105.13	139.52
Spain	5.78	91.60	29.78	3.67	130.83
UK	5.94	69.94	28.88	11.75	116.51
France	5.75	49.64	52.79	3.52	111.70
South Africa	3.27	78.62	11.13	13.97	106.99
USA	8.39	78.45	14.18	-	101.02
Italy	2.00	39.96	41.08	-	83.03
Brazil	4.91	75.30	1.93	0.85	82.99
Russia	7.01	55.71	8.05	2.14	72.91
China	7.11	32.66	1.56	0.85	42.19
India	6.93	4.79	0.04	-	11.75
World	5.39	32.48	5.45	8.45	51.77

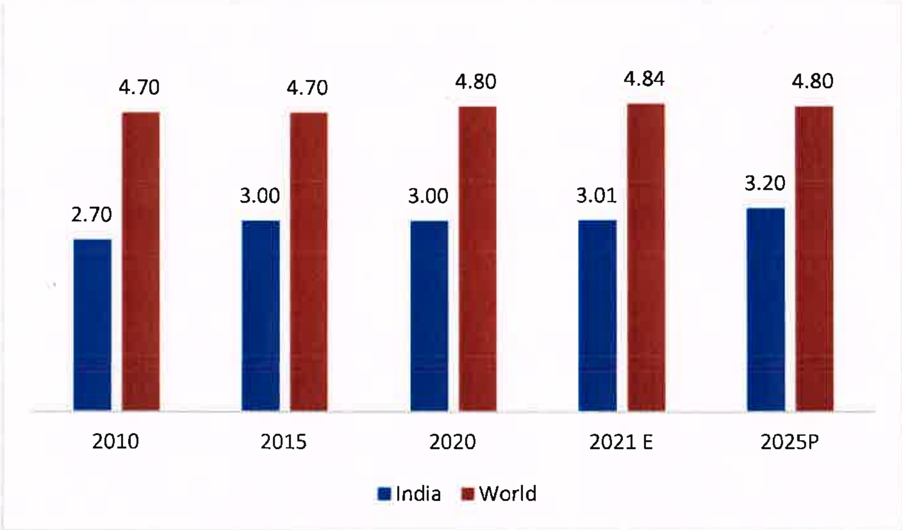
Note: Per capita consumption calculated from pure alcohol, taking into consideration alcohol concentration of respective categories as a factor
Source: Technopak Analysis
Data projected basis WHO data up to 2019

3. Indian Alco-beverage Industry

3.1 Size and Growth of the Indian Alco-beverage Industry

India is one of the fastest growing alcohol markets among the top economies in the world. The recorded per capita consumption of pure alcohol in India has moved from 0.9 litre in 2000 to 3 litre in 2015 at a CAGR of more than 8%. The percentage drinking population of world is close to 41.7% and projected to stabilise around 40% in 2025. India's percentage of drinking population is projected to be close to ~33% in FY 2021 and 39% in 2025.

Exhibit 30: Recorded alcohol per capita (APC) for CY in 100% pure alcohol (in litres)



Source, Technopak Analysis
Data projected basis WHO data available upto 2019

Indian alcohol beverage market is more than a Bn cases in size and highly dominated by spirits

The Indian alcohol industry size is estimated at more than a Bn cases per annum in FY 2020. Recorded Per capita consumption of pure alcohol has moved from 0.9 litre to 2.7 litre for the period between 2000 to 2010 with a CAGR of close to 12%. Recorded per capita consumption of pure alcohol has been rangebound around 3 litres from 2015.

Indian alcohol market has been dominated by high alcohol content spirits. A volume- based analysis shows that alcohol beverage market in India is almost equally divided between country liquor, Indian made foreign liquor and beer with a small contribution from wines and imported spirits. Beer and wine are poised to drive both volume and value growth for the alco beverage market. The industry is projected to cross 1200 Mn cases in volume by 2025.

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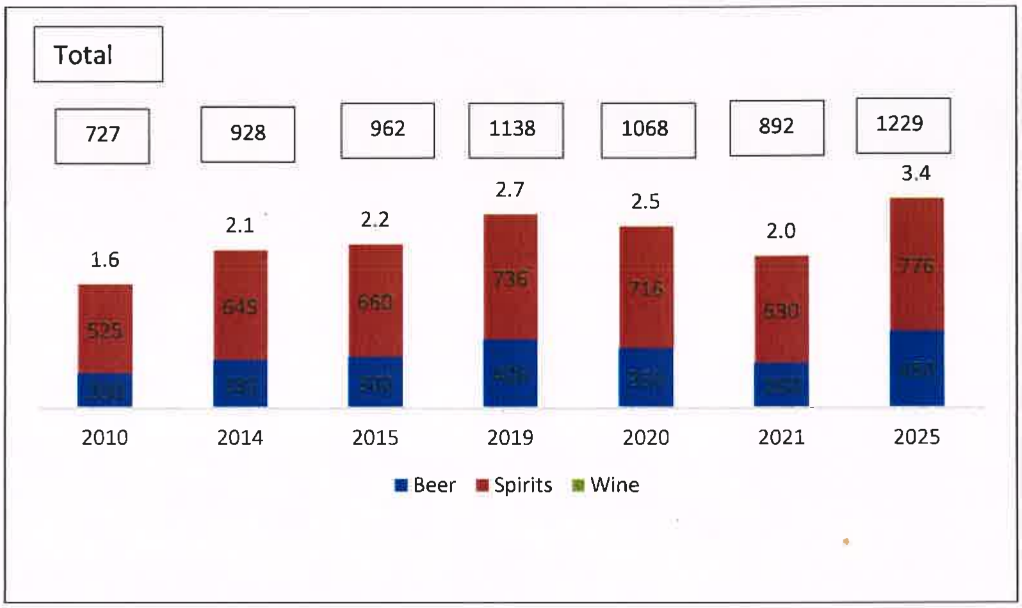
Exhibit 31: Alco-beverage consumption in India (in Mn cases) and CAGR

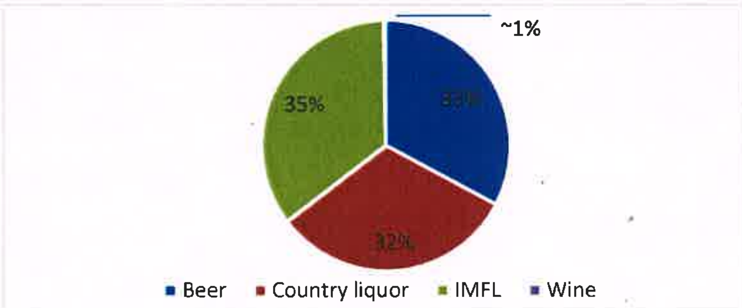


Source: Technopak Analysis
Note : Data projected basis Multiple State Excise Dept, Annual Reports WHO data

CAGR	Wine	Spirits	Beer	Total
2010 – 2015	6.1%	4.7%	8.4%	5.8%
2014 – 2019	5.4%	2.7%	7.4%	4.2%
2021 – 2025P	14.4%	5.3%	14.7%	8.3%

Source: Technopak Analysis

Exhibit 32: Alcohol Consumption in India in Mn cases FY 2020 (1068 Mn cases)

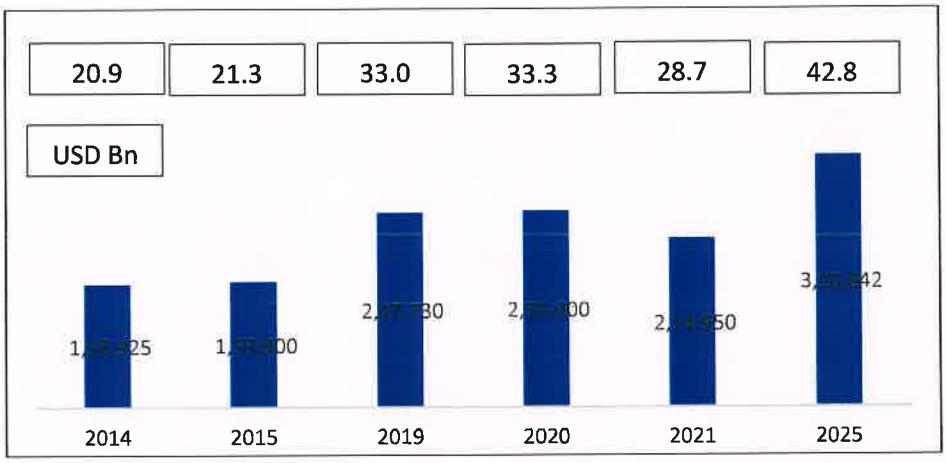


Source: Technopak Analysis
Data projected basis Multiple State Excise Dept, Annual Reports WHO data

Indian alco-beverage sector size is estimated at INR 2.5 lakh Crore in FY 2020 making it one of the biggest markets in the world.

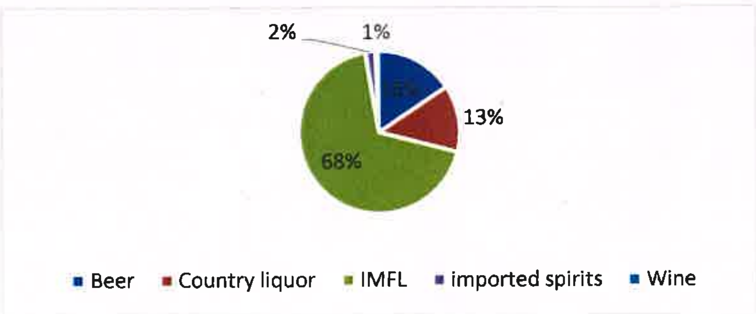
Indian alco-beverage market is the third largest market in the world after China & Russia. It is also the largest spirits market in the world. Indian alco-beverage is projected to grow by a CAGR of 8% in volume for the period between FY 2021 to FY 2025 against the projected world market growth of 1.5% in volume for the same period as per IWSR. Indian market is projected to grow at 11% per annum in value terms for the period between 2021 to 2025. Indian market is dominated by Indian made foreign liquor (IMFL) which contribute close to 68% in value to the overall market.

Exhibit 33: Indian Alco-beverage market in INR Crore & USD Bn



Source: Technopak Analysis
Note : Data projected basis annual reports Multiple State Excise Dept
1 US$= INR 75

Exhibit 34: Indian Alco-beverage market in INR Crore FY 2020 (INR 2,50,000 Crore)(~33.3 US$ Bn)



Source: Technopak Analysis
Note : Data projected basis annual reports Multiple State Excise Dept
1 US$= INR 75

Country Liquor

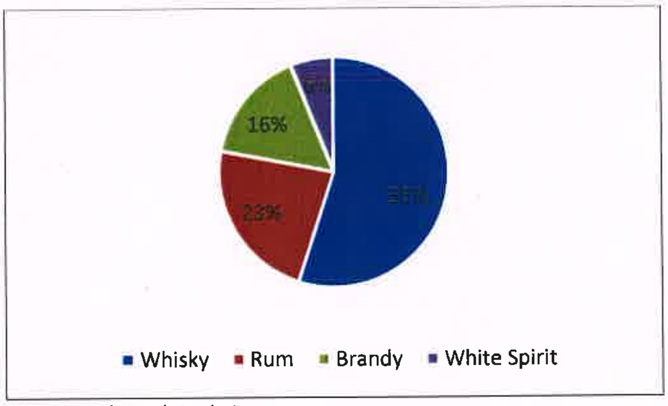
Flavoured local alcoholic beverage popularly known as country liquor or Indian made Indian liquor (IMIL) is close to one third of the alcoholic beverage market in volume terms . IMIL is a flavoured alcoholic drink influenced by regional taste preferences where popular flavours are fruit flavours, masala flavours, etc. It caters to the price sensitive, lower income group in India and high acceptance in rural area.

Established alcohol markets across the globe display strong preference to local liquor flavours. India has similar local fruit flavoured liquor constituting IMIL. IMIL are made from rectified spirits and with alcohol percentage of 30% to 37%. Rectified spirits are with lower level of purity as compared to extra neutral alcohol (ENA) used in IMFL. However, now some country liquor companies have started using ENA as a raw material for making their alcoholic beverages. Country liquor is banned in all five states of south India. Country liquor has been showing a steady growth in volumes over the years. A large country liquor market is also a target group for IMFL as customers move from IMIL to IMFL.

Indian made foreign liquor (IMFL) is dominated by Brown Spirits unlike world market which is a white spirts market

Indian spirits market is dominated by brown spirits including whisky, rum, and brandy with a small share of white spirits including vodka and gin. This is unlike world markets where white spirits are dominant . The white spirits market led by vodka and gin are showing higher growth than the brown spirits but their share is limited to close to 6% only.

Exhibit 35: IMFL market in India in Mn cases FY 2020 (375 Mn Cases)



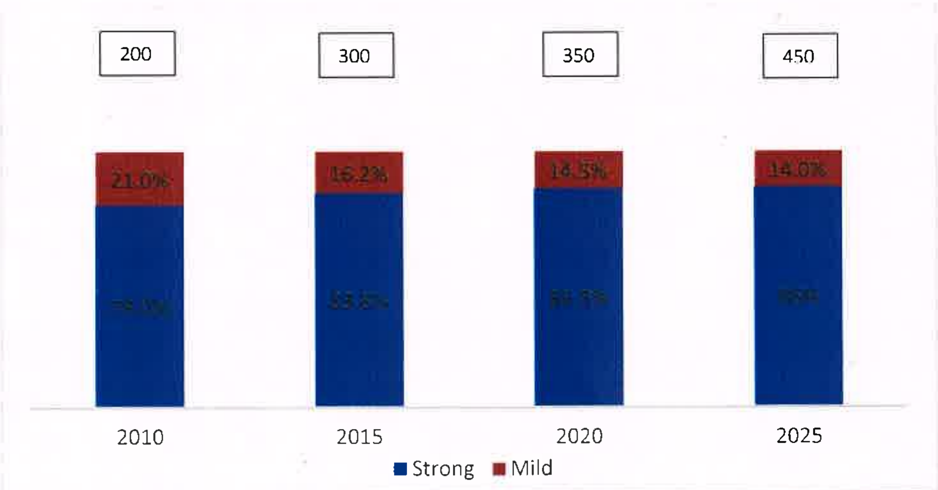
Source: Technopak Analysis
Data projected basis annual reports analysis

Beer is redefining Indian alco-beverage market from a high alcoholic drink market to low alcoholic drink market

Beer has become one of the most popular alcoholic beverages in the country over the past two decades. It is redefining the Indian alcoholic beverage market with a consistent growth in volumes from 2005 onwards as volume crossed 350 Mn cases in FY 2020. Given the low per capita consumption of beer in India as compared to the developed countries in the world, beer consumption in India will continue to grow. As per WHO almost one third of pure alcohol consumption in the world is in form of beer whereas in case of India it is less than 10%. Going forward, volume of the beer market is expected to grow at a comparatively higher rate whereas the spirits market is expected to exhibit a lower growth rate due to the growing acceptance of lower alcoholic content beverages in the Indian society.

Indian beer market is traditionally a strong beer market with close to 85% of market with strong beers. Leading brand of Kingfisher strong with volumes more than one hundred cases per annum in FY 2020 holds close to 30% of beer market in volume terms . Premium range of beers in both strong and light beer category are driving growth in beer market. The Industry has evolved from manufacturing standard beers such as strong and lager beer to flavoured and variety beers in line with trends in other developed countries. Global leader in beers market now control majority of the beer market in India giving Indian market access to global brands. As per industry estimates premium beers are growing at a CAGR of approximately 25% for the last five years. Together, the light and strong beer along with craft beer are driving the overall beer market in India.

Exhibit 36: Indian Beer Market in Mn cases



Note: Total market size in Mn cases captured in text box
Source: Industry Reports, Annual Reports, Technopak Analysis

Wines are getting popular as availability of wine improves with rising preference of premium food and drink experiences and increasing perception of low alcoholic beverages being relatively healthier

Indian wines industry is growing at much quicker pace at 18.3% by value between FY 2014 to FY 20219 than the IMFL market growing at 10.8% by value for the same period. There is growing awareness towards perceived health benefits of wine which makes it more acceptable as compared to spirits. The supply of domestic wines that are reasonably priced and easily available as compared to the imported wines has also helped expand the market as leaders in domestic market have invested in the complete value chain of wines and wine making. Growth in income ,increasing urbanisation, high share of young population as well as increasing preference for wines among women driving consumption of wines.

As of FY 2020, the share of wine as a form of alcohol consumption in India is very low at less than 1% whereas contribution of wines to alcohol consumption is close to 12% in the world. Its contribution is as high as close to 50% in select European countries. Though wine consumption is low in India, positive factors can lead to multifold growth of wine category in the country. Indian wine makers can take inspiration from a non-native market like China where contribution of wine at close to 4% to alcohol consumption is more than 50 times that of India. Economic trends common with China including growing income, rapid urbanisation and growing international travel in the country will lead to growth of wine category in India. Wine category in India is estimated at 2 Mn cases in FY 2021 and projected to grow to 3.4 Mn cases by FY 2025 with a compounded annual growth rate of more than 14% in volume.

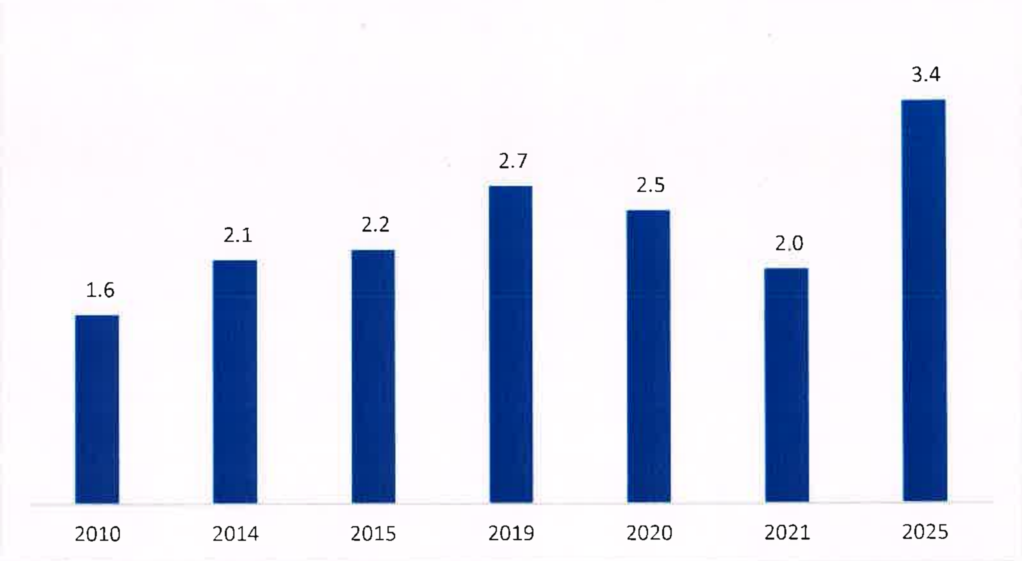
Exhibit 37: Contribution of alco-beverages in consumption as per alcohol concentration for CY 2021 (Vol. in %)

Country	Spirits	Beer	Wine	Other	All types
Germany	3.5%	78.6%	17.9%		100.0%
Japan	3.3%	19.2%	2.2%	75.4%	100.0%
Spain	4.4%	70.0%	22.8%	2.8%	100.0%
UK	5.1%	60.0%	24.8%	10.1%	100.0%
France	5.1%	44.4%	47.3%	3.1%	100.0%
South Africa	3.1%	73.5%	10.4%	13.1%	100.0%
USA	8.3%	77.7%	14.0%		100.0%
Italy	2.4%	48.1%	49.5%		100.0%
Brazil	5.9%	90.7%	2.3%	1.0%	100.0%
Russia	9.6%	76.4%	11.0%	2.9%	100.0%
China	16.9%	77.4%	3.7%	2.0%	100.0%
India	59%	41%	0%		100%
World Average*	10.4%	62.7%	10.5%	16.3%	100.0%

Source: Technopak Analysis

Note: Data derived from per capita recorded alcohol consumption from WHO

Exhibit 38: Indian wine market in Mn cases (data for FY)



Source : Technopak Analysis
Note : Data projected basis reports from WHO, OIV , import data

3.2 Split of the Market by Price and Segments

Indian alco-beverage market has traditionally been a price sensitive market with popular segment having highest share across alco-beverage categories. The popular segment has been the volume driver for the category in the first decade and half of the century. This period between 2000 to 2015 has also coincided with highest per capita growth in alcohol consumption as well as highest growth in the number of people becoming eligible for drinking alcohol. However, the growth in popular segment was on lower side in the last 5-7 years as brands were focussed on prestige and above segments in the IMFL and imported spirits market.

The Indian beer market continues to grow leveraging high growth in premium and super premium categories. Recruitment of new customers and growth in wine category across price segments is an indication of shift in industry towards premiumisation. Wines also grew in the premium segment as new varietals were introduced by domestic developers as well as imported varieties into India.

Exhibit 39: Industry Split by Price Range and Segments

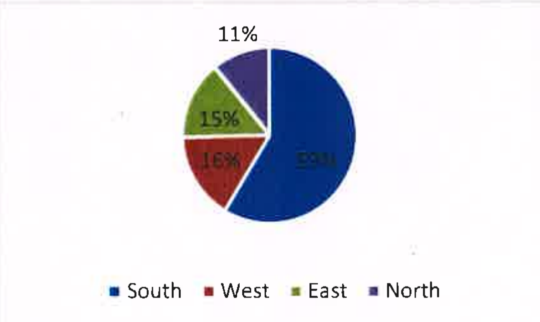
Alco-beverage	Sub Segment	Segment Name	Price Range*(INR)
Spirits	IMIL	Cheap /Local or unbranded	100-200
	IMFL	Popular	upto 350
		Prestige	350-600
		Premium	600-1,100
	Bottled in India (BII)	Premium	600-1,100
	Bottled in origin (BIO)	Luxury	1100 & above
Beer	Beer	Popular	upto 100
		Premium	100 & above
Wines	Wine	Popular	upto 400
		Economy	400-700
		Premium	700-950
		Elite	950 & above

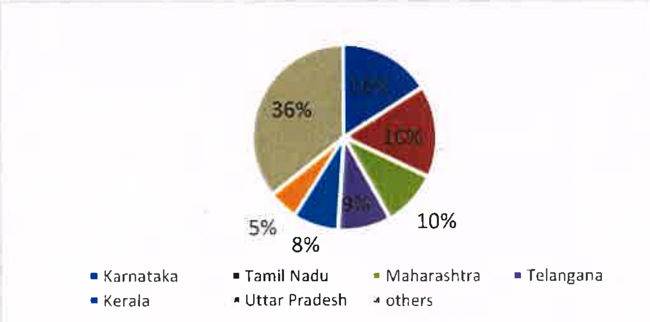
*, *Price Range mentioned for Haryana (Gurgaon)*
Price for r 750 ml pack except beer which is for 650 ml
Source: primary research, , Technopak Analysis

3.3 Regional and State wise Split of Alco-beverage Consumption

Indian alcoholic beverage market is dominated by Southern states with the four states contributing close to half of the overall volume of the market. Both IMFL and beer market is dominated by the five southern states. Tamil Nadu and Karnataka are the top two markets in south. South market has higher contribution of popular segment whereas north and west lead in prestige and above segment.

