Rising Disposable Income & Premiumization in Liquor Industry Growth

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Executive Summary

The evolution of the Indian liquor industry over the decades presents a compelling narrative of transformation and growth. The sector, deeply rooted in ancient traditions, has transitioned from culturally significant brews to a highly commercialized market dominated by Indian Made Foreign Liquor. *Whisky, which accounts for about 67% of total spirits consumption, recorded a volume of 260.07 million cases in 2024 and is forecast to climb to 502.80 million cases by 2034, reflecting a steady compound annual growth rate of 7.6%.* This growth is underpinned by rising disposable incomes and changing consumer lifestyles, where premium and super-premium segments are increasingly gaining traction. Companies have strategically invested in expanding their portfolios, with domestic giants now challenging multinational incumbents by blending innovation with traditional value.

Industry players are not only capitalizing on the expanding market but are also adopting digital strategies to streamline distribution and enhance consumer engagement. For instance, *the vodka segment, valued at around USD 3.0 billion in 2022, is expected to reach USD 5.0 billion by 2030, supported by a CAGR of 6.4%. Similarly, the gin market, buoyed by the growing popularity of craft spirits and the incorporation of indigenous botanicals, is projected to grow from USD 1,666.3 million in 2024 to USD 2,710.9 million by 2031 at a CAGR of 7.2%.* These figures underscore not only robust growth opportunities but also a clear strategic shift towards premiumization and innovation, driven by both local consumer trends and global market practices.

However, the industry is not without its risks. Regulatory complexities, including varied state policies and high taxation, present ongoing challenges that require constant strategic adjustments. Companies are actively addressing these risks by diversifying their product offerings and investing in sustainable practices, such as eco-friendly packaging and digital marketing initiatives, to mitigate market volatility. While the competitive landscape is intense—with traditional products coexisting alongside emerging craft variants—the overall trajectory remains positive. The resilience and adaptability of key players, such as Diageo, Pernod Ricard, United Spirits, and Radico Khaitan, position the Indian liquor industry for sustained long-term growth, making it a robust sector for future investment.

Key takeaways

- ✓ India's liquor legacy begins with ancient traditions, where alcohol played a pivotal role in religious and social rituals. Early historical texts, including Vedic scriptures, highlight the use of ritualistic drinks like Soma and fermented brews like Sura.
- ✓ Post-independence, the government adopted a socialist approach by establishing state-run monopolies to regulate the industry. Economic liberalization in the 1990s catalysed the entry of multinational companies, sparking a significant market diversification.
- ✓ India's alcoholic beverage market is projected to expand from \$52.4 billion to \$64 billion by 2030, underscoring a significant growth trajectory.
- ✓ Indian Made Foreign Liquor (IMFL), especially whisky, remains the dominant segment, with mass-market as well as premium offerings thriving. The market has seen an upward trend in premiumization, as rising disposable incomes and urban lifestyles drive demand for superior quality spirits.
- ✓ Whisky, which accounts for about 67% of total spirits consumption, recorded a volume of 260.07 million cases in 2024 and is forecast to climb to 502.80 million cases by 2034, reflecting a steady compound annual growth rate of 7.6%.
- ✓ Domestic brands are increasingly competing with international players, showcasing innovative craft and single malt whiskies. Regional diversity remains strong, with country liquors maintaining cultural significance in rural and semi-urban areas.
- ✓ Indian liquor industry indicates a moderately **concentrated market**, with a total HHI score of **2896.62**.
- ✓ The Indian liquor industry is dominated by United Spirits, which holds a 46% market share, United Breweries with a 25% market share, is the second-largest player, followed by Radico Khaitan (13%). These three firms together account for 84% of the industry, making the market highly concentrated. Smaller players such as Allied Blenders (4%), Piccadily Agro (3%), and Tilaknagar Industries (2%) contribute to market diversity but hold much smaller shares individually. Other notable firms include India Glycols, Sula Vineyards, Globus Spirits, and Som Distilleries, each with 1-2% share, suggesting limited competition at the lower end of the market.
- ✓ The emergence of craft spirits reflects a growing consumer preference for quality and innovation. Consumers are increasingly exploring lower-alcohol and health-conscious options, reflecting evolving lifestyle preferences.
- ✓ Digital transformation has reshaped distribution channels, with e-commerce and online marketing playing a crucial role in market expansion.
- ✓ The rum segment is diversifying with flavoured variants that cater to younger consumers and changing tastes. Vodka and gin segments are experiencing robust growth, with data-driven forecasts predicting significant revenue gains in the coming years.
- ✓ The sector provides employment to around 79 lakh individuals, representing 1.5% of India's total workforce.