Exhibit 40: Regional Split of IMFL market FY 2020 in % (total 375 Mn cases)





Source: , Primary Research, Technopak Analysis

3.4 Key Players in Indian Alco-beverage Industry

Indian alcoholic beverage market has strong market leaders in all the segments controlling majority of the markets. Given the nature of industry and strict regulations, there are high entry barriers in the industry. Established players are well entrenched with manufacturing units across the country, collaboration for raw material and working relationship with state and central government officials.

Indian spirits market is controlled by the top two spirits companies of the world. The top three players in the spirits market control close to 50% of the spirits market in India by volume in FY 2020. The top three players in beer market control close to 80% of the beer market by volume in FY 2020. In case of wines, top three players controlling close to 80% by value of the domestic 100% grape wine market. There is a long tail of players in each of the segments with regional strong players especially in spirits' market.

Exhibit 41: Key Players in Indian Alco-beverage market

Alcohol	Company	Brands
Spirits	Diageo India	McDowell No. 1,Royal Challenge, Signature, VAT 69, Black Dog, Johnnie Walker
	Pernod Ricard	Imperial Blue, Royal Stag, Blenders Pride, 100 Pipers, Ballentine's, Chivas, Glenlivet
	Radico Khaitan	8 PM, Magic Moments
	Allied Blenders	Officer's Choice Blue, Officer's Choice Black, Sterling Reserve B7, Sterling Reserve B10
Beer	United Breweries	Kingfisher, Kalyani Black label, Sandpiper, Heineken
	Anhueser-Busch InBev NV	Haywards, Fosters, Budweiser, Corona
	Bira 91	Bira Light, Bira Strong, Bira Blonde, Bira White
	Carlsberg	Tuborg, Carlsberg
Wine	Sula Wines	Sula Shiraz cabernet, Sula chenin blanc, Sula Zinfandel Rose, Madera Red, Dindori Reserve Shiraz, Satori, Samara Red, Rasa Cabernet Sauvignon, The Source Grenache Rose, Dindori Reserve Chardonnay, Sula Sparkling Shiraz
	Grover Zampa	LA Reserve, Vijay Amritraj White, Chene Grand Reserve,
	Fratelli	Shiraz, Merlot, Sete

Source: Industry reports, Technopak Analysis

3.5 Key Trends in Alco-beverage Industry and Impact on Consumption

Indian alco-beverage industry is leveraging demographic dividend, growing income level and rapid urbanisation to be one of the fastest growing markets in the world

Indian alco-beverage industry has been one of the fastest growing markets in the world and the outlook continues to remain positive due to favourable demographics, expanding middle class, rising disposable income levels, greater preference for premium food and drink experiences and greater acceptance of alcoholic beverages in social circles. Increased consumption of liquor in rural areas will be another major reason for the growth in the market.

India is expected to add close to 10-12 Mn people to its workforce every year over the next two decades, with the working-age population projected to cross 1 Bn mark by 2030. This provides tremendous opportunity to drive growth of alco-beverage industry on the back of its rising working-age population. Technology boom and increasing number of multinational companies in India has led to increased disposable income and prevalence of western culture of social drinking, which is boosting alcohol consumption. Growing prominence of 'pub and cocktail culture' in urban cities and emergence of novel Food & Beverage formats will further push demand for alcoholic beverages in the country.

Premiumisation of Alco-beverages in India

Premiumisation is the most important theme in each of sub-segments of Indian alco-beverage sector as volume growth led by popular segment in first decade and half of the century transitioned to value led growth in more premium segments in the last decade. The trend of premiumisation is prevalent across the value chain including launch of new products, branding of shelf space in retail outlets and company outreach to its customers through multiple marketing initiatives.

Moreover, with the rise in disposable income, consumers would tend to upgrade their preferences, resulting in higher demand for prestige, premium and luxury segments. Rapid urbanisation is also leading to spur in aspirational values of people, leading to higher consumption of premium alco-beverage brands. Indians travelling abroad is also leading to an upgrade towards Premium segments in the alco-beverage market. The trend is further being amplified with the rising influence of social media on the millennials and rising aspirations

Growth in spirits market in India in the last five years has been led by the premium segment followed by prestige and luxury segments with growth in popular segment being less than 5% by volume. Another trend which is gaining traction is the growing popularity of grain-based liquor as against traditionally popular molasses-based liquor. Diageo India entered premium craft whiskies with the launch of Epitome Reserve, a limited first batch of 2,000 bottles which is made with rice. Bacardi launching Bacardi Reserva Ocho in India in 2019 and Radico Khaitan launched premium variants to its Magic Moments Vodka portfolio in 2021.

Growth in Indian beer sector is being led by premium category growing at close to double the rate of popular category . The Industry has evolved from manufacturing standard beers such as strong and lager beer to flavoured and variety beers in line with trends in developed countries. There are multiple launches in premium beer segment from the top three players.

The top three companies in the Indian market have been focussing on the premium segment with premium wines like Dindori Reserve Shiraz, Rasa Shiraz, Riesling White Wine, Sparkling Wine, Chenin Blanc White Wine, Fratelli Sete etc.

Exhibit 42: Premium Alco-beverages in the Wine and Beer categories

Alco-beverage	Company	Alco-beverage Name	Price* (INR)
Beer	B9 Beverages Pvt. Ltd.	Bira 91 Indian Pale Ale Pomelo Beer	130
		Bira 91 Malabar Stout Beer	130
		Original Bira 91 Light Beer	110
		original Bira 91 Strong Beer	110
	United Breweries Group	Kingfisher Ultra MAX Premium Strong Beer	110
		Kingfisher Ultra Lager Beer	110
	Anheuser Busch InBev	Budweiser Magnum Beer	130
		Budweiser Premium King of Beers	130
		Corona Extra Premium Beer	190
		Hoegaarden Beer	280
	Carlsberg India Pvt. Ltd.	Carlsberg Smooth Premium Beer	110
		Witlinger Crafted Premium Lager	130
		Witlinger Crafted Wheat Ale	130
	Heineken	Heineken Lager Beer	130
Wine	Sula Vineyards	Sula Rasa Zinfandel	1,540
		Sula Brut Tropicale	1,450
		Sula Chenin Blanc White Wine	625
		Sula Dindori Reserve Viognier White Wine	850
		Sula Riesling White Wine	895
		Sula Sauvignon Blanc	725
		Satori	725
		Sula Zinfandel Rose	750
	Fratelli Wines	Fratelli Gran Cuvee Brut Sparkling	1,250
		Fratelli Sette	2,000
		Fratelli The Glass House	1,100
		Fratelli Cabernet Franc Shiraz	900
		Fratelli Cabernet Sauvignon	900
	Grover Zampa Vineyards	Grover Art Collection Cabernet Shiraz Red Wine	900
		Grover Art Collection Chenin Blanc White Wine	850
		Grover VA Reserve Collection Red Wine 750ML	1,525
		Grover Zampa Soiree Brut Rose Methode Traditionelle Wine	1,250
		Grover La Reserve Fume Blanc White Wine-	1,225

*Prices mentioned for Karnataka
note: Beer prices mentioned for 330 ml packaging, Wine prices mentioned for 750 ml packaging

COVID-19 induced Premiumisation

COVID-19 has also increased the rate of premiumisation in the alcoholic beverages industry. Due to restrictions in the food services sector and hesitancy of people to go out in crowded areas during the pandemic, drinking at home became more acceptable and common. Off-Trade sales picked up as On-Trade alcohol sales went down. Because of the lower prices available Off-Trade as compared to On-Trade, consumers opt for more expensive premium drinks when drinking at home. Drinking at home also became socially acceptable and availability of home delivery services further helped it. For example, wine sales witnessed an increase in value and only a slight decline in volume sales in FY 2021, with it benefiting from consumers starting up informal wine clubs with small groups of friends.

Prominence of new channel of sales

COVID-19 has ensured that new channels of sales get more prominence. Home delivery and limited e-commerce of alco-beverages became a reality during the pandemic. Convenience and better purchase experience with higher comfort level of women make home delivery a promising channel of sales. Home delivery can improve the penetration of alco-beverage industry as the number of outlets remain very limited. However, this may also be a temporary phenomenon as state governments allow home delivery to ensure that alcohol sales volume and related excise revenues can be maintained. Home delivery of alcohol was started in some states during COVID induced lockdown to cover losses in revenue as well as to control the crowd at liquor shops. However, there is a need for detailed regulations in this space as this channel has a lot of potential for growing the alco-beverage market especially drinks with lower alcoholic content like wine.

Increase of in-home consumption

There has been a shift in consumer drinking habits post COVID-19, with drinking becoming more common at homes. Consumers can spend lesser amount of money and consume more premium alcoholic beverages while drinking at home, as compared to drinking in restaurants. Alco- beverages have been a part of their social life for many consumers, which was majorly disrupted due to lockdown and restriction in the food services industry, hence, house parties and small social gatherings involving alcohol have become increasingly common post COVID-19. This has led to an increase in the sales of wine which is perceived as a drink that can be consumed in a family setting.

Power of brand recall for ordering home delivery from Off-Trade and increase in Off-Trade contributions

Brand recall is a key factor while ordering for home delivery since the consumers do not have various options in front of them. This has helped brands with larger market share that are more recognized and top of mind among consumers to increase their sales. While ordering alcohol for home delivery, certain brands depending on the category of alcohol are top of the mind recall for consumers. Sula as the category creator in wines and Kingfisher in beers are home grown brands with high consumer recall which have advantage over other brands.

Influence of On-Trade

On-Trade sale has been one of the key drivers of growth and premiumization in Indian alco-beverage industry. There has been a year-on-year increase in on trade sales in India. Increasing preference for premium food and drink experiences is driving consumption of alco beverages in On-Trade channel. The emergence of novel food and beverage formats is further driving the On-Trade sales of alcoholic drinks as consumers with higher disposable income spend more on alcoholic beverages as a share of their overall bills. On trade alcohol sales shrunk during FY 2021 due to the first wave of COVID-19 and the resultant lockdowns and restrictions in the restaurant industry. Sales is expected to pick up as people will start going out and a new normal will be established, and on trade will continue to remain an important source of profits for companies. The On-Trade platforms like PBCLs and FDINR also serve as a medium of surrogate marketing. BTL marketing is done by brand promotion teams through tastings, complimentary drinks, etc.

On-Trade has a key role in introducing new tastes to consumers and as new products get prominence in On -Trade, the off- Trade segment picks up, giving the product category a multifold growth. This is true for multiple products like pasta and pizza where seeding of product was done in the food services segment followed by multifold growth in retail channel. In case of wine, On -Trade has helped consumer appreciate wines. Retail category is going to leverage the prominence of wines in On- Trade to drive sales. Going forward wine category will show higher growth in Off -Trade segments.

Exhibit 43: Off-Trade vs On-Trade share in alcoholic drinks % share by volume)

Off trade vs On trade	FY 2015 Share		FY 2020 Share	
Volume	Off -Trade	On-Trade	Off - Trade	On –Trade
Beer	86%	14%	83%	17%
Spirits	87%	13%	84%	16%
Wine	79%	21%	78%	22%
Total	**87%**	**13%**	**84%**	**16%**

Source: primary research, Technopak Analysis

Digital Media and Role of Influencers

Digital media has become very important in alco-beverage marketing as major spends are happening on digital media because mass media ATL advertising has been banned in India as per the Cable Television Network (Regulation) Amendment Bill, which came into effect on 8 September 2000. Digital marketing in India has helped brands in media targeting and knowing exactly who their audiences are. Influencer-led campaigns have become a very integral part of marketing mix. Influencers help build credibility and reinforce the brand message. Building a long-term relationship, co-curating multiple campaigns, and curating their brand message is extremely important. Alco-beverage companies work with lifestyle and alco-beverage influencers on a long-term basis who help them convert people from being just a brand advocate to become a brand loyalist.

Digital media including social platforms has helped wine brands in India get prominence not only offline but also online. Digital marketing has helped reach more consumers and made alcoholic beverages more accessible than before. A review of vineyards on Instagram shows that Sula vineyards is among the top 10 most followed vineyards in the world. It has a large following on social media with ~103,000 followers on Instagram, ~122,000 follows on Facebook and ~13,000 followers on Twitter. Other Indian wine brands including Fratelli Vineyards and Grover Zampa have 34.8 and 8.6k followers on Instagram respectively, ~72k and 24k follows on Facebook and 2.6k and 1.2k followers on Twitter. Exposure to wine on television shows (like Mirzapur, Cocktail and Four More Shots Please!) and movies has increased the awareness of frequent wine drinking in India.

Exhibit 44: Social media outreach of Key brands in world Wine Market (value in '000)

Winery	Number of Instagram Followers	Number of Likes on Facebook Page	Number of Twitter Followers
LMVH Wines and Spirits	908	291.1	171.5
Catena Zapata	157	43.8	21.9
Champagne Taittinger	128	491	1.8
Marchesi Antinori	109	51.1	11.4
Sula Vineyards	103	122.9	13.8
Bodega Garzon	89.2	71.3	6.3
Zuccardi Wines	68.7	23.9	15.6
Vina VI	64.7	3.9	-
Victoria Bitter	41.1	165.7	1.9
Marques de Riscal	39.1	17.3	17.9
Bordeaux Wines	36	239	48.1
Fratelli Wines	34.9	72.8	2.6
E&J Gallo Winery	11.3	7.4	1.4
Grover Zampa	8.7	24.7	1.2
Changyu	1.4	588	1.3
Constellation Brands	979	37.5	-

Note: This is not an exhaustive list, data as on 28.01.22
Source: Secondary Research,
Note: NA implies data Not Available; Data arranged in descending order of number of Instagram followers

Reduction in social taboo around alcohol consumption and social drinking

Attitude towards alcohol has in the recent past been changing due to globalization, rising prosperity, and changing consumer demographics. A greater share of young population, and the rising influence of social media has led to acceptance of alcohol consumption across genders and age groups. It has become common for families to sit together and drink on occasions and certain festivals. Rapid urbanization has also led to increasing alcohol consumption within the metropolitan and Tier 1 cities. There has been a shifting trend from binge drinking to social drinking- among friends, professional settings as well as in families. As women participation in workforce has been rising and their disposable income increasing, women are increasingly participating in alcohol consumption. The social taboo around drinking has been reducing which will especially benefit low alcoholic beverages categories including wines.

Growth of Wines

The wine industry in India was started in the late 1980s, however the industry gained momentum after the arrival of Sula Vineyards in 1998. The industry is relatively nascent in terms of consumer wit high scope of growth. With the 2001 Maharashtra Wine Policy, recognising wine as a key agro-processing industry and reduction of excise duty was a step towards growth of wine. Other states like Karnataka came up with similar policies.

With the increase in disposable income, especially among women, urban earning women are driving the growth of wine segment in India. There is a shift in trend from binge drinking towards social drinking, which has also led to a widespread inclusion of wine in parties and gatherings. Wine is becoming a preferred drink for millennials who look to socialise after office hours and on weekends.
Looking at the growth trajectory of wine in other countries like China- where per capita consumption increased from 170 milli litre in 1980 to 1 litre in 2000 and other developed countries like Italy and France where consumption of wine and beer is almost equal, there is a potential for huge growth in India. Favourable wine policies in the future like in Maharashtra, which is aiming to impose a nominal excise duty and the availability of wine in regular retail stores will further boost the wine sales in the country, Top wine companies in India led Sula vineyards and followed by Fratelli and Grover Zampa with leadership position in the Indian wine market, coupled with sufficient capacity to increase production have advantage to meet increased consumers' demand as the share of wine consumption increases in India.

Growing Interest in Wine Tourism

Wine tourism, also known as Eno tourism, is about visiting the vineyards, tasting wines, or even taking active part in the harvest leading to tasting, consumption and purchase of wine while taking active part in the process by grape stomping. In developed countries such as the USA, 2.7 Crore travellers engage in wine tourism and the fifty lakh travellers engage in wine tourism in Italy, leading to generation of huge revenues.
In India, Sula established the first Wine Tasting Room in 2005, marking the initiation of wine tourism in India. Consumers who visit the vineyards for a stay can also get an in-depth knowledge of the process of tasting wines, savouring them with food and understanding the process of both wine making and tasting. Sula is the most visited vineyard in India, with about 3,68,000 people visiting Sula vineyards in FY 2020. Sula also pioneered in starting an annual musical festival "SulaFest" in 2008, involving a two-day celebration of wine, music and food, in Nashik. "SulaFest," widely recognized as the largest wine festival in India with more than 10,000 people in attendance in 2020 is also one of the largest wine music festivals in Asia. [A lot of "first-time" wine tasting is done in Sula vineyards with people tasting their first glass of wine in India, thus establishing the importance of wine tourism. It also helps build a loyal consumer base given the quality of their wines.
Wine tourism is unique to alco beverage market in India as wineries are allowed to sell directly to the final consumer visiting wineries. This opportunity to sell directly to the customers make wine segment the only player in D2C segment. Sula wines with its prominence in wine tourism in India is the leading D2C alco-

beverage brand in India. Sula has been the pioneer of wine tourism in India and intends to continue this growth trajectory. The Nashik region in Maharashtra, which Sula has been instrumental in developing with its wine tourism offerings, is often regarded as India's equivalent to Napa valley.

Alcohol Abuse as a Social Issue

Abuse of alcohol is perceived as one of the leading risk factors worldwide and perceived to have a direct impact on many health-related targets of governments. Harm from a given amount of drinking are higher for poorer drinkers and their families than for richer drinkers. Public health policies, strategies and interventions also take in account the frequent association of alcohol consumption with the use of other psychoactive substances, particularly with opioids for prevention of overdose and for road safety.
Alco-beverage companies have come together and taken up promotion of responsible drinking including 'No Drink and Drive 'as part of their marketing and advertising plans. Alco-beverage companies also highlight their contribution to government exchequer and overall contribution to the economy to fight negative image of the sector.
Alco-beverages with low alcohol content are gaining acceptance as they are perceived as healthier and recreational against spirits wit high alcohol content. This is driving consumption of both beer and wine. Governments in India are promoting low alcoholic beverages with favourable retailing policies. Uttar Pradesh has allowed for setting up premium outlets in malls and allowed for sampling activity. Government in Maharashtra also allows for exclusive wine and beer shops.

4. Regulatory Overview

Alco-beverage industry has been saddled with extra burden of regulations due to perceived effect and abuse of alcohol. Globally, countries have alcohol policies consisting of laws, rules, and regulations that aim to prevent and reduce alcohol related health complications. Alcohol policies incorporate a multilevel, multicomponent approach, targeting multiple determinants of drinking such as availability, price, marketing, and drink– driving. Sale and production of alcohol is regulated in majority of countries in the world to guard against harmful use of alcohol. These policies include control from production, pricing, storage & movement, and final consumption of alcohol.

Exhibit 45:Snapshot of alcohol policies and status in India

Policies & Interventions	Status in India
Written national policy/national action plan	Not Applicable
Excise tax on beer/wine /spirit	Applicable
Legal minimum age for sale of alcoholic beverages	Applicable
Restrictions for on-/off-premises sales of alcoholic beverages: Hours, days / places, density	Applicable
National maximum legal blood alcohol concentration (BAC) when driving a vehicle	Applicable
Legally binding regulations on alcohol advertising	Applicable
Legally required health warning labels on alcohol advertisements / containers	Applicable
National government support for community action	Not Applicable
National monitoring system(s)	Applicable

Source: Technopak analysis
Data derived from WHO report

Multiplicity of State Regulation creates a Complex Tax and Licensing Environment in India

Alcohol in India is a state subject with production, distribution and sale of alcohol being responsibility of the state. It is regulated by state excise policies which cover multi-dimensional issues of alcohol control encompassing possession, production, manufacture, selling, buying, and transport of liquor.

Every state and union territory in India is effectively an independent market with its own set of regulations. The multiplicity of State regulation creates a complex tax and licensing environment that limits economies of scale and reduces the ability of new manufacturers and new products to achieve national distribution and gain competitive advantage. Inter-state taxes effectively prohibit the free transit of goods across the country, eliminating scale economies.

Different state ministries and departments regulate various aspects of alcohol. Data for production and sale of alco beverage is recorded by state excise departments, which is not readily available or uniform in nature across states. Only, sporadic data through industry reports, annual reports and market research is available.

TECHNOPAK ADVISORS PVT. LTD. GURGAON

Ankur Bisen
Senior Partner

Continuous Changes in Regulations is a Bane for Indian Alco Beverage Industry

There are frequent changes in alco beverage regulations across states, leading to unplanned costs or loss of revenue. Frequent changes include change in excise duties and change in distribution model. States also limit number of stores allowed to sell alco-beverages which may further lead to loss to the alco-beverage industry.

Exhibit 46: Changes in policies related to alco-beverage sector

Year	State	Policy Change
2020-21	Multiple	Increase in excise duties applicable to cover revenue loss due to COVID-19
2019-20	Andhra Pradesh	Alcohol retail outlets moved from private to state managed
2019-20	Chhattisgarh	Alcohol retail outlets rolled back from govt. to private parties
2018-19	Maharashtra	Increase in excise duties applicable on alco-beverages
2017-18	West Bengal/Chhattisgarh/Jharkhand	Alcohol retail outlets moved from private to state managed
2017-18	All	Restriction on sale near state & national highway. closure of 30,000 outlets
2017-18	All	New standards from FSSAI for all alcoholic beverages
2016-17	Bihar	complete prohibition
2011-12	West Bengal	Increase in excise duties applicable on alco-beverages

Source: Technopak analysis
Derived from annual reports and secondary research

4.1 Alcohol policies in India

Alcohol policies in India can be grouped under three heads. State-specific legislations on these three kinds of regulatory policies are broadly similar and focus on penalizing producers rather than consumers. There are three types of alcohol policies in India:

a) Total prohibition on production and consumption of all kinds of alcohol

Indian states have tried complete prohibition of production and consumption of alcohol but with limited success. Prohibition has been one of the talking points in many elections in India. Most laws on alcohol regulation have prohibition as a key word in their names. In most cases it has led to a parallel distribution of smuggled liquor from other states or sale of spurious liquor. States have also used it as a political tool, but results have been counterproductive. Bihar is the latest state with complete prohibition since 2016.

Exhibit 47 : Trends in Prohibition in states of India

State	Prohibition
Gujarat	1960 till date
Bihar	2016 till date
Nagaland	1989 till date
Mizoram	1997 to 2015, 2019 till date
Manipur	1991 to 2001
Lakshadweep	1989 till 2021
Haryana	1996 to 1998
Andhra Pradesh	1994 to 1997
Tamil Nadu	Multiple spells from 1937-2001

Source: Technopak analysis

b) Partial prohibition of some kinds of liquor

Some states in India have prohibited production and consumption of country liquor. All five states in south India have a ban on country liquor. This policy is attuned to ensure that consumption of alcohol is in safer forms of alcohol. Ban of country liquor has ensured that Indian made foreign liquor (IMF) has much larger share of business in these states. There is also a policy of phase wise prohibition with some states banning sale of alcohol sales in hotels and restaurants. States also try to control movement of alcohol by shutting down alcohol outlets or not opening new outlets.

c) **Imposition of dry days**

India has a unique system of prohibition under which alcohol is not sold on certain days that are designated as dry days. The states usually observe dry days on major religious festivals and occasions. While it is the prerogative of each state government to decide on its dry days, national holidays like Republic Day (January 26), Independence Day (August 15), and Gandhi Jayanti (October 2) are dry days throughout India.

Drinking age is used to Control Proliferation and Promote Responsible Drinking

Minimum legal drinking age is prescribed in majority of countries to promote responsible drinking. As per WHO, minimum age of 18-19 years is the most common minimum drinking age with 61% of countries subscribing to it. In India, minimum drinking age of twenty-one is the most common rule. There are states which define 18 years as the minimum drinking age and some states define 25 years as minimum drinking age. There have been recent changes in minimum drinking age in Haryana and Delhi NCR where drinking age has been reduced from 25 to 21 years. There is also a variation in minimum drinking age for purchase and consumption of alcoholic drinks. Enforcement of minimum drinking age specially on a higher side is always a challenge and violation is quite common.

Exhibit 48: State wise Minimum drinking Age

State	Minimum Drinking Age
Uttar Pradesh	21
Karnataka	21
Maharashtra	21
Telangana	21
West Bengal	21
Madhya Pradesh	21
Rajasthan	21
Tamil Nadu	21
Andhra Pradesh	21
Haryana	21*
Delhi NCR	21*
Chhattisgarh	21
Punjab	25
Odisha	21
Uttarakhand	21
Kerala	21

Source: Technopak analysis
* Minimum drinking age changed from twenty-five

4.2 State Excise and Revenue from Alcohol Industry

Taxes on alcohol increases its price and thus can be a powerful lever for influencing alcohol consumption, even if the purpose of those taxes is primarily to raise revenues and not necessarily to improve health. All countries have alcohol excise taxes to regulate price of alcoholic beverages. Revenue from alcohol constitutes a major share in total revenue receipts of states in India. According to the RBI report, in 2019-20, state excise duty primarily on alcohol at 12.5% contribution had the third highest share in states' own tax revenue behind state GST (43.5%) and sales tax (23.5%) and ahead of taxes on property and capital transactions (11.3%). State excise revenue has shown a growth of 11% from the period between 2015 to 2020.

More than 60% of revenue of leading alcoholic beverage companies in India constitutes of excise paid directly to the state governments. Share of excise in total revenues of leading alco beverage companies in India has shown an increasing trend. States in India often use excise payable on alcohol to cover any revenue gap to fund state expenses. This is one of the major reasons why states in India have not agreed to bring alcohol sales under GST.

Exhibit 49: Share of Excise to Revenue of Public Listed Players (Value in %)

Company	Industry	Share of Excise to Revenue			
		FY 2016	FY 2018	FY 2020	FY 2021
Diageo	Spirits	65%	69%	68%	71%
Pernod Ricard	Spirits	43%	55%	58%	59%
United Breweries	Beer	50%	55%	56%	58%

Source: Technopak analysis
Derived from annual reports

*Exhibit 50: State wise Excise collection trend (Value in INR Crore)**

State	FY 2015 (Actuals)	FY 2020 (Actuals)	FY 2022 Budget Estimates	CAGR (2015-20)
Uttar Pradesh	13483	27325	41500	15%
Karnataka	13801	21584	24580	9%
Maharashtra	11397	15428	19500	6%
Telangana	2808	11992	17000	34%
West Bengal	3587	11232	16100	26%
Madhya Pradesh	6696	10829	12109	10%
Rajasthan	5586	9592	13250	11%
Tamil Nadu	5731	7206	8770	5%
Andhra Pradesh	4352	6915	15000	10%
Haryana	3470	6323	9200	13%
Delhi NCR	3422	5068	6000	8%
Chhattisgarh	2892	4952	5500	11%
Punjab	4246	4865	7003	3%
Odisha	2035	4495	5400	17%
Uttarakhand	1487	2727	3202	13%
Kerala	1777	2255	2701	5%
Others	7585	9045	11154	4%
Grand total	**94356**	**161833**	**217968**	**11%**

Source: RBI, Technopak analysis
* Excise revenue may not be a true reflection of market size as distribution channel may vary

4.3 Pricing of Alcoholic Beverages

Pricing of alcohol is strictly controlled by respective states. Each state has its own formula of deciding the prices of alcoholic products. Price is determined by two key factors -Ex distillery price (EDP) which covers the cost of production and state excise policies which specify duties, license fees, cess and surcharges, wholesale margin and retail margin. The taxes and margin are a percentage of EDP. The contribution of taxes and margins progressively decreases as the EDP moves up as per the category of product. The contribution of taxes and margin to MRP for economy category for Uttar Pradesh is close to 80% as against close to 54% for scotch category (refer exhibit 7). EDP is fixed periodically and is subject to change as per price agreed with excise department on review of raw material and other costs.

One of the key challenges in the industry is the revision of prices. Price revisions are approved by excise department and in many states the window to revise cost is annual in nature even though price of raw material may increase or decrease through the year. There are exceptions like Maharashtra where MRP can be revised through the year.

State excise department also charge multiple annual fees including Brand label registration fees before marketing of the given brand is allowed. This fee can be annual or once in three year or one time as well. Other fees can include bottling fees, stock transfer fees, import and export fees.

Exhibit 51 : Labelling Fees for Haryana

Type of liquor	Fee per Brand Label per annum (INR)
Whisky/Scotch	2,00,000
Beer	1,50,000
Rum	1,00,000
Gin/ Vodka	60,000
Wine/Brandy Cider/Champagne	45,000
Vodka/Brandy/Cider/Wine and Champagne for supply to CSD	30,000
Country Liquor	2,00,000
Ready to Drink Beverages (RTB)	90,000
Brand label fee for exports out of State (for all types of brands)	1,50,000

Source: Secondary Research, Technopak Analysis

Exhibit 52 : Labelling fees for Maharashtra

Type of liquor	Number of labels to be approved	Fees for labels approval
Spirits	< 10 labels per authorised licensee	10,000/- for each label per annum
	> =10 labels per authorised licensee	5,000/- for each label per annum
Wine and Beer	< 10 labels per authorised licensee	5,000/- for each label per annum
	> =10 labels per authorised licensee	2,500/- for each label per annum

Source: Secondary Research, Technopak Analysis

Exhibit 53: Illustrative pricing of IMFL in Uttar Pradesh

S. No	EDP* (per 750 ml)	Category	Consideration fees (Rs)	Wholesaler margin (Rs)	Retailer margin (Rs)	MRP (Rs)
	I		II	III	IV	V
1	0-70	Economy	(240+EDP)*75%	(3.75+EDP)*3%	(60+EDP)*20%	(I+II+III+IV)
2	70-125	Medium	(262+EDP)*82%	(4+EDP)*2.8%	(60+EDP)*20%	(I+II+III+IV)
3	125-250	Regular	(270+EDP)*83%	(4+EDP)*2.8%	(75+EDP)*10%	(I+II+III+IV)
4	250-400	Premium	(275+EDP)*85%	(4.75+EDP)*2.5%	(75+EDP)*10%	(I+II+III+IV)
5	400-600	Super premium	(290+EDP)*90%	(4.75+EDP)*2.5%	(85+EDP)*7.5%	(I+II+III+IV)
6	600 & Above	Scotch	(300+EDP)*95%	(4.75+EDP)*2.5%	(85+EDP)*7.5%	(I+II+III+IV)

Source: Uttar Pradesh excise policy 2021-22
*EDP stands for ex distillery price

Exhibit 54: Illustrative Pricing of IMFL in Maharashtra

Sr No	Particulars	Formula	Values	Result
1	Excise Duty (Whichever is higher)	(Manufacturing Cost * 3)	(60 * 3) = 180.00	196.9
		OR	OR	
		350 * 0.75 *(Size of bottles / 1000)	350 * 0.75 * (750 / 1000) = 196.88	
2	MRP (Excluding VAT)	if (Manufacturing Cost < (Excise Duty / 3))	if (60 < (196.88 / 3))	316.9
		2 * Manufacturing Cost + Excise Duty	2 * 60 + 196.88	
		OR	OR	
		(Manufacturing Cost * 5)	(60 * 5) = 300.00	
		OR	OR	
		((Manufacturing Cost * 5) +(Manufacturing Cost - Cut Off) * 4)	(60 * 5) + (60 - 157.5) * 4 = -90.00	
		Cut Off = (Size of bottles / 1000) * 210	157.50 = (750 / 1000) * 210	
3	Value Added Tax (VAT)	(MRP * 35)/100	(316.88 * 35)/100	110.9
4	MRP (Including All Taxes)	(MRP + VAT)	(316.88 + 110.91)	427.8

Source: Maharashtra State Excise, Secondary Research, Technopak Analysis

Exhibit 55 : Illustrative Pricing of Wine in Maharashtra

Sr No	Particulars	Formula	Values	Result
1	Excise Duty	(Manufacturing Cost * 1.25)	(100 * 1.25) = 125.00	125
2	MRP (Excluding VAT)	(Manufacturing Cost * 4)	(100 * 4) = 400.00	470
		OR	OR	
		((Manufacturing Cost * 4) + (Manufacturing Cost - Cut Off))	(100 * 4) + (100 - 30) = 470.00	
		Cut Off = (Size of bottles / 1000) * 40	30.00 = (750 / 1000) * 40	
3	Value Added Tax (VAT)	(MRP * 20)/100	(470.00 * 20)/100	94
4	MRP (Including All Taxes)	(MRP + VAT)	(470.00 + 94.00)	564

Source: Maharashtra State Excise, Secondary Research, Technopak Analysis

4.4 Regulation on Distribution of Alcoholic Beverages

The distribution of alcoholic beverages is controlled by state through state owned or state-controlled wholesale or retailing popularly known as corporations. Some states have set up corporations which control distribution of alcohol both at wholesaling and retailing whereas some control only the wholesale distribution and retail is private. In select states distribution is completely private both at wholesale and retail stage. Some states have set up state-controlled retail outlets which get stocks directly from manufacturers. States also ensure that their revenue is guaranteed through auction of wholesale and retail licenses and ensure that they receive upfront payment.

Exhibit 56: Distribution models in alco-beverage industry

Distribution Channel	Sub-Type	Examples of States	Differentiating Details
Distributor Model Company -> Distributor -> Retail	Type 1	Maharashtra, Goa, Assam	• Retail Private • Distributor Private
Corporation Model Company -> Corporation*-> Retail	Type 1	Rajasthan, Karnataka	• Retail Private • Corporation buys from the company and sells it to retailer
	Type 2	Madhya Pradesh	• Retail Private • Corporation warehouses hold company stocks; Retailer lifts stocks from the corporation and then invoices are raised based on retail lifting
	Type 3	Tamil Nadu	• Retail also owned by the corporation
Wholesale Model Company -> Wholesale**-> Retail	Type 1	Haryana, Delhi NCR	• Retail Private • Wholesale Private • Multiple competing businesses controlling chunks of wholesale and retail
	Type 2	Sikkim	• Retail Private • Wholesale Private • De facto monopoly of one group in wholesale

Source: Primary Research, Technopak Analysis
**Corporation is a state government-owned entity with a monopoly of distribution rights to retailers*
***Wholesalers are privately dealing with multiple manufacturers. A large part of retail & wholesale has common ownership.*

Extensive Regulations in the Indian alco beverage industry

The alcohol industry is subject to extensive government regulations, as well as regulations by a variety of local bodies. Some of the regulations are listed below.

- There are interstate duties levied on molasses, which is used in producing liquor in India. As molasses is produced majorly in Uttar Pradesh and Maharashtra, the liquor companies must pay duties when they import it into their state.
- Both direct and indirect advertising of alcohol is prohibited, and it can be advertised only at point of sale (POS).
- Launching a new alcohol brand/product is a difficult and time-consuming process. It can take months to years and the company needs to seek multiple permissions and approvals from the government for the same.
- In some states companies can change/increase the price of their products only once a year when the state governments determine the prices, export duty is imposed by the state from which the alcohol is sourced, and an import duty is imposed by the state to which the alcohol is transported
- Registration with Canteen Store Departments, which account for approximately 15 percent of the overall liquor consumption can take over nine months.

Exhibit 57: Key Features of Excise Policy

State Excise Policy	Features
Ban on sale and consumption of alcohol in public places	All the Indian states and UTs have implemented this ban, with penalties for violation varying from Rs. 200 to Rs. 50,000
Licensing of days and hours of sale	All states/UTs have provisions for closure of liquor shops generally on national holidays, election days, particular day(s) in week/month, and other occasions calling for special consideration -days of national solemnity, Public Order, homage to national figures, fairs, festivals, frenzied situations, or periods of tension.
Minimum sale price	17 states and UTs have fixed minimum sale price to ensure uniformity and quality, and to prevent illegal sale
Restriction of outlet density	No license if the premises is located near an educational institution, place of worship, main bus stand, crematorium, burial ground, socio-economically backward colony, labour colony, market- place, or established habitat.
Quota for retail sale/personnel limit	Provisions for quotas vary based on the type of product - and from state to state.
Minimum legal drinking age (MLDA)	Different states in India have different MLDA prescribed for purchase and consumption of alcohol, varying from 18-25 years.
Health warnings on alcohol containers/bottles and security holograms for quality control	Mandatory as per FSSAI and State Excise
Ban on advertising, promotion, and sponsorship (including POS advertising)	Applicable in majority states

Source: Technopak Analysis

Exhibit 58: Central nodal agencies for regulation of alco beverage industry

Nodal Agencies at the Centre	Functions
Central Board of Indirect Taxes and Customs (CBIC)	Responsible for levy and collection of customs duties, taking preventive steps to curb smuggling of goods
Department for Promotion of Industry and Internal Trade (DPIIT)	Involved in the formulation of foreign direct investment (FDI) policies and promotion. Approval and facilitation of FDI flows
Legal Metrology, Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution	The legal Metrology Act mandates certain declarations on the package of a product (location of the product, net quantity, standard weights, retail sale price, consumer care details, etc.)
Food and Standards Authority of India	The Food Safety and Standards Act, 2006 and the Food Safety and Standards (Alcoholic Beverages) Regulation, 2018, thereunder, regulate the product standards and labelling of alcoholic beverages
Bureau of Indian Standards (BIS)	BIS prescribes standards, requirements and methods of sampling and testing for alcoholic beverages

Ministry of Information Broadcasting	The Cable Television Network (Regulation) Act, 1955 and the Cable Television Network (Regulation) Amendment Act. 2-11 restrict the advertising of alcoholic beverages

Source: Technopak Analysis

4.5 FSSAI and Alco- beverages

As per the FSSAI Act, alcoholic beverages come under the definition of food. FSSAI framed standards for alcoholic beverages in 2018 and notified the same in 2019. FSSAI defines "alcoholic beverage" as a beverage or a liquor a brew containing more than 0.5% abv where "alcohol by volume (abv)" means ethyl alcohol (ethanol) content in an alcoholic beverage expressed as percentage of total volume. All alco-beverages need to adhere to regulations with regards to standards, labelling requirements, statutory warning, and other requirements.

Exhibit 59 : Classification of alcohol, its preparation and alcohol content as per FSSAI

Type of Alcohol	Sub-types	Preparation	Ethyl Alcohol content at 20 degrees Celsius (% by volume)
Distilled Alcoholic Beverages	Brandy	Distillation of wine	36 to 50
	Country Liquors	Distillation of fermented carbohydrates of agricultural origin	19 to 43
	Fenny/ Feni	fermented juice of cashew apple or coconut toddy	19 to 43
	Gin	neutral spirit of agricultural origin flavoured with juniper berries and or other flavoring agents of botanical origin	36 to 50
	Rum	fermented juice of sugarcane, sugarcane molasses, or any other sugarcane product/ also be prepared from neutral, rectified, distilled spirit of agricultural origin	36 to 50
	Vodka	made from the neutral spirit obtained from fermented mash of rye, potato, cassava, grains, or other carbohydrates of agricultural origin	36 to 50
	Liqueur	distilled spirit of agricultural origin that is flavoured with fruit, cream, herbs, spices, essential oils, and products of botanical origin. It may contain more than 2.5 per cent of sucrose, dextrose, laevulose, natural sweeteners	15 to 50
	Whiskey	fermented extract of malted cereal grains such as corn, rye, barley, or using neutral grain spirit or rectified grain spirit, neutral spirit of rectified origin or their mixture	36 to 50
	Pot-Distilled Spirit	fermented molasses, jaggery (Gur), mash of cereals, potato, cassava, fruits (like grape), juice or sap of coconut and palm trees, agave plant, sugarcane juice, cashew apple, mahua flowers	36 to 50
Wine	Red (Table wine)	made from the grape varieties, red or mixture of red and white	7.0 to 15.5
	White (Table wine)	fermentation of white grapes or from juice extracted after removal of skin of red grapes	7.0 to 15.5
	Semi-Sparkling (CO_2 content)	has a carbon dioxide content of 3.0 to 5.0g/l or 1.5 to 2.5 bar pressure resulting from fermentation within a closed container	7.0 to 15.5
	Sparkling (CO_2 content)	has a carbon dioxide content of minimum 7.0 g/l or 3.5 bar pressure resulting from fermentation within a closed container	7.0 to 15.5
	Carbonated (CO_2 content)	made effervescent with carbon dioxide other than that resulting solely from the secondary fermentation	7.0 to 15.5

	Fortified- Sherry and Aromatized	high alcohol content achieved by the addition of alcohol (brandy or wine spirits or neutral spirit of agricultural origin) provided a minimum 7 .0 per cent comes from fermentation of grapes	15.0 to 24.0
	Cider	fermented alcoholic beverage made from apple juice	More than 0.5 to 9.0
	Perry	wine prepared from pear juice	More than 0.5 to 9.0
	Toddy	wine prepared from sap of palm trees and coconut palms	1.5 to 8.0
Beer	Lager	prepared by using bottom fermenting yeast and matured at low temperature	Regular - > 0.5 to 5.0 Strong - > 5.0 to 8.0
	Ale	prepared by using top fermenting yeast and is usually lighter in colour	Regular - > 0.5 to 5.0 Strong - > 5.0 to 8.0
	Wheat	Wheat beer is brewed with a large proportion of wheat and may also contain a significant proportion of malted barley	Regular - > 0.5 to 5.0 Strong - > 5.0 to 8.0
	Stout and porter	dark beers made using roasted malts or roasted barley and typically brewed with slow fermenting yeast	Regular - > 0.5 to 5.0 Strong - > 5.0 to 8.0
	Draught	a beer of all types i.e., lager, ale, stout and porter or wheat, and may or may not be pasteurized. It is served from a cask or keg.	Regular - > 0.5 to 5.0 Strong - > 5.0 to 8.0
	Craft	made in a micro-brewery/ pub-brewery, and may be aromatized with suitable food ingredients	Regular - > 0.5 to 5.0

Source: Food Safety and Standards (Alcoholic Beverages) Regulations, 2018
Technopak analysis

Regulations on alco-beverage industry are being re- evaluated to look at low alcohol content alco-beverages s independently from high alcohol content Spirits

Regulations on alcoholic beverages in India has for long looked at different alco beverages as similar in nature. However growing awareness, acceptance in society and input from industry is leading to regulations being recalibrated to look at low alcoholic drinks as a separate entity from spirits. Policy initiatives are looking to wean away customers from hard liquor to low alcoholic beverages including beer and wine. Policy initiatives include friendlier policies towards setting up of new units like microbreweries, labelling & licensing, retailing including license limited to beer and wines, sampling opportunities and reduction in excise duties. Promotion of wines also helps a large section of farmers into grape cultivation who can get more remunerative and assured prices for their produce. Maharashtra and Karnataka, the top two grape producing states in India have taken lead in promotion of wines with friendly excise and related policies.

Maharashtra's grape processing industry policy 2001 was the first policy initiative to promote production and sale of wines produced in the state. The policy provided for recognition of wine industry as a small-scale industry as well as a preferential area for granting of loans. The policy also took initiatives to make production and sale of wine much easier with reduced license fees and single window for approvals. The policy has kept excise payable on wines at abeyance and put in place a reduced sales tax slab at 20% against 35% and 40% for other alco-beverages in the market. Maharashtra government also has a policy of limited license for beer and wine sales which are easier to procure which helps in increasing retail penetration of wines.

Karnataka wine policy 2007 is the second important wine policy in the country which recognized wine production as a horticulture and food processing industry making it eligible for all the incentives available for the industry in the state. It also provides for additional subsidies for setting up of wineries in the state. The policy ensured that licensing policy is simplified. It also provided for relief in excise duty for wines produced in the state and waiver of label registration fees in the state. The policy allowed for sale of wine at bar and restaurants at a minimal fee. The policy also seeks to promote wine tourism by allowing sale at premises of wineries.

Uttar Pradesh excise policy 2021-22 has put in place incentives to set up wineries in the state with excise holiday for five years, permission to sell at wineries and permission for wine tasting. It also promoting sales of wine through a range of measures including placement of product and sampling opportunity. Andhra Pradesh also has a policy of excise benefit for wine produced in the state.

Multiple states have put in policy initiatives which are lenient towards retailing of wines with permission to sell and sample at exclusive outlets or high retail outlets. States are also promoting premium category of alco – beverages which are generally bought by affluent section of the society. Policy initiatives include leniency retailing license, attractive retailing units, sampling opportunity and similar incentives. This is also helping wine sales in different states.

Delhi excise policy and Uttar Pradesh excise policy has put in place policies to promote premium alco-beverages and wines. Odisha has also put in a policy for exclusive outlets for premium alco-beverages.

Exhibit 60: Policy Initiative on Promotion of Beer and Wines

State	Policy Initiative
Maharashtra	• Excise holiday on wines till 2021. Proposal of nominal excise of Rs 10/- per litre • License fee of Rs 5000 on sale of wine and wine products • Single window system for issuance and clearance of licenses for wines
Karnataka	• License fee of Rs 5000 on sale of wine and wine products • Additional excise duty Rs 2 per litre on locally produced wine • Waiver of label registration fee
Uttar Pradesh	• Exemption of excise duty on locally produced wines • Vintners shall be allowed retail sale of wine. • Wine Tavern shall also be allowed in wineries • Wine tasting facility and sale of drinking accessories shall be allowed at premium retail vends • Ease in setting up micro- breweries • Reduction in excise duties in beer
West Bengal	• Reduction in beer price with change in tax regime based on MRP to EDP

Source: Technopak Analysis

Modern Excise Policies are redefining the Alco-beverage Industry in India

Many states in India are changing their excise/alcohol policy to transform the nature of liquor trade in line with the changing nature of the society. This is with the dual objective of improving the standard of customer experience and increasing the revenue of the excise department. Recent excise policies of Uttar Pradesh and Delhi NCR are indicators to the changing landscape of alco beverage industry.