Indian Liquor Industry

The Indian alcoholic beverage industry is a multifaceted and rapidly evolving sector, deeply intertwined with the nation's cultural heritage, economic growth, and social dynamics. Its market structure is characterized by a diverse segmentation that caters to a wide array of consumer preferences and regional variations. This comprehensive analysis delves into the intricate segmentation of the Indian liquor market, exploring each category's unique attributes, consumer demographics, and market trends.

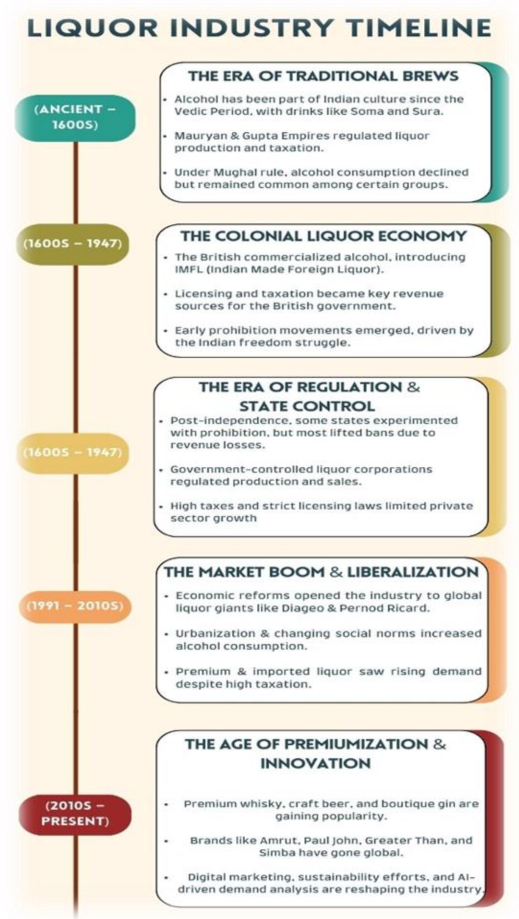
Timeline of Liquor Industry from 1600 to Present

1. The Era of Traditional Brews (Ancient Times – 1600s)

Alcohol has been deeply embedded in Indian society since ancient times, playing a role in religious rituals, social customs, and medicinal practices. References to alcoholic beverages can be found in early Vedic scriptures, ancient texts like the Artha Shastra, and medical literature such as Ayurveda. During this period, traditional brewing methods were developed, and state control over alcohol production and distribution was established. **Vedic Period (1500 BCE – 500 BCE),** during the Vedic era, alcohol was classified into two main types: Soma and Sura. Soma was a mysterious, ritualistic drink consumed by priests during religious ceremonies, believed to have divine and hallucinogenic properties. Sura, on the other hand, was a fermented liquor made from grains and widely consumed by common people.

- **Maurya & Gupta Period (321 BCE – 550 CE) -** Under Mauryan rule, the production and sale of liquor were heavily regulated. Kautilya's Arthashastra, a key economic and political treatise from this era, details strict rules regarding the taxation, distribution, and consumption of alcohol. Government-controlled taverns were set up, and excessive drinking was discouraged to maintain social order. During the Gupta period, liquor consumption continued, with royal breweries flourishing alongside the production of herbal and fruit-based alcoholic beverages.
- **Medieval Period (1000s – 1600s) -** With the rise of Islamic rule under the Delhi Sultanate and later the Mughal Empire, alcohol consumption faced restrictions. However, it was not completely banned. Soldiers, traders, and certain elite groups continued to consume alcoholic beverages, and indigenous fermentation techniques led to the development of drinks like toddy (palm sap liquor) and arrack (distilled from fermented fruits, sugarcane, or coconut sap). Mughal rulers like Akbar and Jahangir maintained a tolerant stance, while Aurangzeb imposed stricter controls on alcohol.

2. The Colonial Liquor Economy (1600s – 1947) - British Commercialization & Revenue Generation



The arrival of European colonizers, particularly the British East India Company, drastically changed the liquor landscape in India. Alcohol production shifted from traditional methods to large-scale commercial distillation, and liquor became a major source of revenue for the British administration. **East India Company's Entry (1600s – 1858) -** The British introduced European-style spirits such as whisky, rum, and gin, which quickly gained popularity. To regulate and control the liquor trade, they introduced licensing systems and excise duties, ensuring a steady flow of revenue. The British established large distilleries, gradually replacing indigenous alcohol production. **British Raj & the Rise of Distilleries (1858 – 1947),** during the British Raj, Indian Made Foreign Liquor (IMFL) emerged as a category, referring to domestically produced whisky, rum, gin, and brandy that mimicked European-style spirits. Western distillation techniques were widely adopted, and alcohol production became highly commercialized. To maximize profits, the British heavily taxed liquor, making it an essential component of colonial revenue generation.

Prohibition Movements (Early 1900s), as part of India's freedom movement, Mahatma Gandhi and several other nationalists campaigned against alcohol consumption, arguing that it led to moral and economic degradation. This led to the rise of prohibition movements, and some provinces experimented with banning liquor. However, these bans were often unsuccessful due to the emergence of illegal liquor markets.

3. The Era of Regulation & State Control (1947 – 1991) - Government Monopoly & Prohibition Experiments)

After India gained independence in 1947, the liquor industry saw significant shifts in policy. The government took a socialist approach, regulating and controlling alcohol production, distribution, and sale through state-run corporations. **1947 – 1960s: Prohibition & Social Debates,** inspired by Gandhian ideals, several Indian states, including Gujarat, Maharashtra, and Tamil Nadu, imposed prohibition. However, these bans were largely ineffective due to the growth of illicit liquor trade and huge losses in tax revenue. Over time, most states lifted prohibition, except for a few like Gujarat, which continues it to this day. **1970s – 1980s: Rise of State-Owned Liquor Companies,** to regulate alcohol distribution, many state governments established liquor corporations that controlled the sale of alcohol. During this period, IMFL brands gained popularity, with companies like United Breweries (now part of Diageo) expanding their presence. However, stringent licensing laws and high taxation limited the private sector's role in the industry.

4. The Liberalization & Market Boom (1991 – 2010s) - Economic Reforms, & Changing Consumer Preferences

The economic liberalization of 1991 marked a turning point for India’s liquor industry. With the entry of multinational companies, increasing urbanization, and a rising middle class, alcohol consumption patterns changed significantly. **Entry of Multinational Liquor Companies (1990s – 2000s)** following liberalization, global giants like Diageo, Pernod Ricard, and AB InBev entered the Indian market, competing with domestic players. IMFL brands expanded aggressively, and beer and wine consumption grew in urban areas. **Urbanization & Changing Social Norms** with increasing disposable incomes and exposure to global lifestyles, alcohol consumption became more socially acceptable. Premium liquor brands, craft beer, and wine saw growing demand, particularly among young professionals.

5. The Age of Premiumization & Innovation (2010s – Present) - Craft Spirits, Premiumization, & Evolving Policies

In the last decade, India’s liquor industry has been undergoing a significant transformation marked by premiumization, the rise of craft spirits, and the adoption of digital technologies. Consumers are shifting from mass-market liquor to premium and super-premium brands, seeking higher-quality and innovative flavours. Homegrown brands like Amrut, Paul John, Greater Than (Gin), and Simba (Beer) have gained international recognition. The demand for low-alcohol and health-conscious beverages is also rising, leading to the emergence of craft beers, organic wines, and artisanal spirits. Digital platforms are playing a crucial role in reshaping the industry, with e-commerce sales, online liquor delivery services, and influencer-driven marketing campaigns gaining traction. Sustainability has also become a key focus, with companies investing in eco-friendly packaging, organic ingredients, and zero-waste production. However, challenges remain, including state-wise variations in liquor laws, high taxation, and regulatory scrutiny on advertising. Despite these hurdles, India remains one of the fastest-growing liquor markets globally, with continued growth expected in the premium segment.

“Don’t worry if you are new to understand the Alcohol Industry. Let’s discuss in detail about the various types of Alcohol”

1. Indian Made Foreign Liquor (IMFL):

IMFL encompasses spirits such as whisky, rum, vodka, gin, and brandy that are produced within India using traditional distillation methods. This segment stands as a cornerstone of the Indian liquor industry, with whisky leading the charge. India's predilection for whisky is evident, as the nation has emerged as the world's largest consumer.