The new policy for Delhi defines customer experience as one of its core objectives. It has reduced the minimum drinking age to 21. It also standardizes size of the stores for better shopping experience. The new policy also has regulations which promote tasting rooms and shop in shop stores which can further improve shopping experience. It also has incentive for hotel, clubs and restaurants including ease in obtaining license and permission to operate till 3 AM. The new policy also mandates that brands selected for registration must have a minimum sales pedigree in terms of number of cases sold in same or other markets to ensure that the range being sold at retail stores have a proven history.

Exhibit 61 : Key objectives of Delhi Excise Policy 2021-22

- To eradicate the sale of spurious liquor/non-duty paid liquor in Delhi and transform the consumer experience.
- To simplify the complex, heavily regulated excise regime ensuring ease of doing business in the overall trade
- To allow the responsible players in the industry to carry out the trade transparently
- To ensure equitable access of liquor supply so that there are no un-served and under-served localities eliminating the problem of spurious/non-duty paid liquor.
- To put in place a simplified duty and pricing mechanism that is periodically reviewed.
- To ensure accountability on part of the licensee in terms of revenue enhancement besides keeping in check the emergence of monopolies and cartels.
- Promotion of consumer choice. Ensuring availability of popular as well as niche brands so that the customer has a wider choice.
- Insignificant or no price differential with the neighboring states thereby eliminating the arbitrage for smuggling.

Exhibit 62: Key takeaways Uttar Pradesh Excise Policy 2021-22

- wine made from locally produced fruits shall be exempted from excise duty for five years
- Vintners shall be allowed to engage in retail sale of wine.
- Wine Tavern shall also be allowed in its premises
- Wine tasting facility and sale of drinking accessories shall be allowed at premium retail vends.
- The sale of Low Alcoholic Beverages (LAB) shall be allowed in foreign liquor retail shops, model shops and premium retail vends in addition to beer shops
- The excise duty on beer is reduced and the shelf life of beer will be 9 months
- Brand registration, label approval, bar and micro-brewery licenses will have the option to be renewed up to 3 years instead of requiring approvals every year
- To encourage exports from the state, brand, and label approval process for exports to other states and countries simplified
- Keeping in view the complex process of trademark registration and the time taken, brand registration will be permissible on submission of proof of filing of application for trademark registration
- The power for renewal of micro-brewery licenses shall be delegated from Excise Commissioner to District Collector

Maharashtra draft wine policy 2022 is set to be a gamechanger for Indian wine industry

The All-India Wine Producers Association (AIWPA) is seeking multiple incentives for wine industry in Maharashtra as part of the new policy with the objective of five -fold increase in size of the domestic wine industry. Maharashtra government has approved the 'shelf in shop' policy allowing sale of wines at supermarket and grocery shops of more than 1000 feet in size. The size of the shelf allowed in the shops will be 2.25 cubic meters, while the annual license fees charged will be Rs 5000. This may lead to an immediate growth of 15- 20% in sale of wines as per industry experts.

Wines may also be allowed to be sold through e-commerce websites and apps. The new wine policy in Maharashtra has included wine made from other fruits also to reduce wastage of fruits. The new policy initiative may also allow sale of wines on dry days. The policy may also reduce minimum drinking age for wines from current age of 21 years.

4.6 Import Duties on Foreign Liquor

Foreign liquor as imported in India is charged under custom duty as per customs act 1962. Customs tariff is applicable on finished product like scotch whisky bottled in country of origin or bulk scotch whisky imported for bottling in India as well as intermediate products like undenatured ethyl alcohol of alcoholic strength by volume of 80% vol. or higher which is used for blending with production in India. Import of alcohol in India is dominated by whisky contributing close to 60% in volume and close to 80% in value. Alcoholic beverages bottled in origin are subject to excise and all other duties as per the excise rules of each state on the calculated EDP in most cases. States look at imported liquor as an opportunity to increase revenue or in some case charge high excise duty to support local industry. High customs duty coupled with high excise and other state duties make imported alcoholic beverages market challenging in India.

Exhibit 63 : Import Duties on Alcoholic Beverages

HS Code	Commodities	Import Duties			
		2019-20	2018-19	2017-18	2016-17
2203	Beer Made From Malt	100%	100%	100%	100%
2204 21	Port and other red wines, Sherry and other white wines, and Others; In containers holding less than 2 litters	150%	150%	150%	150%
2204 22	Port and other red wines, Sherry and other white wines, and Others; in containers holding more than 2 litres but not more than 10 litres	150%	150%	150%	150%
2204 29	Other: Port and other red wines, Sherry and other white wines, and Others, In container holding more than 2 litters	150%	150%	150%	150%
2204 30	Other Grape Must	150%	150%	150%	150%
2205 10	Vermouth And Other Wine of Fresh Grapes Flavoured With Plants Or Aromatic Substances; In Containers Holding 2 Litters Or Less	150%	150%	150%	150%
2206 00 00	Other Fermented Beverages (For L 150% - Example, Cider, Perry, Mead Sake)	150%	150%	150%	150%

2207 10	Undenatured Ethyl Alcohol Of An Alcoholic Strength By Volume Of 80% Vol. Or Higher	150%	150%	150%	150%
2207 20	Ethyl alcohol and other spirits, denatured - any strength	30%	5%	5%	30%
2208 20	Spirits obtained by distilling grape wine or grape marc; In containers holding 2 l or less	150%	150%	150%	150%
2208 30	Whiskies: In containers holding 2 l or less	150%	150%	150%	150%
2208 40	Rum and other spirits obtained by distilling fermented sugarcane product; In containers holding 2 l or less	150%	150%	150%	150%
2208 50	Gin and Geneva; In containers holding 2 l or less	150%	150%	150%	150%
2208 60 00	Vodka	150%	150%	150%	150%

Source: Technopak Analysis
Data derived from Central Board of Indirect Taxes and Customs (CBIC),

Exhibit 64: Custom duty and effect of pricing, Delhi Excise

S. No	Price parameter (Per Unit)	Rate of Calculation	EXAMPLE (INR)
1	Cost, Insurance, freight (CIF)	Determined	100
2	Custom Duty	1.5	150
3	Import fee (per quart)	50	200
4	Profit Margin	Determined by licensee	90
5	EDP (deemed)	(1+2+3+4)	540
6	Profit margin for L1	12% of 5	65
7	WSP	(5+6)	605
8	Excise Duty	85% of WSP up to 1000+ 50% of amount by which MSP exceeds Rs 1000	514
9	VAT	Applicable rate X(7+8)	448
10	Price to retailer	(7+8+9)	1567

Source: Technopak Analysis
Data derived from Delhi Excise policy

5. Overview of Indian Wine Market

5.1 History of Indian Wine Market

Wine was introduced in India by Portuguese and French starting with Goa in early 16th century, but establishment of British Raj ensured that spirts took center stage in Indian alcohol industry. Modern Wine making in India was initiated in 1970s with multiple initiatives but wine as an industry in India is largely a post calendar year 2000 phenomenon. Prior to 2000, wine produced domestically was largely small scale and confined to pockets or comprised imported products that were essentially sold in 5-star hotels.

Exhibit 65: Wine journey in India by volume

Metric	Segment	FY 2000	FY 2021
Consumption	Retail (Off-Trade)	~5%	~75%
	HoReCa (On-Trade)	~95	~25%
	Total	**100%**	**100%**
Supply	Domestic	-	~84%
	Import	100%	~16%
	Total	**100%**	**100%**

Source: Secondary Research, Technopak Analysis

Installed agri base playing a critical role in wine becoming a mainstream drink from selective use to an urban consumer product in last two decades

India is among the top 3 table grape growing countries in the world with significant acreage under grape cultivation. This inherent advantage is a key driver for growth of production and consumption of wines. Grapes for wines are different from table grapes variety but it requires minor tweaks for grape farmers to make this transition. This transition is far easier to undertake than to prepare new acreage for grapes from scratch. The transition for farmers from table grapes to wine grapes is also more beneficial because of higher price realisation to the farmers as well as the overall value chain of economic activity from grapes.

Exhibit 66: Grape Production Trend (volume in Mn tons)(for CY)

Country	Table Grapes*		Wine Grapes		Total Grapes (Table Grapes + Wine Grapes)	
	2010	2020	2010	2020	2010	2020
China	5.6	10.9	2.6	3.9	8.2	14.8
India	0.7	2.5	0.2	0.6	0.9	3.1
Turkey	2.2	2.2	2.1	2	4.3	4.2
USA	1.0	0.9	5.8	4.5	6.8	5.4
World	**21.0**	**37.5**	**45.7**	**40.5**	**66.7**	**78.0**

**Table grapes used for consumption as fruit as well as raisin making*
Source: Technopak Analysis
Data derived from FAO & OIV

Ankur Bisen
Senior Partner

Progressive regulations in two major wine producing states helps industry

Maharashtra and Karnataka are two key major grape producing regions in India accounting for 95% of total table grapes and 97% of total wine grapes produced in the country. Both states recognized the need for a timely intervention to introduce progressive policy to enable the growth of wine to support the growth of wine grapes agriculture. This was for the obvious reasons of increasing the farming income by producing more share of grape produced in favour of wine grapes. Both states modified their respective liquor state policy and bifurcated wine from other spirits. Maharashtra did so first in 2001 and Karnataka took the cue from the success of this policy and implemented the same in 2007.

Exhibit 67: Grapes' production in India FY 2021 (3.1 Mn MT)

State	Total Grapes	Wine Grapes
Maharashtra	78%	90%
Karnataka	18%	7%
Others	4%	3%
Total	**100%**	**100%**

Source: Agriculture ministry, Technopak Analysis

The regulatory changes were aimed at making consumption, retailing and storage of wine easier and enabling sales of wine produced from grapes grown within the state. Excise slabs were significantly relaxed for wine products from within the state that otherwise are much higher for other alco-beverage drinks. Similarly, retailing and serving of wines within both Maharashtra and Karnataka has been easier compared to other states viz. home deliveries in cities like Bengaluru and Mumbai. Maharashtra is expected to further liberalize wine sales in the state in its new wine policy applicable from January 2022. The existing wine policy in Maharashtra was valid till end of 2021 and the proposed new progressive wine policy includes permission to allow wine sales in supermarkets and on dry days and through e-commerce platforms as well. Taking cue from these two states, other States like Haryana and Uttar Pradesh have relaxed consumption related rules related to wines.

Maharashtra wine policy 2022 is poised to take the next set of important steps to drive growth of domestic wine market. The new policy proposes to allow sale of wine from regular outlets including supermarkets, shop in shops, daily needs shops, departmental stores, bakeries and similar outlets. Wines can also be allowed to be sold through e-commerce websites and apps. The new policy initiative may also allow sale of wines on dry days. The policy may also reduce minimum drinking age for wines from current age of 21 years.

Exhibit 68: Regulatory Overview on wine industry

Grape Processing Industry Policy 2001, Maharashtra	Karnataka Grape Processing & Wine Policy-2007
• *Declaration as a Preferential Area for granting loans* • *Declaration as a Small -Scale Industry* • *Concession in Excise Duty - Limited to 25% of production cost for new units* • *Permission to sell wine by beer bars* • *Winery Product Units by giving them the status of Food Processing Units.* • *Permission for tourists to visit Wine Product Units for tasting the wine* • *Simplification in process of license permission*	• *Identification and declaration of suitable areas for the cultivation wine varieties* • *Declaring Wineries as "Horticultural and Food Processing Industries."* • *Simplification of rules while issuing License and Permit to the Wineries* • *Allowing the sale of wines in the premises of Wineries* • *Reduction in excise duty to INR 2/litre for wine produced in Karnataka. For wine brought from other state, duty is INR 8/litre*

Source: Secondary research, Technopak Analysis

Emergence of category focused players driving transition of grape growers from table grape to wine grapes

The net realization of farmers to switch production from table to wine grapes and the progressive regulations for wines in Maharashtra and then Karnataka were an outcome of wine focused start-ups like Chateau Indage and Sula wines. These companies took a lead to initiate domestic wine production opportunity in India. The initiative of companies like Sula in the early 2000s signified by piloting wine production from wine grapes in Nashik initiated the creation of an ecosystem of domestic wine industry in the country. This ecosystem steadily created a business case for progressive regulations and for a pull from grape farmers to switch from table grapes to wine grapes. Consequently, in the last two decades companies like Sula wines has been a category creator in India followed by companies like Grover Zampa and Fratelli. These companies have transitioned from start-up to category creator of wine industry in India. They have remained at the forefront of collaborating with farmers to facilitate the expansion of wine grape cultivation, to share knowledge of growing wine grapes & improving the quality of grapes, of refining the wine produced through product development initiative and of brand building and category advocacy among Indian consumers.

Chateau Indage was the industry leader till 2009. Post Chateau Indage era, Sula Vineyards has taken over the mantle of industry leader and category creator. Sula Vineyards along with Fratelli Wines and Grover Zampa Vineyards are the top three wine companies playing an important role in development of wine industry in India.

Domestic wine companies in India bringing prominence to wine industry

Over the last 20 years, Nashik in Maharashtra has come to be known as the wine capital of India and hub of wine tourism in India with close to 29 wineries in operation like Sula Vineyards, York Winery, Grover Zampa, Vallone Vineyards, Chandon India Winery, etc. Sula Vineyards, founded in 1996 in Nashik helped with the evolution of Nashik into the wine capital, setting benchmarks in development of varietals, relationship with farmers and wine tourism. It has created a more formalized structure in the wine industry across the value chain for other players in the industry to follow. Popular varietals grown in the region include Chenin Blanc, Sauvignon Blanc, Zinfandel, Cabernet Sauvignon, Shiraz, Chardonnay, Merlot, Riesling, Viognier, Tempranillo, Malbec etc.

Sula set up its first vineyard in 1996 and has taken lead in industry development activities making it the category creator for wines in India. Sula are the first to introduce varietal wines in India in 2000 with launch of Sauvignon Blanc, Chenin Blanc, Zinfandel, Riesling, Red Sparkling and dessert wine offerings.
It established India's first winery tasting room in the year 2005, which marked the birth of wine tourism in India. Sula opened country's first vineyard resort in the year 2008 which further established Sula's leadership. Sula vineyards started the "Sula fest," the pioneering vineyard music festival in 2008 which became one of the most sought-after food and music event of the country. It has also developed a pan India wine tasting program with regular wine tasting sessions held across cities for consumers, as well as for training the staff employed by hotels, restaurants and cafés that sell wines. Multiple initiatives which have redefined the Indian wine market and have ensured that Indian wine industry keeps up with the growth journey positions brand Sula as the category creator for wines in India. Sula is recognized as the market leader across wine variants including red, white, and sparkling wines.
Grover Zampa vineyards has also played an important role in Indian domestic wine industry. It set up its first vineyard in 1992 in Nandi Hills, Karnataka. The company with the help of an expert enologist from France started its process of wine production and in the year 1998 the first wine from Grover Zampa- "La Reserve"- a batch of 5,000 bottles was launched. Currently with land and winery in Nandi Hills as well as Nashik, Grover Zampa is one of the oldest companies in the market.
Fratelli Wines is the youngest of the top three players in Indian domestic wine industry. Fratelli has been developing wines since 2007 and the first wine was produced in the year 2010 under the guidance of a master winemaker from Tuscany. The portfolio of Fratelli comprises 20 distinct varieties of wine produced in its 240-acre vineyard in Akluj, Maharashtra.

5.2 Wine Market in India

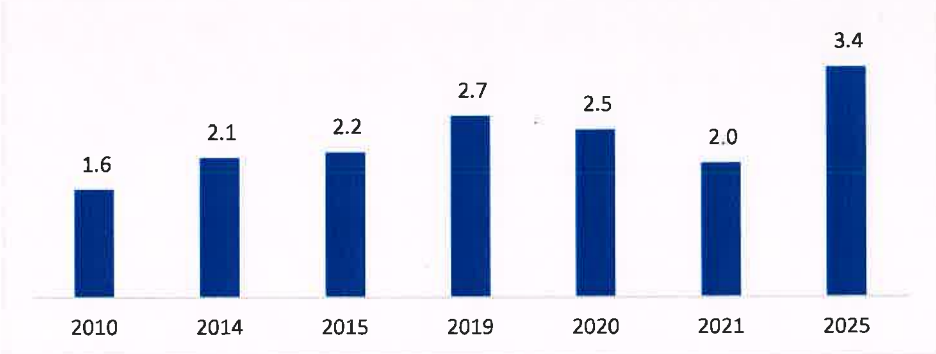
5.2.1 Wine Market Size in India

Indian Wine Market is expected to grow at a CAGR of 14% in terms of volume from FY 2021 to FY 2025 with domestic players dominating volumes

Indian wine market crossed 2.5 Mn cases in FY 2020. However, sluggish economy followed by COVID-19 pandemic pulled the market down. Indian wine market is projected to grow to 3.4 Mn cases by FY 2025.

Indian wine market today is dominated by domestic wines with share of imported wines coming down from 17% in FY 2020 to 13% in FY 2025 in volume terms.

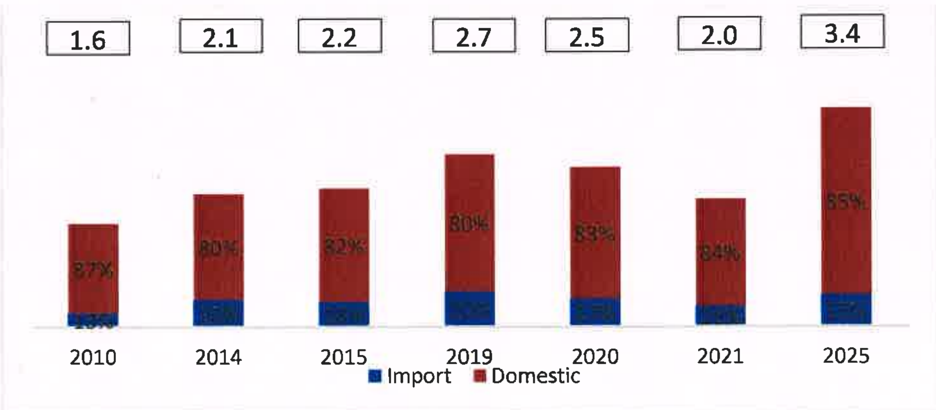
Exhibit 69: Indian Wine Industry Market Size by Volume ((In Mn Cases)



Value	2014-19	2021-25
CAGR	5.4%	14.4%

Source: Technopak Analysis
Data projected from OIV, USDA

Exhibit 70: Indian Wine Industry Domestic vs Imported for FY (In Mn Cases)

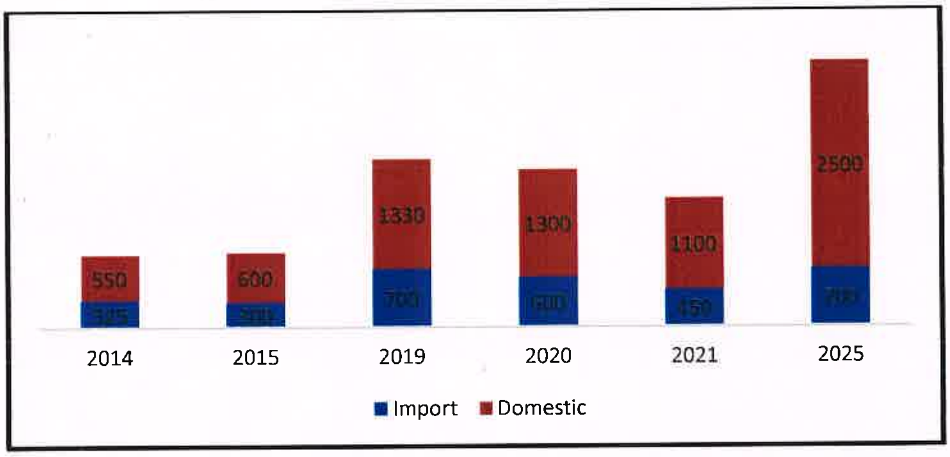


Source: Technopak Analysis
Data projected from OIV, USDA, DGFT

Indian Wine Market is projected to reach INR 3200 Crore by FY 2025 with a CAGR of 20% from 2021

The Indian wine market by value reached ~INR 1900 Crore in FY 2020 and then decreased to INR 1,550 Crore in FY 2021. This decline is attributed to the lockdowns and restrictions imposed due to COVID-19 on the liquor shops and the food services industry. The domestic 100% grape wine market specially the elite and premium segment has shown higher resilience as compared to the overall wine market in India. The domestic 100% wine market degrew by 15% by value against overall industry degrowth of 18%. The elite and premium segment recorded lower de-growth at 13% by value. The de growth in However, it is expected to go back to the pre-pandemic level by the end of FY 2022 and increase to INR 3,200 Crore in FY 2025 with a CAGR of 20% from FY 2021, surpassing the growth rate of the overall alcohol industry over the same period (CAGR of 10% from FY 2021 to FY 2025). Wine industry is leveraging positive factors including premiumisation of alco-beverage industry, wider acceptance of wine as a social drink and growing perception of wine as a healthy alternative to spirits .

Exhibit 71: Indian Wine Industry Market Size by values (In INR Crores)



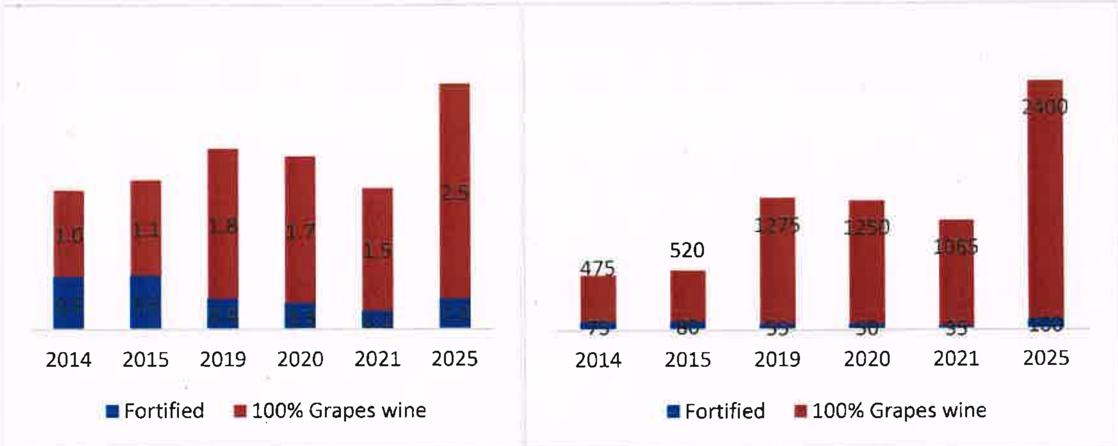
CAGR	2014-19	2021-25
Imported	16.6%	11.7%
Domestic	19.3%	22.8%
Overall	18.3%	19.9%

Source: Technopak Analysis

Indian Wine market is leveraging premium segment to drive growth as 100% grape wines get prominence.

Domestic wine industry has suffered with prominence of fortified mixed wines which has contributed close to 36% to the market by volume in FY 2015. Low quality of fortified mixed wines made with addition of molasses and sugar with a price below Rs 200 for a 750 ml bottle contribute to the lower end of the popular segment in domestic wines. These beverages passed as wines with high alcohol content of more than 20% in some cases serve the lower end of the market. However, share of low-quality fortified wines has been coming down in recent years from 38% in 2014 to 17% to 2019. Segmentation for wine market categorizes wine into 100% grapes-based wines and fortified mixed wines. 100% grape wines fared much better than fortified mixed wines in FY 2021 with lower degrowth of 15% by value against 30% degrowth by value in mixed fortified wines.

Exhibit 72: Mixed fortified wines vs 100% grapes wine (Domestic wines market overview)

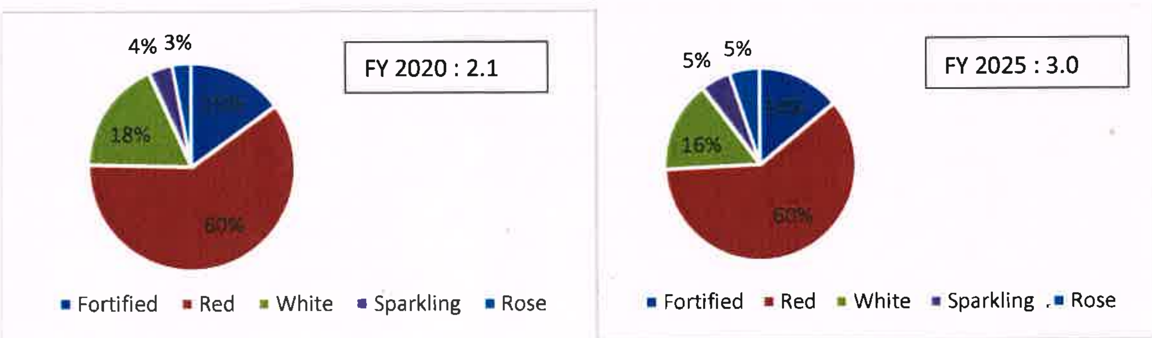


Value in Mn cases

Value in Rs Crore

Source: Technopak Analysis

Exhibit 73: Types of Domestic Wine (% share by volume in Mn cases)



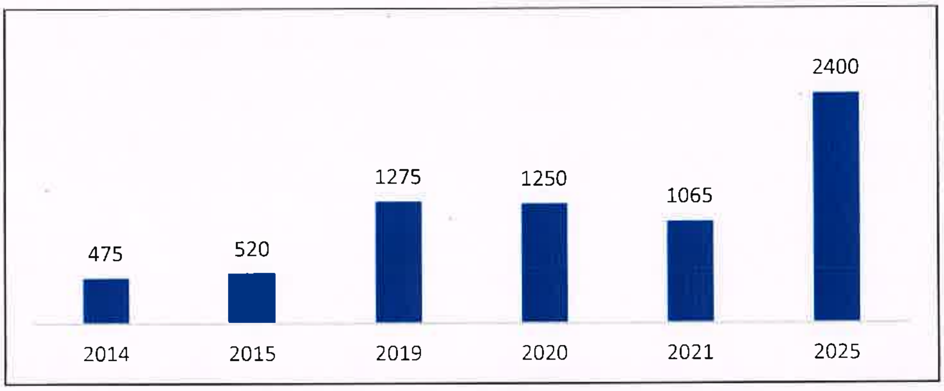
Source: Technopak Analysis

- Rounded off to nearest decimal
- Does not include imported wines

Indian domestic 100% grape wines market is set to grow by CAGR of 22% by value from FY 2021 to FY 2025

Indian domestic wine of 100% grapes market is estimated at INR 1250 Crore in FY 2020 dominated by top three players contributing close to 80% of the market by value. This is unique in India as even though it is a relatively young market, it is a consolidated market with Sula vineyards being a clear market leader commanding a market share of close to 52% in FY 2020 by value.

Exhibit 74: Indian domestic 100% Grape Wine market (Value in INR Crores))



Value	2014-19	2021-25
CAGR	*21.8%*	22.5%

Source: Technopak Analysis

Indian domestic 100% grape wine market is unique as top three players contribute 80% of the market in Value terms

Domestic Indian 100% grapes wine market is a 'Still' wine market with contribution of more than 90% by volume to the market in FY 2020. Red wine contributes close to 70% by volume of the market. Share of white wine is going down with sparkling and Rose wines growing faster than both red and white wines. Sula wines with its range across all the four wine categories including red, white, rose, and sparkling wines holds the leadership position in the four categories in FY 2020.

Indian wine market can also be divided into four segments based on price starting with popular segment with price point up to INR 400. Elite and premium segments with price points above INR 700 are driving growth in the market. These two segments are seeing new product launches by the top players. Elite and premium categories contribute close to 59% by value and 38% by volume of the Indian domestic 100% grape wine market in FY 2020. Elite and premium category are projected to grow at a CAGR of 19% by volume for the period between FY 2021 to FY 2025 as compared to overall category growth of close to 15% for the same period. Sula vineyards is the market leader across all the four price segments with higher share of close to 60% by value in the elite and premium category in FY 2020.

Sula vineyards is India's largest wine producer and seller as of March 31, 2021 and has consistently been market leader in the Indian wine industry in terms of sales volume as well as value (on the basis of the total revenue from operations) from FY 2009 crossing 50% market share by value in domestic 100% grapes wine market in FY 2012. It has consistently gained market share (on the basis of our total revenue from operations) from 33% in 2009 in 100% grapes wine category to 52% in value in FY 2020 and further increased to 52.6% by value in FY 2021. Sula vineyards distributes wines under a bouquet of popular brands. In addition to the flagship brand "Sula," popular brands include "RASA," "Dindori", "The source," "Satori", "Madera" & "Dia" with its flagship brand "Sula" being the "category creator" of wine in India. It has the largest range of wines in the Indian market and leadership in all the four price segments including Popular, Economy, Elite and premium segments of domestic 100% grape wine category for the last five years from FY 2017 to FY 2021. It is playing the key role of category creator in India. Sula wines has higher share in elite and premium category. It crossed 60% market share by value in in FY2019 and remained at 60% by value in FY2020. Its share in elite and premium category in FY2021 has remained stable at close to 60% by value with increase in elite category by 2% by value. As India's largest wine producer and seller as of March 31, 2021, Sula wines can harness its market leader position for future growth opportunities in the Indian wine market with its wide range of offerings for consumers across various price points.

Sula wines are leading wines in each of their categories. Shiraz Cabernet with estimated retail sale of INR 138 Crore in FY 2021 is India's largest selling wine by value. Shiraz cabernet is the top selling wine in domestic 100% grape wine market from 2016. Sula Shiraz Cabernet, Sula Chenin Blanc, Sula Zinfandel Rosé, and Sula Brut are India's best-selling red, white, rosé and sparkling wine respectively for year FY 2021.Sula also has the competitive advantage of strong distribution network which has helped it launch 7 labels under its brands The Source, RASA and Dindori, in the last five Financial Years, which have all been in the elite category and together were able to acquire a market share of 9% in the elite category by end of FY 2021.

Fratelli wines is the second largest player in the Indian domestic wine market, it has grown by annual growth rate of 31% for the period between FY 2015 to FY 2020 which is almost double the industry growth rate. It has presence across all price segment and wine categories in Indian wine market. It has also international awards for its range of Indian wines.

Grover Zampa vineyards are the oldest wine company out of the top three wine companies with operations started in 1992 and launch of its first wine in 1998. Grover Zampa has recently been quite active with collaboration with international winery at Burgundy, France and launch of wines from the same winery. It has also bought over four seasons wine and Charosa wines to bolster its presence with access to captive production units and vineyards.

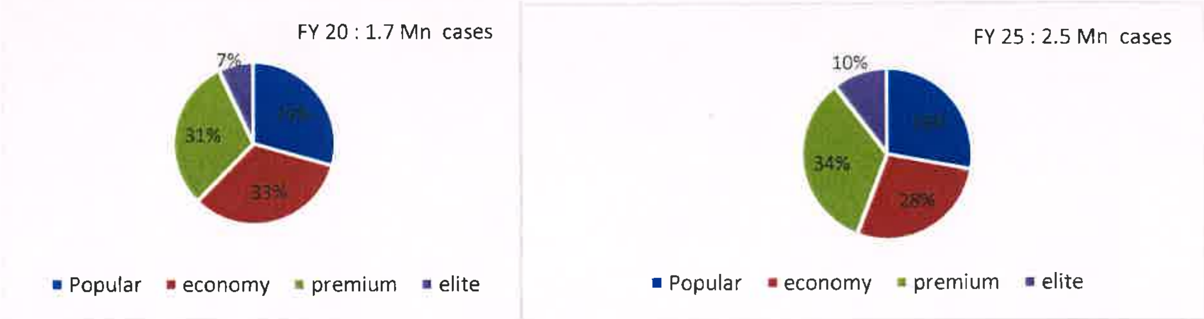
Exhibit 75: Price wise segmentation of Indian wine market

Wine Segments	Price Range
Elite	INR 950 +
Premium	INR 700-950

Economy	INR 400-700
Popular	< INR 400

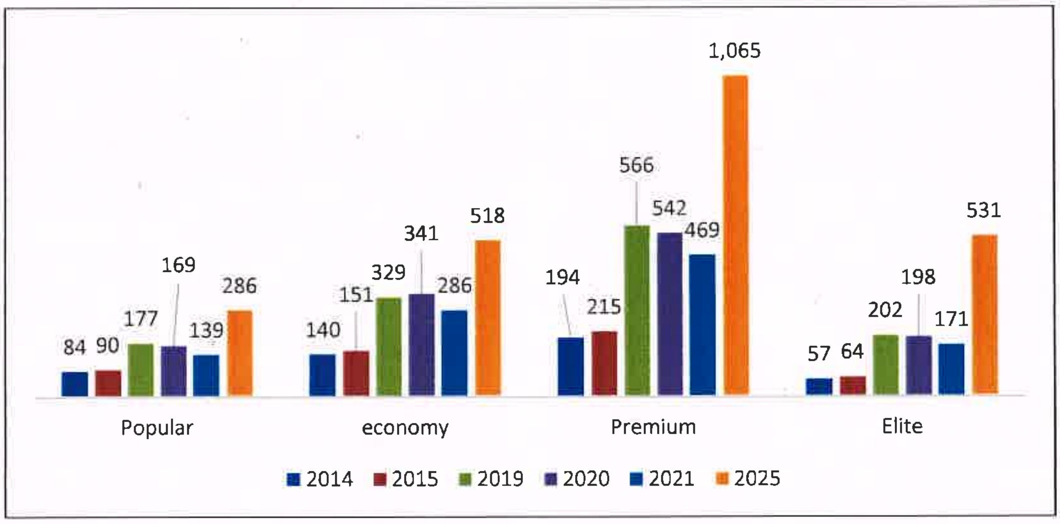
Source: Primary research, Technopak Analysis

Exhibit 76 : Category-wise Share of Domestic Wine 100% grapes Market by Volume



Source: Technopak Analysis

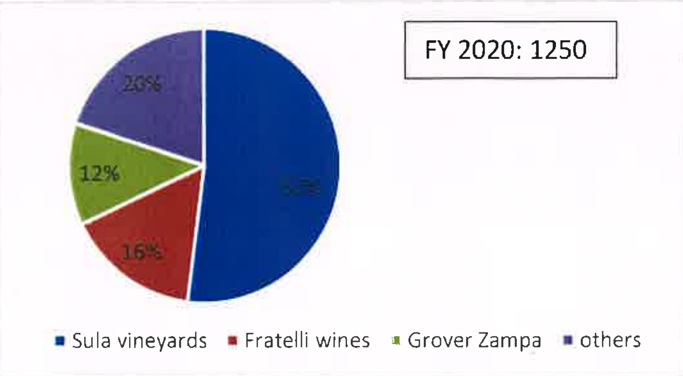
Exhibit 77: Category-wise Share of Domestic Wine 100% grapes Market by Value in INR Crore

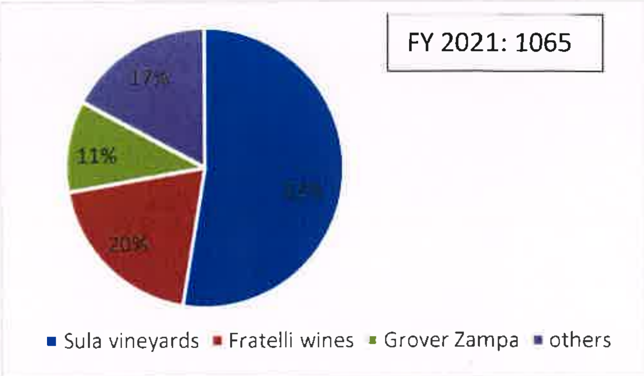


CAGR	2014-19	2021-25
Popular	16.1%	19.8%
Economy	18.7%	16.0%
Premium	23.9%	22.7%
Elite	28.8%	32.8%

Source: Technopak Analysis

Exhibit 78: Indian domestic 100% grapes wine Industry (total market size INR Crore)





Source: Annual reports, Technopak Analysis

Exhibit 79: Segment Wise Presence of Key Wine Players in domestic 100% grape wine market

Wine Segments		Count of labels		
	Price Range	Sula	Grover zampa	Fratelli
Elite	INR 950 +	21	7	7
Premium	INR 700-950	13	7	11
Economy	INR 400-700	13	4	1
Popular	< INR 400	9	-	1

Source: Primary research, Technopak Analysis
Note: Data as of December 2021

Exhibit 80: Category wise Presence of Key Wine Players in domestic 100% grape wine market

Wine Segments	Count of labels		
	Sula	Grover Zampa	Fratelli
Red	22	12	10
White	19	13	8
Sparkling	10	4	3
Rose	5	2	2

Source: Primary research, Technopak Analysis
Note: Data as of December 2021

Exhibit 81: Key Players in Indian Wine Market

Key Players	Own Labels	No. of Labels
Sula Vineyards Pvt. Ltd.	Rasa, The Source, Dindori Reserve, Madera, Dia, Sula Classics, Satori	56
Fratelli Wines	J'Noon, JCB, Sette, MS, Fratelli,	23
Grover Zampa Pvt. Ltd.	Insignia, Vendanges Tardvies, Chene, Soiree, Auriga, Vijay Amritraj,	31

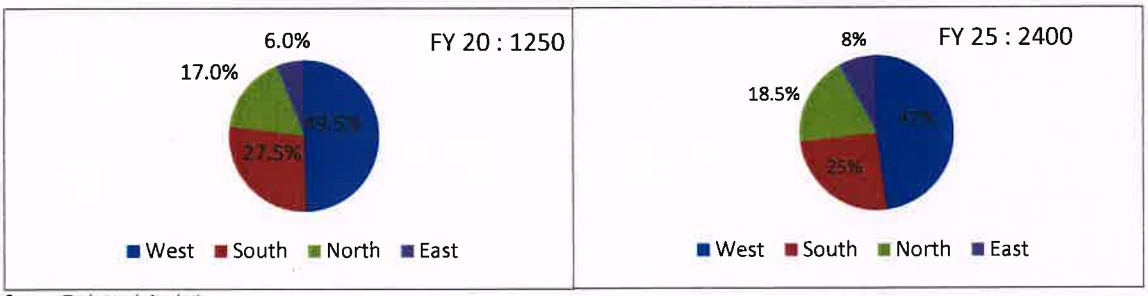
Source: Primary Research, Technopak Analysis,

Indian wine market concentrated in top two wine producing states and top three cities in the country is set to grow in new markets

Top wine producing states, Maharashtra and Karnataka are the top consuming states contributing close to 57% of the overall market. The pecking order of different regions has remained unchanged with share of West India being the highest through the years, followed by South and North. In the northern region people drink wine mainly in Delhi and satellite towns of Delhi. East has the lowest penetration when compared to other regions, but it is showing positive trend in the last five years.

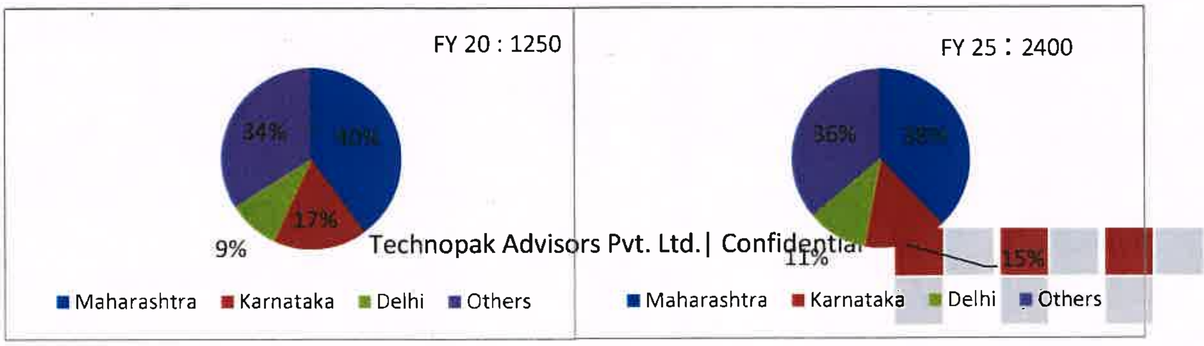
Wine consumption gets its majority of consumers from the top urban centers in the country with Mumbai, Bengaluru, Delhi NCR, Pune, and Hyderabad contributing more than 70% of the overall market. The low penetration of wines in India and concentrated nature of market is a big opportunity to grow the market in new territories.

Exhibit 82: Region wise Share of Domestic 100% grapes wines (value in INR Crore)



Source: Technopak Analysis

Exhibit 83: Region wise Share of Domestic 100% grapes wines (value in INR Crore)



Source: Technopak Analysis

Wine market in India has the potential to grow from Metros to Tier- 1 cities of the country

The opportunity for sale of wines in India has been concentrated in top cities. It needs more exploration in tier 1 cities and penetration in metro cities given the low penetration of wines in India. Metro cities will continue to be the top driver for wine sales in the country for the next five years. More opportunity will come up in tier 1 cities as awareness of wines increases and new customers are recruited to the category. Wine companies need to invest in their distribution and marketing to drive recruitment of new customers to the category.

The top three players in domestic wine market dominate the major wine markets of India. Sula wines with a dominant share of 60% in Maharashtra, 45% in Karnataka and 40% in Delhi by value in FY 2020, has a strong presence in each of the key markets. Sula is followed by Fratelli which in a short span of 10 years has overtaken Grover Zampa to become the 2nd largest player in each of the three markets highlighted above.

As demand for wines in urban and semi-urban areas of India is already on the rise, top wine companies in India led by Sula wines with their extensive experience, tailored specific capabilities across product development, marketing, technology, supply chain, fulfilment, and consumer service, sought to create a differentiated ecosystem for consumers

Indian wine market has the potential of transitioning from Non-native small market to a large consumption market

Wine making and wine consumption for the native markets (France, Italy and Spain), are an integral part of the society, food, and cultural practices for centuries.

For the non-native markets including China, India, UK and USA which are non-native markets, wine consumption has not been an integral part of the culture and society on a wide scale. US and UK were non-native market and then changed to native markets with the prevalence of local wine regions & players as market evolves faster when there is a domestic industry of players. The development of wine, therefore, needs support both for its production and adoption. For instance, for California, migration from Europe to America enabled the transition of culture, practices, techniques for the growth and the development of the wine industry in US. Wines in these regions emerged as both niche and mass and so did the grape varieties and variations

Indian market needed a similar support across the value chain and early wine production companies like Chateau Indage, Sula Vineyards, and Grover Zampa took upon themselves this role of growing both wine consumption and wine production in a non-native market. These companies grew both in stature and size and emerged as dominant players in the domestic wine industry. However, Chateau Indage had to liquidate its assets and stop production in the year 2010.

This journey of two decades of the current top 3 players is signified by investment in brand, distribution structure and market reach on one hand and in expanded acreage for wine grapes with deeper farmer connects through contract farming, wine production improvements and product innovation and refinement on the other.

Since the launch of its first wines in the year 2000, Sula vineyards has redefined the production and distribution of wine in India, being instrumental in laying the bedrock for the growth of the local wine industry in India. There are significant entry barriers for new players in the wine market which is reflected in the consolidated market structure of the wine market in India in favour of the top-3 brands. This is unique signifying the India's non-native market development attribute. Countries with a strong local wine industry such as in the case of China, have seen a significant growth in the per capita consumption of wine with per capita wine consumption increasing from 170 milli litres in CY 1980 to cross 1 litre in CY 2000.

Exhibit 84: Wine Market comparison India Vs China (by volume) CY 20

Country	Count of top Companies	Share in wine market
China	3 (Changyu/ Great wall winery/Silver heights)	~ 8%
India*	3 (Sula/Grover/Fratelli)	~ 80%

Source: Technopak Analysis

* Domestic 100% grape wine market

Evolution of Chinese Wine Market provides Insights to Opportunity in Indian wine market

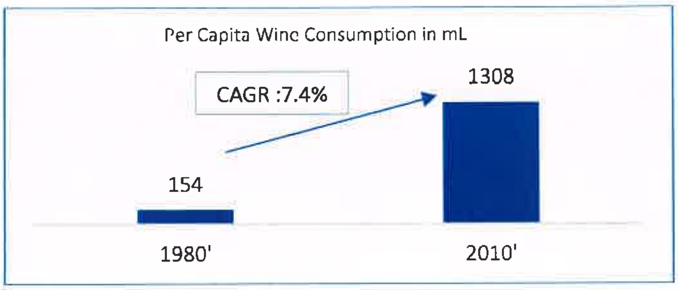
Chinese wine market has evolved from a non -native market to one of the largest wine consuming markets in the world. China consumes more red wine than France. Though China has been the largest table grape producer in the world, wine production and consumption was low until the 1980s. However, economic tailwinds along with perceived health benefits of wine and a positive push from the government ensured that China is one of the largest producers, importers and consumer of wine in the world.

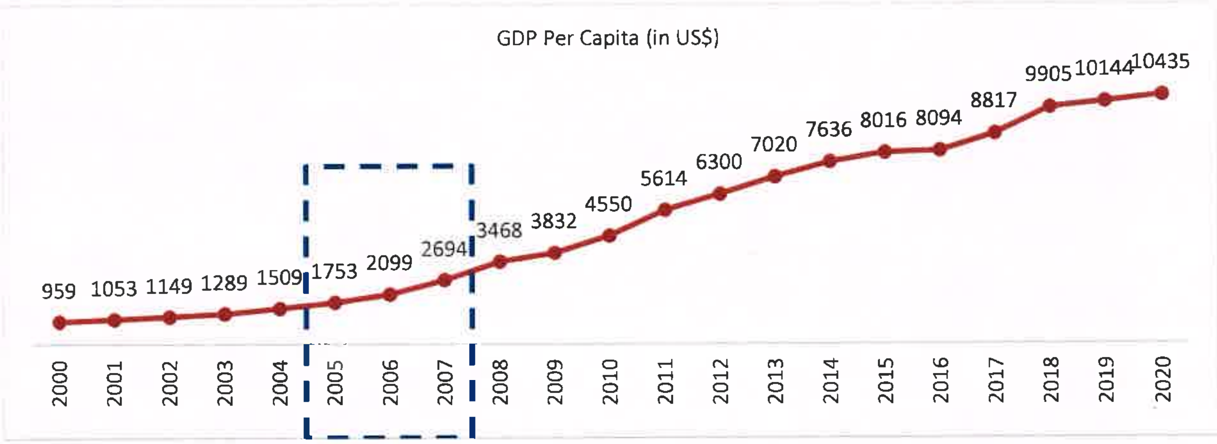
1. Growth in GDP is directly correlated to growth of wines

Consumption of wine in India is low as compared to Chinese market. Chinese wine market moved from a per capita consumption of 154 ml to 1308 ml in a 30-year period from 1980 to 2010. As economy grew at a CAGR of 12% to cross USD 6 Tn, Chinese per capita wine consumption crossed more than 1 litre. Growth of economy led to growth of hospitality sector with prominence of wine in gifting and banquets. Key influencers promoted perceived health benefits of wine which led further increase in consumption of wine in the country.

India's wine market is at its inflection point with similar GDP per capita of China between 2005 and 2007. China followed a high growth path a per capita income surpassed USD 2,000. It is expected that a similar trend will be followed in India as GDP per capita crosses the USD 2,000 level between CY 2019 and CY 2024. Indian wine market has the potential to take a similar trajectory as Indian economy is projected to a sustained growth period and other factors including increasing awareness of perceived health benefits of wines get popular.

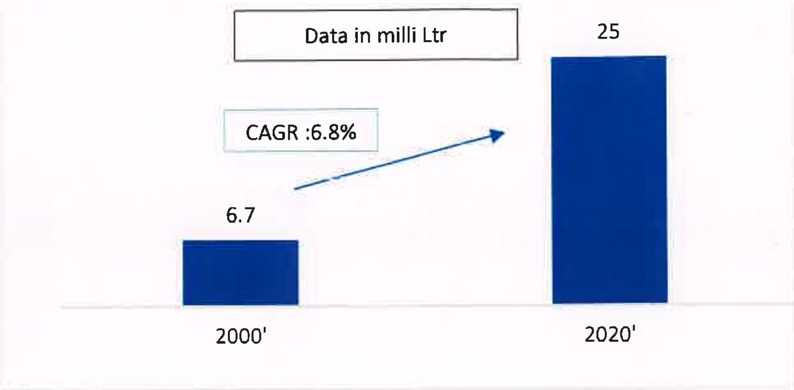
Exhibit 85: Trending of Per capita wine consumption and per capita GDP in China

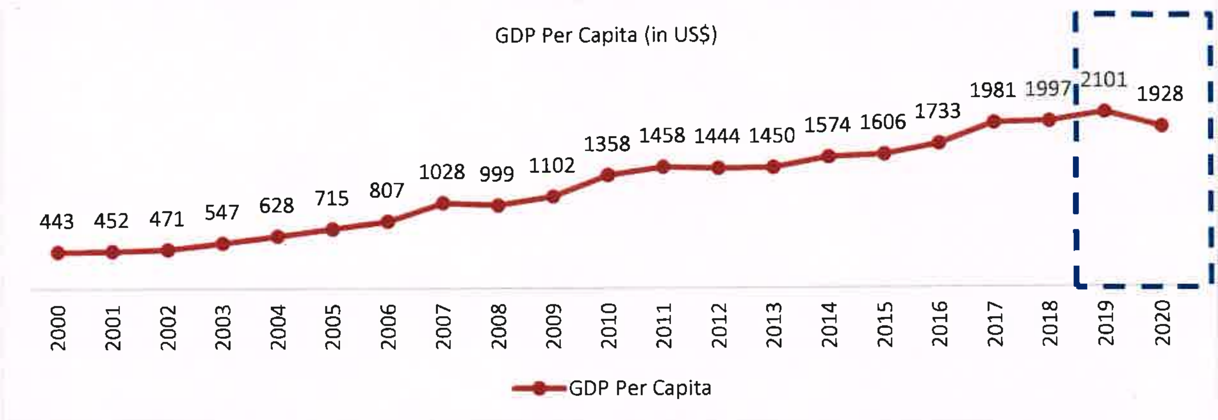




Source: Technopak Analysis
Wine data projected from WHO, GDP from World Bank,

Exhibit 86: Trend of Per capita wine consumption and per capita GDP in India





Source: Technopak Analysis
Wine data projected from WHO, GDP from World Bank,

2. High production of grapes in China is a critical factor in rise in consumption of wine

China is the world's largest producer of grapes and rising demand of wine led to progressive conversion of table grapes to wine grapes which is more than 20%. India is the second largest table grapes producer, behind China. Wine grapes constitute close to 2% of total grapes production in India, there is a ready base of grapes production to serve the rising demand of wines.

Exhibit 87: Vineyard Area, Grape Production and Wine Production

	2000			2019		
Country	Vineyard (ha)	Grape Production (Mn tons)	Wine Production ('000 hecto litres)	Vineyard (ha)	Grapes Production (Mn tons)	Wine Production ('000 hecto litres)
China	3,00,000	3.2	10,500	7,80,665	14.3	7,824
India	43,000	1.1	18	1,50,500	3.0	180

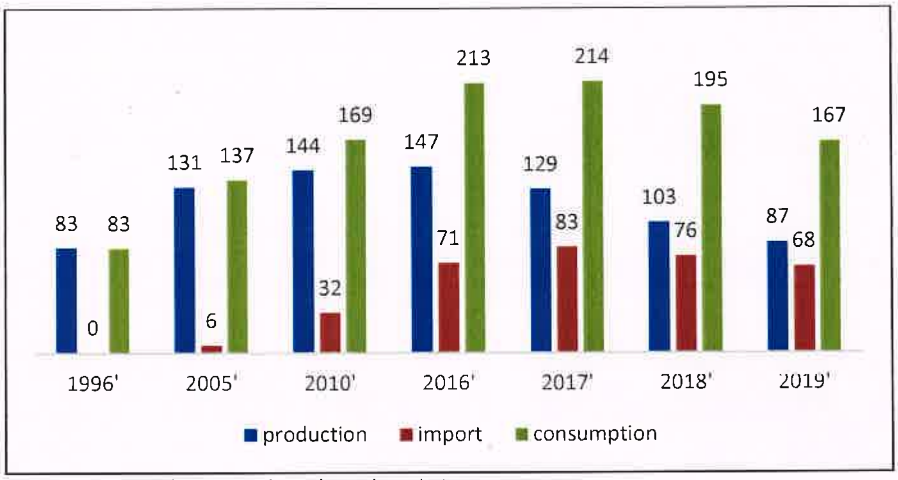
Source, Technopak Analysis
Data projected from OIV country profile

3. Leading Brands playing the role of Category Creators

Chinese wine market has benefited from presence of strong wine brands which helped grow the market with investment in trade and innovation across the value chain. Domestic wine players like Changyu, Great Wall Winery and Silver Heights played an important role in growing the market with investment both in local wines as well as imported wines. State owned company ASC Fine Wines also invested in the import of wines which ensured that the increasing demand is met as well as the market is expanded.

Indian wine market today is led by Sula Wines followed by Grover Zampa and Fratelli Wines. Sula vineyard in FY 2019 became the only winery in Asia other than China to sell more than a million cases of domestically produced wines. Domestic wine companies in India are investing in the value chain including upstream and downstream operations to ensure that wines get prominence in alco-beverage market in India and economic growth and prosperity is leveraged to grow the market.

Exhibit 88: Key trends in wine market in China (value in Mn cases)



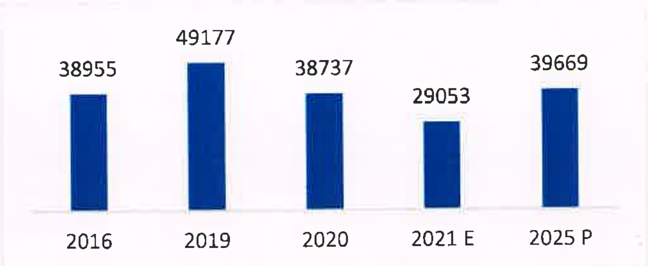
Source: OIV, Secondary research, Technopak Analysis

5.2.3 Imported Wines

Imported wines continue to play a critical role in Indian wine market

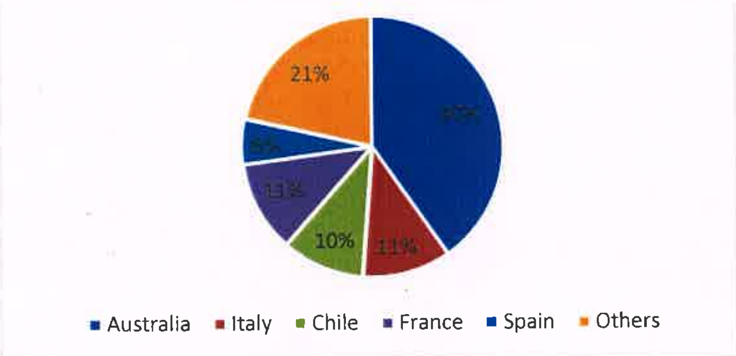
Imported wines continue to play an important role in Indian wine market with share of close to 17% by volume in FY 2020 and projected at 13% in FY 2025. Indian wine market in a period from 1996 to 2020 has transformed from 100% contribution of imported wines to close to 17% in 2020. Australia is the leading country of import for India in volume terms with close to 40% share. However, France is a close second to Australia in contribution to import by value. Imported wines face high import duties as well as freight and logistic barriers that render them much more expensive relative to locally produced wines.

Exhibit 89: Wine import in India : value for FY (volume in hecto litres)



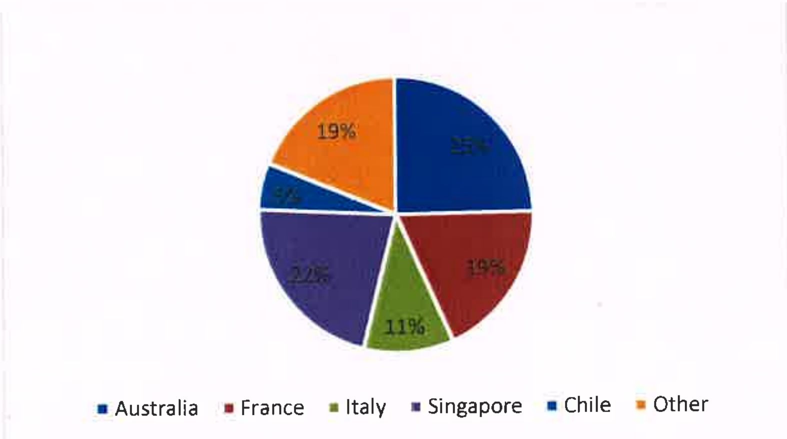
Source: Technopak Analysis

Exhibit 90: Wine Import by countries into India FY 2020 (Total Volume : 38,737 hecto litre)



Source: ITC trade map, OIV, Technopak Analysis

Exhibit 91: Wine Import into India FY 2020 (Total value-19.6 USD Mn)



Source: ITC trade map, OIV, Technopak Analysis
Note: import value only for CIF value

5.3 Key Factors Driving Growth of the Wine Market in India

1. ***Growing income levels and rapid urbanisation leading to premiumization of alco-beverages***: Rise in disposable income is leading to consumers upgrading their preferences. Rapid urbanisation is also leading to spur in aspirational values of people, leading to higher consumption of premium alco-beverages specially wines.

2. ***Growing awareness about Wines*** Indians travelling abroad is also leading to an upgrade towards Premium segments especially wines in the alco-beverage market. Emergence of novel Food & Beverage formats is also increasing awareness of wines. The trend is further being amplified with the rising influence of social media on the millennials and rising aspirations.

3. ***Wider appeal across consumer demographics*** - Globally, the appeal of wine has been gender and age neutral. Similar positioning of wine has enabled the market development for wines in India, particularly among women and supported its growth since 2000. Popularity of wine has grown across age groups and gender types. This is different from hard spirits like whiskey that has a skew towards men.

4. ***Popularity of wine among women*** -women consumers have equal say in purchase of wines whereas participation of women in purchase of other alco-beverages is very low. Rising participation of women in workforce is driving growth of alco-beverages led by wines.

5. ***From Binge to Discerning*** - Alcohol consumption in the popular imagination is centered around drinking for the purpose of getting a high and for the significant market driven by hard liquor that continues to be the case. However, the growth of wine also manifests the development of the consumer class that appreciates liquor as a discerning choice for taste.

6. ***Growing Perception of Health Benefits*** - Growing awareness of perceived health benefits of wine is driving growth of wine the segment of consuming class has a disposition towards healthy living and therefore appreciates wine for its healthier connotation over other types of liquor.

7. ***On the go consumption of Digital Media*** - The growth of OTT (over the top) platforms has enabled digital media to proliferate content to the target consumer that showcases wine as a discerning choice. Product placement of wine in popular and vernacular shows (Mirzapur, Four More Shots Please!, The Good Wife etc.) and in specialist shows on food, culinary and living (Masterchef, Discovery Channel etc.) has created pull for wine in India

8. ***Increase in home consumption*** – Over the years, wine has become a regular category to stock and consume at home. This is witnessed through the growth of retailing options like direct to home delivery that is patronized by the consumer segments for purchase and delivery of wines at home (in applicable locations). Developing regulations allowing retailing through digital apps, websites and phone ordering will further help the market grow. Wine at home is consumed both on regular occasions like get together with friends or family and celebrations like weddings or birthdays.

9. ***Growth of wine tourism*** – Growing popularity of wine tourism is driving new customer recruitment for wines. During a visit to a vineyard, Customers are acquainted with the complete chain of activity leading to making of wine. Active participation and first-hand experience lead to intimate long-term association with wines. Wine tourism has also led to emergence of a strong customer base through the D2C channel which is unique to wine category in India.

10. ***Favorable Regulations around wine processing and retailing-*** Favorable regulations treating wines as unique and separately for other alco-beverages is one of the key drivers of wines. Favorable regulations in Maharashtra and Karnataka have played a key role in growth of domestic wine industry in India. The new wine policy of Maharashtra which proposes to allow sale of wine through regular super-markets can be a gamechanger for Indian domestic wine industry. New excise policies in Delhi and Uttar Pradesh have taken initiatives to treat wines as a unique category of alco beverage industry.

5.4 Key Factors Inhibiting Growth of Wine Market in India

1. ***Spirits remain the top choice even for the affluent customer:*** Indian consumer's idea of deriving pleasure from an alcoholic drink is primarily about getting a high but even for people who see it as an experience, wine has not caught up as the preferred drink. A large part of the affluent class may try wine, but wine loyalists are limited. They will have it only occasionally and stick with either whisky or rum or cocktails for regular consumption
2. ***Limited understanding of wines:*** Education about wine is at an early stage and selecting wine is a key challenge for consumers in India. Many consumers with limited understanding of wines feel intimidated about buying wine and feel they should be knowledgeable enough to pick up a bottle at a retail outlet.
3. ***Pricing remains a challenge:*** Pricing of wine ensures that it remains a niche category as customers in India prefer to buy spirits for the same rate as premium wine
4. ***Handling and storage of wines:*** Wines need to be stored in controlled temperature environment as exposure to heat may lead to spoilage. The trade structures in India are still evolving to take care of this special requirement of wines vis a vis other alco- beverage categories.

5.5 Analysis of the value-chain and the ecosystem of the industry

India is the fastest growing county in grape production with seventh highest production in CY 2020. It has more than 1,40,000 hectare of grape farms which is twelfth largest in the world, ahead of key wine producing countries including Australia and South Africa. However, less than 2% of grape farms are cultivating wine grapes and close to 1% of grapes production comprises wine grapes. Indian grapes industry is primarily into table grapes with 85% of grapes being consumed fresh and remaining used in drying or crushed for juices. India's total grape production in FY 2020 was 3.1 million metric tons as per advanced estimates by agriculture ministry

5.5.1 Types of grapes in India

Exhibit 92: grape varieties grown in India and acreage (CY 2018)

Variety	Area Under Cultivation (in ha)	Production (in tonnes)
Anab-e-Shahi (white, seeded)	12,265	3,94,200
Bengaluru Blue Syn. Isabella (black, seeded)	18,397	5,25,600
Bhokri (white, seeded)	2,044	43,800
Flame Seedless (red, seedless)	2,044	29,200
Gulabi Syn. Muscat Hamburg (purple, seeded)	4,088	87,600
Perlette (white, seedless)	6,132	1,75,200
Sharad Seedless - A mutant of Kishmish Chorni (black, seedless)	4,088	58,400
Thomson Seedless and its mutants (white, seedless)	90,941	16,06,000
Total	**1,40,000**	**29,20,000**

Source: Technopak Analysis

5.5.2 Process of grape cultivation and grape sourcing

Preparation of vineyards is a slow and time-taking process and requires knowledge, expertise, and experience. Various kinds of soils and climatic conditions are suitable for growing different varieties of grapes. For example, Cabernet variety of grapes grow better in gravel and warm temperatures whereas cooler microclimates and sandier soil provide great growing conditions for Sauvignon Blanc. Tropical climate, hot summers, and cool, dry winters are ideal for growing grapes. Sloped hilly terrain are more suitable so that all the vines will be able to receive sunlight at a perpendicular angle.

Grape vines must be planted carefully in properly oriented rows and then covered with a carton to provide warmth and protection. Judicious watering, proper pruning and protection from pests are necessary for the growth of healthy vines. Pruning is done during winter season and is of utmost importance as poorly pruned vines will not produce good quality grapes, which in turn would not be suitable for making wine. When the grapes are ripe, they are harvested early morning, so that they do not start fermenting because of the sunlight. It takes about 4 years for the land cultivated to yield wine producing grapes and hence the plantation requires advance planning. Grapes being a temperate crop, the tropical climatic conditions in India require extensive research and development to produce good quality.

The Nasik region in Maharashtra has a shorter ripening season due to the hilly terrain and colder climate, which keeps alcohol levels lower and results in easier growing conditions for white varietals. The average grape yields can range from 3-4 tons per acre for red varietals, and 4-5 tons per acre for white varietals. Harvest usually is done during the winter months and usually starts from December and continues until to March. Post-harvest, the wineries use the pre-monsoon (Apr-June) period for early pruning, while monsoon (June-September) period typically involves pruning, canopy management and mulching. The state of Karnataka is the second largest producer of wine grapes in India. In Karnataka, the harvest usually occurs from March to May in the Southern region, and from February to March in Northern Karnataka.

5.5.3 Role of vineyards in India and their evolution in the last decade

Vineyards help provide a regular source of income to the farmers through contracts with wineries. Smaller wineries and farmers supply wine and grapes to larger wineries through long-term contracts (5-10 years) as it assures them payment at the end of every season in contrast to other horticultural crops. The sector has witnessed significant consolidation in last few years where large wineries have acquired small ones in other states to overcome the differential taxation policy among states. Small wineries are also choosing to supply grapes to the more commercially viable wineries that can support marketing and branding of their products. The growth potential of smaller wineries is constrained by limited capital availability, tight liquidity, and the lack of national distribution. Planting a vineyard in India, on an average, requires a minimum commitment of 15 years by the grower. Given the long lead time to develop vineyards, it can be difficult for new entrants to venture into to the Indian wine industry and secure a consistent and steady supply source for wine grapes.

Sula Vineyards, which started their operation in 1998 occupy ~50% of total land under cultivation for wine grapes as of FY 2021 making them the biggest player in terms of acreage under cultivation. Sula is followed by Grover Zampa Vineyards located in Nandi Hills, Bangalore.

Exhibit 93: Vineyard Details

Vineyard	Area under cultivation (in acres)	Year of Commencement	Region(s)
Sula Vineyards	2,600	1998	Nashik, Maharashtra
Fratelli Wines	240	2007	Sholapur, Maharashtra
Grover Vineyards Limited	>410 acres	1988	Nashik, Maharashtra; Nandi Hills, Karnataka

Source: Technopak Analysis

5.5.4 Key Activities in the Value-Chain and Stakeholders

Exhibit 94: Key activities in the wine-making value chain

Vineyard Preparation	Grape Production	Wine Production	Logistics	Distribution & Marketing
1.Grape generic R&D 2.Preparatory Studies 3.Installation services irrigation, water, wiring)	1.Disease control 2.Precision agriculture 3.Agro meteorological services	1.Crushing & fermentation 2.Certification laboratories 3.Bottling 4. Storage and ageing	1.Transport 2.Export documentation 3.Insurance 4. Shipping and customs procedures	1.Retailers, wholesalers, and final point sellers 2.Advertising 3.Hospitality & lodging

Source: Secondary research, Technopak Analysis

1. **Vineyard Preparation**: Vineyard preparation involves selection of the best location in terms of soil quality, topography, and climate for plantation of the selected grape variety, after which the land is levelled, subsoiled, and irrigation and electricity facilities are provided. Thereafter, the vineyard is ready for planting the grape seeds.

2. **Grape Production:** The grape production process, also known as viticulture, is then carried out which determines the quality of the grapes produced, depending upon several conditions, including nutrients, seeds, soil, sun exposure, temperature and water. Disease control, frost control, pruning, weed control and fertilizers are also important for this purpose. At the time of harvest, the grapes are examined for quality and then transported to the wineries.

3. **Wine Production**: The wine production process, also known as viniculture, is the next process in the value chain of wine making. The grapes are first crushed to remove from stems and then allowed to ferment in a temperature-controlled environment, which allows for sugar to turn into alcohol. The liquid is then transferred from the fermentation vessel into a barrel during which solids and other residues are removed through filtration. Various chemical processes and laboratory processes are also performed throughout the viniculture process. Wine can then be bottled or stored in containers to age further

4. **Logistics and Distribution**: Logistics services of carrying the wine from the point of production to the end point of sale must be done in a temperature-controlled environment to maintain the taste and quality of wine. For distribution, wine can be sold to wholesalers which make delivery to the final retail point or HoReCa (Hotels, Restaurants and Caterers) for sale or the wine can be sold directly by the company to HoReCa.

5. **Marketing**: Since the alcohol category is media-dark in India, the food services sector and the wine and beer shops become a source of surrogate marketing. Marketing is also generally done

through sports tournaments, events, music festivals, and brand extensions in mineral water or other commodities offered under brand's name. Alcohol companies are now venturing into digital advertising through online videos and social media where user generated content is also becoming a major source of marketing

5.6 Barriers to Entry in the Indian Wine Market

Indian wine market is concentrated with top three players dominating the market. Wine market in India will remain concentrated with high barriers to entry due to the nature of the product in addition to the trade barriers prevalent in the alco beverage market. Wine making involves investment of capital and time in development of vineyard, investment in relationship with farmers and development of expertise in wine making. In addition to that an annual harvest unlike other alco beverages which are not dependent a harvest cycle elevates the demanding nature of the wine making and wine selling business.

The unique attributes of wine business on the supply side include an annual harvesting season, wine production, storage and ageing period leading to a high inventory business model as compared to other alco-beverages. Unlike other alco-beverages, wine industry has only one raw material production cycle in a year - usually from December to March in Nashik region. Wine production starts with the harvesting season in December and continues till April. Wine storage and ageing happens throughout the year. Due to only one harvesting season in a year and perishable nature of the product, Inventory for the full year is effectively build up in just four months (Dec to Mar) resulting in high year-end inventory. The inventory levels go down from April onwards as sales pick up and there is no new stock of grape coming in.

The perishable nature of grapes and one harvest season effectively increases the capital expenditure of the wine makers and limits its opportunity to use its assets as in case of other alco-beverages like beer and spirits. A wine manufacturer can make only one litre of wine from one litre capacity in a season whereas in case of beer and spirits the production cycle can be repeated close to twice a month leading to higher capacity turnover.

In addition, the demand side factors including high seasonality skewed towards the holiday season from December onwards increases the capex and working capital requirement for wines as compared to other alco-beverages. Any new brand may take time to be recognized and earn the trust of the consumers.

Long gestation period for maturing of vineyard (5-year cycles)

The wine value chain process is very long and may take a couple of years before the wine is ready to be bottled. The grape seeds once planted will require a minimum of 2 years to mature and during this period the vines will require intense care. Post-harvest, it takes upto 2 years to manufacture authentic wine. The economic life cycle of a vineyard in India is typically 15 to 20 years with a relatively long gestation period (of approximately two years) associated with its setting up. The long gestation period from initiation to final product creates an entry barrier for new players.

Close association / tie-ups needed for cultivation

Grapes required for making wine require a lot of hard work on the part of farmers who must spend many years waiting for first harvest. The entire process requires a number of steps including grape site preparation, long period of grape production, then wine production, logistics and marketing and distribution. The integration of value chain is required, which has been achieved by already established players, both in terms of scale and value. Long term contracts are signed between wineries and the farmers with a typical term of 12 years to ensure remuneration for the farmers. It will be difficult for new players to achieve such scale and backward integration as accomplished by existing players such as Sula, Fratelli and Grover Zampa.

Fragmented distribution chain

Each state is free to decide its own alcohol policy in including procurement, pricing, distribution and restricted use of alcohol or complete ban. This creates a fragmented approach towards the alcohol market and fragments the distribution chain and regional distribution comes into play. The On-Trade market also has different policies varying from state to state. The ever-changing alcohol policies within the country and different states and the heterogeneity make is difficult to set up standard operating procedures by brands. There is also a substantial exclusivity that is being enjoyed by existing brands, depicted by the concentration of market among top three players.

Winemaking expertise

Winemaking requires expertise in all forms- from identifying correct soil and the type of grapes to be grown on that area of land, the grape quality, quality of wine manufactured and expertise in marketing the product. This comes with experience as well as passion in the industry. Making wine also requires the help of an oenologist who is an expert in the science and art of making wine. It therefore creates a barrier for new entrants to establish their presence due to the presence of experienced large players in the industry with large areas of land under cultivation and profitable wine tourism businesses.

Regulatory Barrier

There exist fragmented state wise policies for alcohol across the country with differing freedom and restrictions accorded by the State governments. This makes it difficult to constantly keep track of the pricing, labels, production method, excise, etc. Complex and differing regulations in each state applicable to the production and sale of alcoholic beverages require extensive compliance, gives an advantage to the for the bigger players and brands. Furthermore, both direct and indirect advertising of alcohol is prohibited, and it can be advertised only at point of sale (POS) and new brands may generally take time to be recognised and earn the trust of the consumers

5.7 Emerging growth opportunities for Indian Wine brands

5.7.1 Evolution of Winemaking and Oenology in India

An oenologist is an expert in winemaking who knows the entire process from selecting the grapes to the bottling of wine. Degree programs in the field of wine studies are usually a combination of two degrees- oenology and viticulture. Almost every state in India has at least one agriculture university and most of them offer undergraduate and postgraduate courses in horticulture with specialisation in oenology and viticulture. However, there is no national training institute for winemaking in the country and the number of skilled winemakers is very limited in India.

Exhibit 95: Wine tourism activities in different vineyards

Institute	Location	Inception	Courses Offered
The Indian Institute of Vine and Wine **(Affiliated to University of Adelaide, Australia)**	Mumbai, Maharashtra	2007	1. 3 Year Diploma in Wine-making, wine marketing, finance, vine-growing 2. 4 Year Degree in Wine-making, wine marketing, finance, vine-growing 3. 2 Year Masters in Wine-making, wine marketing, finance, vine-growing 4. Research in wine making
Gargi Agriculture Research and Training Institute (GARTI) **(Affiliated to Savitribai Phule Pune University)**	Nashik, Maharashtra	2006	1. 3-year degree- B.Sc. (Wine, Brewing and Alcohol Technology) 2. 2-year masters-M.Sc. (Wine, Brewing and Alcohol Technology)
Dr. Babasaheb Ambedkar Marathwada University	Aurangabad, Maharashtra	1958	1. 1 Year Post-Graduate Diploma in Wine Technology

Source: Secondary Research, Technopak Analysis

Even though there are no sommelier schools in the country as of now, increasingly a greater number of Indian are pursuing the courses outside the country that allow them to become sommeliers and tell the origin, soil variety, grape variety, and region where the wine was produced. Through their experiences and expertise sommeliers help restructure restaurants and F&B operations and may also help companies with their offerings. An annual Indian Sommelier Championship (ISC) conducted within India to identify the mix of best sommeliers within the country.

Wineries also tend to bring in international expertise into their wine-making process due to a dearth of expertise within the country. For example, Sula Vineyards also has on its team one of the best winemakers from California, USA as the master winemaker who has worked all over the world to gain knowledge and expertise. He consults with team at Sula multiple times a year to jointly review the winemaking practices as well as the latest wines and provides guidance which has led Sula to be recognized as one of the best wines in India. Grover Zampa Vineyard has inducted a French winemaker as its board member with a 30% stake in the company. This partnership has been done to bring in expertise in winemaking and knowledge of international markets to the company as well as innovation in the vineyards, which would help bring in more products and better quality into this category. Fratelli also takes the guidance of a master winemaker from Tuscany for the development of its range of wines.

5.7.2 Growth in Wine Tourism

Wine tourism is increasingly becoming an important adjacency in terms of attracting new customers as well as a source of revenue generation. Wine tourism bring to fore all activities in wine tourism from planting grapes to selling wine This is becoming an established industry in the top wine producing countries in the world.

In India, Sula established the first wine tasting room in in India in 2005, marking the initiation of wine tourism in India. The Consumers who come to the vineyards for day-visits and/or for overnight stays can also get an in-depth knowledge of the process of tasting wines, savouring them with food and understanding the process of both winemaking and tasting.Sula also pioneered in starting an annual musical festival "SulaFest" in 2008, involving a two-day celebration of wine, music and food, in Nashik. This festival is widely sought after, with more than 10,000 people in attendance in 2020. A lot of "first-time" wine tasting is done in vineyards, thus establishing the importance of wine tourism. It also helps build a loyal consumer base given the quality of their wines. "SulaFest" is the first and the largest wine music festival in India.

Direct to consumer (D2C) channel also aids in revenue generation for companies selling wine. Sula with its prominence in wine tourism has a strong presence in this direct to consumer (D2C) segment with highest sale in D2C segment through its winery at Nashik and Bengaluru.

As per Sula vineyards close to 3,68,000 people visited Sula vineyards in FY 2020 which would make it one of most visited vineyards in the world. This gives it the advantage of introducing wines to a large set of new customers. Other prominent wineries including Fratelli, and Grover Zampa also have a dedicated wine tourism wing to promote wines. Both Karnataka and Maharashtra state governments have put in place incentives to drive wine tourism.

Exhibit 96: Wine tourism (visitors in top wine markets CY 2020)

Country	Number of visitors * (In Mn)
USA	22-23
France	10-12
Italy	5-7
Spain	2.5-3
Australia	5-7

**Estimates*

Source: Technopak Analysis

Exhibit 97: Wine tourism activities in different vineyards in India

Offering in Wine Tourism	Sula Vineyards	Fratelli Wines	Grover Zampa Vineyards	Chandon India
Start of Wine Tourism	2008	NA	NA	2016
Footfall in FY 2020	~3,68,000	NA	NA	NA
Tour	✓	✓	✓	✓
Tasting	✓	✓	✓	✓
Grape Stomping	✓	-	✓	-

Dining	✓	✓	✓	✓
Restaurant	✓	✓	✓	-
Bottle Shop	✓	✓	✓	✓
Music Festival	✓	-	✓	-
Hotel/ Resort	✓	✓	-	-

Source: Technopak Analysis
Note: NA implies Not Available

5.7.2 Innovation across value chain in wine making

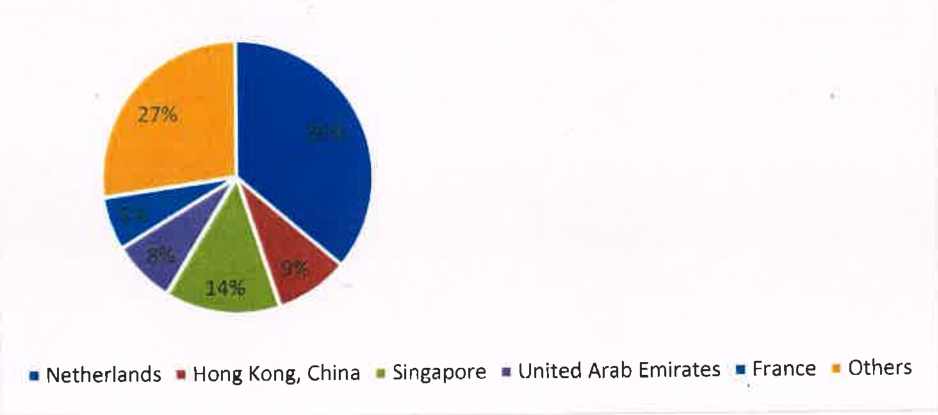
Indian wine makers need to be up to date with the technological and product innovations happening around the world. For example, Sula and Good Drop Wine Cellars are the first to introduce the 'Charmat' method for producing sparkling wines in India, which enables a faster and more efficient production of wines. Sula also introduced screwcap on wine bottles in 2006. Screw cap in place of cork ensures that wine is not spoilt due to leakage or cork taint. It has also helped retailers store higher quantity of wines. This is one of the important innovations which has helped the industry grow in India.
Sula was the first to introduce a refrigerated stainless-steel winemaking which went on to revolutionize tropical winemaking. Sula also introduced red-sparkling wine in the country and has also been the pioneer in introducing canned wine in 2020 under brand Dia. Canned wine in India has the potential to build a new wine on the go segment. Aluminum cans being lightweight ensure that the wine cools down quickly using less energy, and is easy to transport, with larger volumes being transported in a single shipment, in turn reducing the carbon footprint. India's first bottled mulled wine was launched by Grover Zampa in December 2020 also blended with Indian kadha spices.

5.7.3 Exports

Exports of wine from India was estimated at INR 35.8 Cr in CY 2020 and accounted for less than 1% of exports from India. In CY 2019, India's share in export of alcoholic beverages was 0.27% with a global rank of 32.A phased tariff reduction on intermediate products to manufacture alcohol will help boost the manufacture of alcohol and will help improve exports. However, with the right govt. policies, there is large potential for exports of wine from India.

Exhibit 98: Wine exports from India (FY 2020) (Total value – 7.6 USD Mn)

Source: Technopak Analysis


27%
8%
14%
9%
Netherlands
Hong Kong, China
Singapore
United Arab Emirates
France
Others

6. Industry Landscape Assessment of Wine Market in India

6.1. On-Trade and Off-Trade Channel

Prominence in On-Trade channel is going to drive sales in Off -Trade channel in wine category

On-Trade sales for alco-beverage industry refers to consumption at hotels, restaurants, and caterers (HoReCa). It is one of the key drivers of alco-beverage industry in India as premiumization is one of the strongest themes in the industry. This is also in line with the transition of industry towards experience rather than intoxication. On-Trade sales went down sharply in FY2021 as majority of outlets were closed in first half of the financial year. However, On-Trade sales is projected to contribute 25% of the total wine industry by FY 2025 as trends around premiumization and food service sector in India continue to grow.

Alco-beverage segments have varying contribution from on trade sales. It is highest in low concentration alco-beverages including beer and wines and lower in the spirits segment. This confers to a co-relation between premiumization and increasing share of On-Trade channel as spirits has the highest contribution to the value segment in the alco-beverage industry.

Prominence of On-Trade is more important for wine segment as pairing of wine with food is one of the key drivers of wine sales. As penetration of wines is low in India, marketing activities through the On-Trade channel is key to growth of wine category. Prominence of On-Trade sales will continue to drive consumption of wines at home as consumer discover different types of wines and develop affinity towards it.

Wine industry in India is at a very nascent stage as compared to large markets like China or native markets like France and Italy. However, as wines get prominence in On-Trade channel, more consumers experience this nascent category. This is the most important channel for discovery of product as well as customer recruitment. Off Trade sales is going to leverage the excitement created in the On-Trade channel and drive multifold growth in category size. Already Off -Trade sales are very high due to Covid-19 and this trend will be strengthened as people get used to drinking at home. Wine as a product category is becoming increasingly popular as a social drink for in-home consumption.

Sula wines are the market leader in On- Trade segment with more than 50% share in the On -Trade segment. Sula was not only the leader in the on-trade channels, but also recorded the highest off-trade sales in the last three years with its off-trade sales contributing 74% of its total sales during Fiscal 2021 as compared to 60% in Fiscal 2020.

Sula services close to 8,000 hotels, restaurants and caterers (HoReCa) which also make it leader in the footprint among wine players in India.

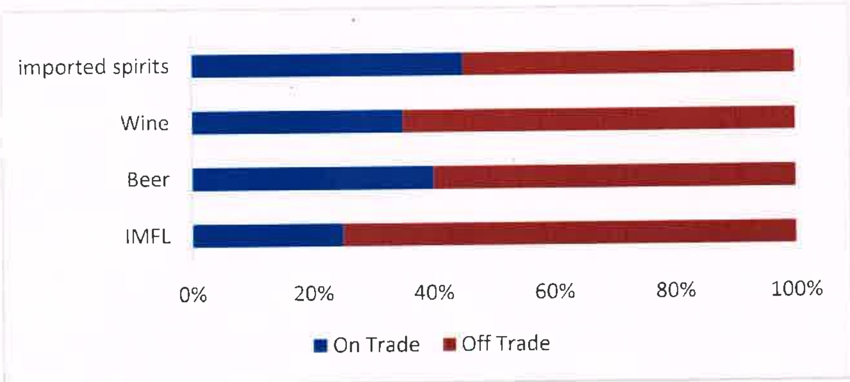
Ankur Bisen
Senior Partner

TECHNOPAK ADVISORS PVT. LTD. GURGAON

Exhibit 99: On-Trade & Off-Trade sales of Indian Alco-beverage market (in INR Crore)

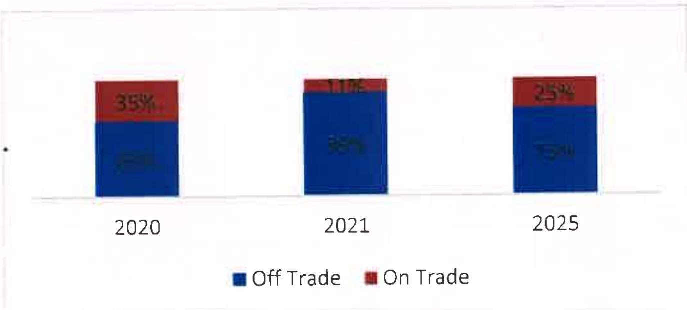
Source: Primary Research, Technopak Analysis

Exhibit 100: Segment wise trend: On-Trade vs Off-Trade sales (FY 2020)



Source: Primary y Research, Technopak Analysis

Exhibit 101: On trade Vs Off Trade sales in wine category by Value



Source: Primary Research, Technopak Analysis

6.2. Key initiatives taken by players to boost the growth of wine market in India

Engaging with respective state governments on favorable wine policy

One of the key drivers of growth in wine is a regulatory policy which treats wine separate from other alcoholic beverages in the country. The keystone of such policy is the perceived health benefit of wines as against other alco-beverages and promotion of domestic grapes industry and farmers associated with it. Key players in the industry have worked with respective state governments which has led to a favorable policy in the two major grapes producing and wine consuming states in the country - Maharashtra and Karnataka. The industry has also been in engaging with state governments for leniency in placement of wines, applicable taxes on wines including interstate movement of taxes.

Indian wines competing with international wines with growing range and improved quality of products

Wine players in India have a wide variety of wines- ranging from still to sparkling. Wine players have put in extensive study and research in the area from selecting the appropriate land, to selecting what variety of seeds will be planted in which region. Indian wine companies have also collaborated with international wine developers to bring authentic wine experience to India. The quality of Indian wine has also improved tremendously and are now comparable with international wines and international standards of wine making. Indian wines are now being exported in more than 30 countries. Companies like Sula Vineyards, followed by Fratelli have also started selling wine in a can which makes for a more convenient experience. Sula vineyards are the first to introduce varietal wines in India starting in 2000, including Sauvignon Blanc, Chenin Blanc and others. It has taken the lead in developing the widest portfolio of wines in India. It has the widest portfolio of domestically produced 100% grape wines across Red, White, Rose and sparkling wines in India. Sula wines have been awarded multiple times by top international agencies for their high quality and innovative range of wines.

Exhibit 102: Indian wines winning international awards

Indian wine	Company	Award
Sula Brut Tropicale	Sula Vineyards	International Wine Challenge,2022
Sauvignon Blanc	Sula Vineyards	Decanter world wine awards,2020
Late Harvest Chenin Blanc (White)	Sula Vineyards	Decanter World Wine Awards, 2020
Dindori Reserve Viognier	Sula Vineyards	Decanter World Wine Awards, 2020
The Source, Reserve Sauvignon Blanc (White)	Sula Vineyards	Decanter World Wine Awards, 2020
The Source, Reserve Sauvignon Blanc (Rose)	Sula Vineyards	Decanter World Wine Awards, 2020
Sauvignon Blanc (White)	Sula Vineyards	Decanter World Wine Awards, 2020
Dindori Reserve Shiraz (Red)	Sula Vineyards	Decanter World Wine Awards, 2020
Rāsā Syrah (Red)	Sula Vineyards	Decanter World Wine Awards, 2020
Brut (White)	Sula Vineyards	Decanter World Wine Awards, 2020
Riesling (White)	Sula Vineyards	Decanter World Wine Awards, 2020

Brut	Chandon	Decanter World Wine Awards, 2020
Rose Brut	Chandon	Decanter World Wine Awards, 2020
Sula Grenache Rose	Sula Vineyards	India Wine Awards, 2019
MS White	Fratelli Wines	India Wine Awards, 2019
Soiree Brut	Grover Zampa	India Wine Awards, 2019
Rasa Zinfandel	Sula Vineyards	India Wine Awards, 2019
Chenin Blanc Reserve	Sula Vineyards	India Wine Awards, 2019
Sauvignon Blanc	Sula Vineyards	India Wine Awards, 2019
Rasa Cabernet Sauvignon	Sula Vineyards	India Wine Awards, 2019
M/S Rose	Fratelli Wines	Sommelier wine Awards 2019, UK
Vijay Amritraj reserve collection (White)	Grover Zampa Vineyards	Decanter Asia Wine Awards (DAWA) 2019.
Sauvignon Blanc	KRSMA	Decanter world wine awards,2015
Sauvignon Blanc	Sula Vineyards	Decanter world wine awards,2014
Sauvignon Blanc	Sula Vineyards	Decanter world wine awards,2011

Source: Technopak Analysis
NOTE: The awards are not exhaustive

Wine tourism is one of the key levers to customer recruitment

Wine tourism helps in boosting sales for the wineries. Consumers visit wineries for an all-round holistic experience and to witness and partake in the process of winemaking. A lot of people taste wine for the first time during their visit to the vineyards. Wine tourism provides direct engagement between the winemakers and consumers and helps the consumer create a connect with the brand. Sales are also largely dependent on building brand recognition by providing a unique experience. Consumers look for experiences in addition to eating and drinking, which led to a rise in winery restaurants and related activities in the vineyards like offering vineyard yoga, cycling among the vineyards, wine-and-food pairing sessions on location, classes about wine, etc. Sula was the pioneer to wine tourism in the country and received a footfall of ~3,68,000 in FY 2020. All major wineries in India today offer facilities to visit their wineries. The services include tasting room, stay and dine options and opportunity to buy wines directly at the winery.

Vineyard music festivals in India bringing attention to wines, with Sula being the concept pioneer

Wine companies in the country are innovating to create more awareness about their brand as well as to increase footfall at their vineyards. One such concept pioneered by Sula Vineyards was the "Sula Fest" which is a 2/3-day event that includes food, wines from Sula as well as performance from various music artists and other events like fashion shows. The first Sula Fest was held in the year 2008 and has since become one of the most sought-after events in the country. This also gives people an opportunity for wine tasting, visit tasting rooms and the wine cellar.

Grover Zampa has started The Great Grover Wine festival. There is wine and food, performing artists, Grape stomping, a wine appreciation workshop, flea market and art gallery visits in the itinerary. Such high level of consumer engagement creates wide brand awareness.

Wine & dine is going to drive penetration of wine category in India

Fine dining restaurants in India are the fertile grounds for recruiting consumers to wine consumption. Various wine companies collaborate with top restaurants in India to provide a complete guide on pairing food with wine. These include exclusive limited period events with leading chefs engaging with consumers. Chefs and managers carefully pick and compliment wines with the dishes and interact with guests with presentation of each course and explain the flavors. This helps in increasing awareness of pairing of different types of cuisines/food with different kinds of wines.

Sustainability a growing theme in vineyards

Sustainable wine making practices aim to have a process that protects the environment, supports social responsibility, minimizes wastage, and maintains economic feasibility. "Green Sula" initiative undertaken by Sula to make their vineyards eco-friendlier as well as more cost-effective. Some of the initiatives include - Promotion of renewable energy with close to 60% of energy requirement fulfilled by solar, efficient water harvesting systems and recycling of packaging and solid waste management. Sula vineyards as a member of International Wineries for Climate Action (ICWA) is committed to achieve zero net emissions by FY 2050. It has commissioned a study on our GHG emissions (Scope 1, 2 and 3), the first step in aiming to achieve IWCA's 'Net Zero Emission Goal'.

6.3. Key initiatives taken to boost grape acreage and manufacturing capacity

Farmers in India are moving from table grapes to wine grapes with growing popularity of wines. Farmers are moving from Thomson Seedless and Bengaluru Blue variants to popular wine variants including Chenin Blanc and Cabernet Sauvignon. Wine grapes are more profitable to farmers as compared to table grapes as per quintal returns are higher. The returns are normally guaranteed by wineries through long term contracts for 8 to 10 years which is not the case with table grapes which are mainly traded through APMC markets.

Wine acreage in India is growing with expansion being carried out by the market leaders as well as new wineries being set up. Sula wines has access to close to 2600 acres of vineyards as of December 2021 which is significantly higher than the next two wine producers in India including Fratelli wines and Grover Zampa vineyards.

Exhibit 103: Top Indian players land acreage (in acres)

Company	Acreage					
	2006	2010	2015	2019	2020	2021
Sula Wines	~1,500	~1,800	~2,000	~2,650	~2,800	~2,600
Fratelli Wines	80	240	240	240	240	240
Grover Zampa Vineyards	~410	~410	~410	~460	~460	~460

Source: Primary, Technopak Analysis

Top wine players in the country have also invested in manufacturing facilities to cater to the growing demand. These players plan to invest in the capacity expansion through acquisition of new land to increase grape production as well as acquisition of other players which will increase wine-making capacity as well as distribution like the acquisition of York Wineries in Nashik by Sula Vineyards, and that of Four Seasons by Grover Zampa. The players are also constantly upgrading their wine-making process by investments in new processes and viticulture technologies, as well as experimenting with newer grape varietals which may lead to increased production capabilities.

Exhibit 104: Top wine players installed capacity FY 2021 (volume in "000 litres)

Company	Installed Capacity
Sula Wines	13983
Fratelli Wines	1400
Grover Zampa Vineyards*	4700

Source: Primary Research, Technopak Analysis
**Includes capacity of four seasons and charosa wines*

6.4. Uniqueness of Indian Wine Landscape

India is a small market as compared to developed countries but with a lot of potential
The size of the Indian wine market is small as compared to the size of other developed and developing economies. The share of wine is ~1% in the overall alcohol industry which creates immense opportunity for growth. The drinking culture in India is transitioning from high alcoholic content beverages to lower concentration of alcohol in beverages which has proved to be a growth factor for wine in the country. Wine has gender neutral connotation and is being increasingly preferred by the urban young section of the society and is growing rapidly. Growing economy with positive effects of demographic dividends coupled with growing urbanization is going to drive wine consumption in India.

Growing Wine Drinking Culture
India does not have a strong wine drinking culture unlike in European countries where it is paired with meals. Wine drinking culture in India is an occasion-led event where people drink wines at parties, social gatherings, and events. However, owing to the health benefits that wine offers when taken in moderation, the culture is slowly shifting towards frequent consumption of wine at home.

India is a concentrated market unlike developed markets which are fragmented
Indian wine market is very young with domestic wine industry taking shape in 1990s.However unlike international markets, Indian wine market is highly concentrated with top three players controlling close to 80 % of the domestic 100% grape wine market by value in FY 2020 and the market leader Sula controlling close to 52% of the market by value in FY 2020. Strong entry barriers including high gestation period in development of vineyards, diversity in regulatory environment and strong relationship in trade between incumbents will make it very difficult for new players to take market share in India.

Exhibit 105: Country wise market size (in million cases) & share of top players (CY 2020)

Country	Beer		Spirits		Wine	
	Market Size	Share : Top 3 players	Market Size	Share : Top 3 players	Market Size	Share : Top 3 players
China	~3800	~65%	~1000	~10%	~170	<10%
USA	~2500	~ 70%	~270	~(30%-40%)	~360	~40%
France	~250	>50%	~35	~(35-45%)	~275	~20%
India	~300	~80%	~350	~(40%-45%)	~1.7	~80%

Source: Technopak Analysis
**India data in FY. data for 100% domestic wine, Source: Secondary Research, Technopak Analysis, Estimates*

6.5. International Wine Players in India

Imported wines have played an important role in nurturing the category. However, contribution of domestic wine is growing in the market. Contribution of imported wines is projected to degrow from 17% in volume in FY 2020 to 13% by volume in FY 2025. International wine players have struggled to establish themselves in the Indian market. Global leaders in wine category have not invested in Indian vineyards and have been operating through importers. However, integrated alco-beverage industry players have tried to penetrate the Indian wine market but with limited success. The primary reason for the failure being lack of focus given the small size of the business as compared to the lucrative spirits market of the country. Currently the top two players in the spirits market have a limited play in the wine category through imports. The growing size of Indian wine market may see interests from large international players given the long-term prospects of the market.

Indian Wine Market has largely been dominated by the Domestic players (wine specialists) with more than 83% share by volume in FY 2020. Few International player forayed into the segment and met with limited/ no success

- Diageo entered the Indian wine market in November 2007 with the launch of the wine “Nilaya” in Goa Nilaya was launched in four flavors – Chenin Blanc, Sauvignon Blanc, Shiraz Rose and Shiraz Cabernet. All these wines were priced between Rs 395 and Rs 500 in retail. Diageo sold 15,000 cases in 2008 but failed to grow the business. This wine business was shut down by Diageo in less than 20 months citing recession and reduction of wine business after a change in management. Diageo also had invested in the wine business through Four Seasons Vineyards, which they exited in 2020 at a loss. The cause for Diageo’s failure in the wine market can be attributed to major focus on whiskey and wines being as a non-core offering. A limited range as compared to the industry leaders and lack of an ecosystem to promote wine consumption leading to business becoming unsustainable

- Pernod Ricard launched Nine Hills in Mumbai through Seagram India. It had two varietals of red wine including Cabernet Sauvignon and Shiraz, and 2 varietals of White-Chenin Blanc and Sauvignon Blanc. The price range in Rs 400 to Rs 450 was in competition with the existing brands of Indage, Sula and Grover, the top three wine companies in India. The company built a winery in 2005 and produced about 10,000 cases for their first harvest. The winery did not own any vineyard land and contracted with twenty-one grape farmers as well as hired a master wine maker. However, volumes were always limited and never crossed 30,000 cases and finally it was closed. The failure to scale up can be attributed to lukewarm response from the market and lack of will to invest in the market.

6.6. Key Success Factors for Indian Wine Market

Raising awareness of wines as an alcoholic beverage with a difference

Indian alco-beverage industry has traditionally been a spirits' market and the overwhelming purpose of drinking alcohol has been of getting high. However continuous economic growth coupled with positive demographic indicators and growing urbanization provides an opportunity for alco-beverage industry to move to alcohol consumption for a rich experience and celebration. The market is ready to adopt low alcoholic beverages with higher social acceptance in certain sections of the society.

The wine industry players together must educate consumers on the experience of wines highlighting perceived health benefits of wines. This can be done through highlighting the process of making wine including promotion of wine tourism, extension of tasting rooms & sampling avenues and scale up influencer-based marketing programs. Prominence of wines in different forms in media including cooking shows can lead to higher acceptance and demand generation. Wine industry need to highlight the positive effect of wines to Indian farmers and prominence of wines in the developed countries.

Engage with states for a favorable policy towards wines

Regulations in Indian alco-beverage industry across states has been same for all kinds alco-beverage drinks but with few exceptions. Growth of wine industry can be attributed to some extent to the preferential treatment given in Maharashtra and Karnataka. The industry needs to engage with the regulators to treat wines as different from other alcoholic drinks. The state must provide for leniency in terms of retailing channels allowed to sell wines with permission to modern format stores to sell or home delivery being permitted. The industry must also engage with the state for an independent excise regulation with incentive for consumers to buy wines which in turn helps farmers increase their income. The wine industry needs to share best practices of Maharashtra and Karnataka to other states to bring a change in the regulatory environment.

Expansion of Distribution channel and prominence at retail outlets

Indian wine industry needs to capitalize on the opportunity in wine industry by expansion of the distribution reach. The industry needs to ensure that a large part of Indian alcohol retailer universe sells wines. In addition, the availability of wines in restaurants and pubs has improved. Expansion of the distribution channel and improved visibility at retail outlets will help customer recruitment and lead to category expansion.

Leverage growth in food services for visibility and acceptance of wines

Wine pairing with food is an industry in developed countries with high consumption of wines. Indian wine industry needs to collaborate with restaurants to educate customers on the experience of pairing the correct wine with their food. A collaborative approach with restaurants which helps educate the customers about wine and a communication program which highlights such exclusive events will increase awareness and acceptance of wines.

Critical role of category creators for growth of wines in India

Indian wine market is at a critical juncture with multiple positive factors which can be leveraged to grow the market. India is also a concentrated market with Sula wines controlling close to 52% of the domestic wine markets. It becomes important that category creator like Sula wines play the role of category captain to ensure that wines as a beverage category gets its due attention and prominence. It needs to invest in the back end to ensure that growing demand is captured, and it also needs to share best practices in the industry which can help the overall industry to grow. The best practices in tasting rooms, wine tourism and other wine led marketing events have already helped shaped the industry positively. It must take lead in engaging with different state authorities to ensure that wine is treated differently from other alcoholic beverages. It also needs to engage with restaurants and other food services to increase awareness about wines.

7. Competitive Landscape

A. *Financial Metrics*

Revenue & Profitability Metrics

1) Gross Sales

Revenue for companies in alco beverage industry is analyzed both at gross sales which includes excise duty collected by the respective state governments and net sales which is the actual revenue of the companies. Each of the three industries (spirits, beer, and wine) have clearly identified market leaders with top companies controlling more than 50% of the market. In case of wines, Sula Vineyards' revenue is more than three times that of second largest player. Sula vineyards is on the fastest growing alco beverage companies in India as on March 31, 2021.

Exhibit 106: Gross Sales (in INR Cr) for Private and Public listed Players

Industry	Brands	Gross Sales					CAGR FY 2011-14	CAGR FY 2011-19	CAGR FY 2011-21	CAGR FY 2014-19	Growth FY 2020-21
		FY 2011	FY 2014	FY 2019	FY 2020	FY 2021					
Spirits	Diageo*	12,837	20,735	28,512	28,589	27,176	17.3%	10.5%	7.8%	6.6%	-4.9%
	Pernod Ricard*	2,933	8,728	20,271	21,424	19,423	43.8%	27.3%	20.8%	18.4%	-9.3%
	Radico Khaitan*	1,692	3,045	8,058	9,418	10,367	21.6%	21.5%	19.9%	21.5%	10.1%
Beer	United Breweries*	4,605	7,262	14,137	14,646	10,183	16.4%	15.1%	8.3%	14.3%	-30.5%
Wine	Sula Vineyards*	106	223	521	444	383	28.1%	22.0%	13.7%	18.5%	-13.7%
	Fratelli Wines#	1	22.3	120	119	123	181.5%	81.9%	71.3%	40.0%	3.4%
	Grover Zampa#	21	36	88	91	67	19.7%	19.6%	12.4%	19.7%	-27.0%

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses ss MCA reports.
NA-Not Available
**- Indicates that the IND AS accounting principle has been considered*
#- Indicates that the IGAP accounting principle has been considered

2) Net Sales

The growth rate in net sales in leading companies of the industry is lower than gross sales which points to the fact that excise duties are growing at a much higher rate. The growing share of excise in case of Sula vineyards points to an increasing distribution reach as well higher sales contribution from markets other than Karnataka and Maharashtra which have favorable regulations. A comparison across top benchmarked companies in alco-beverage industry in India shows that Sula vineyards is the fastest growing for the period between FY 2011 to FY 2021.

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Ankur Bisen
Senior Partner

Exhibit107: Net Sales (in INR Cr) for Private and Public Listed Players

Industry	Brands	Net Sales					CAGR FY 2011-14	CAGR FY 2011-19	CAGR FY 2011-21	CAGR FY 2014-19	Growth FY 2020-21
		FY 2011	FY 2014	FY 2019	FY 2020	FY 2021					
Spirits	Diageo*	6,369	8,426	8,981	9,091	7,889	9.8%	4.4%	2.2%	1.3%	-13.2%
	Pernod Ricard*	NA	5,249	8,572	9,044	8,045	NA	NA	NA	10.3%	-11.0%
	Radico Khaitan*	946	1,452	2,097	2,427	2,418	15.4%	10.5%	9.8%	7.6%	-0.4%
Beer	United Breweries*	3,060	4,236	6,472	6,505	4,241	11.4%	9.8%	3.3%	8.9%	-34.8%
Wine	Sula Vineyards*	104	217	465	399	344	27.8%	20.6%	12.8%	16.4%	-13.7%
	Fratelli Wines#	NA	21	103	104	106	NA	NA	NA	37.8%	1.7%
	Grover Zampa#	NA	34	82	87	63	NA	NA	NA	19.1%	-27.2%

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses ss MCA reports.
NA-Not Available
**- Indicates that the IND AS accounting principle has been considered*
#- Indicates that the IGAP accounting principle has been considered

3) Margins

a. Net Sales Margin

Net Sales margin is the money a company retains after incurring the direct costs associated with producing the goods it sells and the services it provides. In case of alco-beverage industry, sales margin is calculated by adjusting for excise. Players from the wine industry have managed to deliver high sales margin in percentage terms as compared to its peers from other alco-beverage industry players as highlighted below.

Exhibit 108: Net Sales Margins (value in %)

Industry	Brands	Net Sales Margin		
		FY 2019	FY 2020	FY 2021
Spirits	Diageo*	50.6%	44.8%	43.4%
	Pernod Ricard*	51.3%	48.9%	48.0%
	Radico Khaitan*	51.6%	48.6%	50.3%
Beer	United Breweries*	53.4%	51.4%	52.0%
Wine	Sula Vineyards*	62.1%	63.1%	65.0%
	Fratelli Wines#	73.4%	80.0%	72.7%

	Grover Zampa#	65.7%	69.1%	67.5%

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports
NA-Not Available; Net Sales Margin = (Net Sales-COGS)/Net Sales
**- Indicates that the IND AS accounting principle has been considered*
#- Indicates that the IGAP accounting principle has been considered

b. ***EBIDTA***

Sula vineyards has shown the highest EBITDA growth as compared to peers from wine industry as well as top players in overall alco-beverage industry.

Exhibit 109: EBITDA (Value in INR crore)

Industry	Brands	EBITDA					CAGR FY 2011-14	CAGR FY 2011-19	CAGR FY 2011-21	CAGR FY 2014-19	Growth FY 2020-21
		FY 2011	FY 2014	FY 2019	FY 2020	FY 2021					
Spirits	Diageo*	963	-157	1,287	1,506	988	n.a. (1)	3.7%	0.2%	n.a. (1)	-34.4%
	Pernod Ricard*	NA	1,225	2,081	2,073	1,560	NA	NA	NA	11.2%	-24.7%
	Radico Khaitan*	151	193	350	372	409	8.5%	11.1%	10.5%	12.6%	10.0%
Beer	United Breweries*	390	597	1,137	874	380	15.2%	14.3%	-0.3%	13.8%	-56.6%
Wine	Sula Vineyards*	19	32	70	48	60	19.0%	17.7%	12.4%	17.3%	23.9%
	Fratelli Wines#	NA	-4	4	-2	-3	NA	NA	n.a. (1)	n.a. (1)	n.a. (1)
	Grovers Zampa#	-6	-7	-1	-4	-5	n.a. (1)	n.a. (1)	n.a. (1)	n.a. (1)	n.a. (1)

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports.
NA-Not Available; EBITDA Margin = EBITDA/Net Sales; n.a. (1) – not applicable due to negative denominator or numerator or both
**- Indicates that the IND AS accounting principle has been considered*
#- Indicates that the IGAP accounting principle has been considered

Exhibit 110: EBITDA Margin (Value in %)

Industry	Brands	EBITDA Margin					CAGR FY 2011-14	CAGR FY 2011-19	CAGR FY 2011-21	CAGR FY 2014-19	Growth FY 2020-21
		FY 2011	FY 2014	FY 2019	FY 2020	FY 2021					
Spirits	Diageo*	15.1%	-1.9%	14.3%	16.6%	12.5%	n.a. (1)	3.7%	0.2%	n.a. (1)	-34.4%
	Pernod Ricard*	NA	23.3%	24.3%	22.9%	19.4%	NA	NA	NA	11.2%	-24.7%
	Radico Khaitan*	15.9%	13.3%	16.7%	15.3%	16.9%	8.5%	11.1%	10.5%	12.6%	10.0%
Beer	United Breweries*	12.7%	14.1%	17.6%	13.4%	8.9%	15.2%	14.3%	-0.3%	13.8%	-56.6%
Wine	Sula Vineyards*	17.9%	14.6%	15.1%	12.1%	17.3%	19.0%	17.7%	12.4%	17.3%	23.9%

	Fratelli Wines#	NA	-17.6%	3.7%	-2.3%	-2.8%	NA	NA	NA	n.a. (1)	n.a. (1)
	Grovers Zampa#	NA	-20.0%	-0.8%	-4.7%	-8.1%	n.a. (1)	n.a. (1)	NA	n.a. (1)	n.a. (1)

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports.
NA-Not Available; EBITDA Margin = EBITDA/Net Sales; n.a. (1) – not applicable due to negative denominator or numerator or both
**- Indicates that the IND AS accounting principle has been considered*
#- Indicates that the IGAP accounting principle has been considered

c. PAT Margin

PAT margin is under pressure across all wine players. Sula has been showing positive PAT margins, FY 2020 being an exception. However, Sula despite seeing its topline affected by COVID, its strong focus on operational efficiencies helped avoid loss in FY 2021.

Exhibit 111: PAT Margins (Value in %)

Industry	Brands	PAT Margin		
		FY 2019	FY 2020	FY 2021
Spirits	Diageo*	7.3%	7.8%	3.9%
	Pernod Ricard*	15.2%	17.8%	13.3%
	Radico Khaitan*	9.0%	9.4%	11.2%
Beer	United Breweries*	8.7%	6.6%	2.7%
Wine	Sula Vineyards*	2.0%	-3.3%	0.6%
	Fratelli Wines#	0.3%	-4.8%	-4.6%
	Grover Zampa#	-23.0%	-4.3%	-13.9%

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports.
NA-Not Available; PAT Margin = PAT/Revenue
**- Indicates that the IND AS accounting principle has been considered*
#- Indicates that the IGAP accounting principle has been considered

4) Key Financial Ratios

a. Return of Equity

Return on equity is a function of profit after tax and shareholder's equity. Wine is a nascent industry in India with high growth potential. As industry grows, improvement in revenue and profitability will drive return on equity in the wine industry. Sula Vineyards which has delivered positive ROE prior to economic slowdown and COVID-19 pandemic is set to benefit from high industry growth in the long run.

Exhibit 112: Return on Equity

Brands	Return on Equity		
	FY 2019	FY 2020	FY 2021

Sula Vineyards*	2.9%	-4.3%	0.7%
Fratelli Wines#	0.4%	-7.1%	-7.4%
Grovers Zampa#	-29.8%	-3.4%	-7.8%

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports.
NA-Not Available; ROE = PAT/Shareholder's Equity; n.a. (1) – not applicable due to negative Equity
**- Indicates that the IND AS accounting principle has been considered*
#- Indicates that the IGAP accounting principle has been considered

b. Return on Capital Employed

ROCE (Return on capital employed) indicates the company's efficiency because it measures the company's profitability after factoring in the capital that has been used to achieve that profitability. Sula has highest revenue as well as ROCE amongst all the wine players. ROCE is a better gauge for the performance or profitability of the company over long periods.

Exhibit 113: Return on capital employed

Brands	Return on Capital Employed		
	FY 2019	FY 2020	FY 2021
Sula Vineyards*	12.6%	3.5%	9.3%
Fratelli Wines#	1.3%	-7.1%	-7.7%
Grover Zampa#	-2.2%	-6.0%	-6.9%

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports.
NA-Not Available; ROCE = EBIT/ (Total Assets – Current Liabilities)
**- Indicates that the IND AS accounting principle has been considered*
#- Indicates that the IGAP accounting principle has been considered

c. Inventory days

Inventor Days indicates the average time (days) that a company takes to turn the inventory, which also includes the goods which are a work in process for sales. Owing to the nature of the product with only once cycle of production of raw material in a year in wines unlike other alco-beverage categories including spirits and beer ,comparing wine with other alco-beverage categories may not be correct. wine category has higher inventory days vis a vis spirits and beers. March is also the peak inventory month which leads to highest inventory levels in wine industry. The average inventory goes down as sales pick up and its lowest at end of quarter 3.

Exhibit 114: Inventory Days

Brands	Inventory Days		
	FY 2019	FY 2020	FY 2021
Sula Vineyards*	285	381	465
Fratelli Wines#	507	765	595
Grover Zampa#	479	592	878

Source: Annual Reports, Secondary Research, Technopak Analysis, Revenue for standalone businesses from MCA reports
*NA-Not Available; Inventory Days = (Average Inventory/COGS) *365*
**- Indicates that the IND AS accounting principle has been considered*
#- Indicates that the IGAP accounting principle has been considered

B. Wine labels in Different Price Segments

Sula vineyards is the market leader in terms of range of labels across price segments with more than 50 wine labels. Sula has taken up the category creator role in wines with its large range of products which are well positioned to capture varied customer tastes. Alternatively, an established market leader in alco beverage industry, Pernod Ricard has a much sharper range with limited labels under brand Jacob's Creek.

Exhibit 115: Key Players: Wine labels across Price Segments (price in INR)

Brands	Elite (INR 950+)	Premium (INR 700 – INR 950)	Economy (INR 400 – INR 700)	Popular (<INR 400)	Total	Illustrative Brands
Sula Vineyards	21	13	13	9	56	RASA, The Source, Dindori, Sula Classics, Sula International Brands
Fratelli Wines	7	11	1	1	20	J'NOON, JCB, MS, NOI, TILT
Grover Zampa	7	7	4	0	18	Insignia, Vendanges Tardives, Chêne, Auriga, Vijay Amritraj, Soirée, La Réserve, Art Collection, One Tree Hill, Santé
Pernod Ricard	8	0	0	0	8	Jacob's Creek

Source: primary Research, company website, Technopak Analysis; As of 25th Nov'21

C . Market outreach

Distribution of alco beverage products is highly controlled by state government with uniform regulations for all alco-beverage products. The universe of retail outlets for alco-beverage industry in 2021 is estimated at close to one lakh. The entry of new players in the 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.

Sula has built a strong network of retail outlets across key markets which gives it a competitive advantage over other wine players. It has presence in 25 states and 6 union territories with the largest distribution network amongst wine companies in India with close to 13000 retail touchpoints in 2021. It has a very strong network in key markets of Karnataka and Maharashtra contributing more than 57% of all retail outlets serviced in the country. Sula also entered the overseas markets in Fiscal 2003, and currently offers its wines in over 20 countries, including Spain, France, Japan, the United Kingdom and the United States. In addition to retail outlets, Sula vineyards also services more than 8,000 on premise outlets including hotels, restaurants, and caterers (Horoeka). The new wine policy of may allow sale of wines through departmental stores , modern format stores and e -commerce applications . This will increase market size of wines manifold and serve as a benchmark for other states.

Exhibit 116: Geographic Presence

Industry	Brands	Reach – States and Union Territories
Spirits	**Diageo**	30-32
	Pernod Ricard	30-32
	Radico Khaitan	30-32
Beer	**United Breweries**	30-32
Wine	**Sula Vineyards**	30-32
	Fratelli Wines	21-23
	Grover Zampa	15-18

Source: Annual Reports, Technopak Analysis; As of 25th November 2021

Exhibit 116: Key Brands: Retail Coverage

Brands	Retail Outlets	HoReCA outlets
Diageo	70,000 + Outlets	NA
Pernod Ricard	50000+ outlets	NA
Radico Khaitan	75,000+ outlets	8000+ outlets
United Breweries	90,000+ outlets	NA
Sula Vineyards	13000+ outlets	8000+ outlets
Fratelli Wines	9000+ outlets	5000+ outlets
Grover Zampa	3,000+ outlets	NA

Source: Annual Reports, Technopak Analysis; As of 25th November

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