Whisky –

Dominating the IMFL segment, whisky accounts for approximately 67% of total spirits consumption in India. The Indian whisky market is diverse, ranging from affordable blends to premium single malts. Brands like Royal Stag, McDowell’s No.1, and Officer’s Choice have become household names, catering to the mass market. Simultaneously, there's a burgeoning interest in premium and super-premium whiskies, driven by increasing disposable incomes and a growing appreciation for quality spirits. The Indian whisky industry stands as a cornerstone of the nation's alcoholic beverage sector, reflecting a rich tapestry of tradition, innovation, and economic significance. *As of 2024, the market reached a volume of 260.07 million cases, with projections indicating a growth to 502.80 million cases by 2034, driven by a compound annual growth rate (CAGR) of 7.6% during the forecast period.*

The Indian whisky market is multifaceted, encompassing various segments that cater to diverse consumer preferences and price points- **Prestige Whisky**: In 2020, this segment, with products priced between 450 and 1,000 Indian rupees, dominated the market by value, accounting for 53% of the share. **Premium and Super-Premium Whisky**: Reflecting a shift towards premiumization, consumers are increasingly gravitating towards higher-end offerings, influenced by rising disposable incomes and exposure to global brands. **Indian-Made Foreign Liquor (IMFL)**: This category includes domestically produced whiskies that emulate foreign styles. IMFL brands constitute approximately 60% of the domestic market, attributed to their accessibility and affordability.

The Indian whisky landscape is dominated by both domestic giants and international conglomerates –

- **Diageo**: Holding a leading market share by volume in 2022, Diageo's portfolio includes renowned brands that resonate with Indian consumers.
- **Pernod Ricard Group**: With significant market presence, its brands like Royal Stag and Imperial Blue have secured substantial market shares.
- **Allied Blenders and Distillers**: Known for its flagship brand, Officer's Choice, the company has maintained a strong foothold in the market.
- **Radico Khaitan**: The producer of Rampur whisky, Radico Khaitan, anticipates a 20% revenue growth in the current fiscal year, driven by India's expanding middle class and their inclination towards premium liquor. Notably, domestic producers have made significant strides, capturing more than half of the Indian market for the first time, effectively competing against multinational brands.

The past two decades have witnessed the rise of premium Indian single malts, challenged traditional perceptions and gaining international acclaim - **Amrut Distilleries**: Pioneering the Indian single malt movement, Amrut has garnered global recognition for its quality and distinct flavour profiles. **Paul John Distilleries**: Based in Goa, Paul John offers a range of single malts that have received accolades for their craftsmanship. **Rampur by Radico Khaitan**: Positioned in the premium segment, Rampur single malts have been well-received both domestically and internationally.

Rum –

Traditionally popular in regions with a naval history, rum holds a significant share in the IMFL category. Brands such as Old Monk have achieved iconic status, fostering a loyal consumer base. The rum market is witnessing diversification with the introduction of flavoured variants and premium offerings, appealing to younger demographics.

The Indian rum industry holds a significant position within the country's alcoholic beverage market, reflecting a rich history and evolving consumer preferences. As of 2021, the Indian rum market was valued at approximately USD 2,097 million, with projections indicating growth to USD 3,500 million by 2031, registering a compound annual growth rate (CAGR) of 5.3% during the forecast period from 2022 to 2031.

The Indian rum market is characterized by a diverse range of products catering to various consumer segments. Traditionally, dark rum has dominated the market, especially in southern and western regions, which together account for over 55% of the country's rum consumption. However, there is a growing trend towards white rum, driven by the rising cocktail culture and increasing consumption among younger demographics and women.

Several domestic and international brands have established a strong presence in the Indian rum market like -

- **McDowell's No.1 Rum**: A flagship brand of United Spirits Limited, McDowell's No.1 is one of the best-selling rums in India, known for its rich flavour and affordability.
- **Old Monk**: An iconic Indian dark rum, Old Monk has maintained a loyal consumer base for decades, appreciated for its distinct taste and heritage.

- **Contessa Rum**: Produced by Radico Khaitan, Contessa Rum is recognized for its quality and has a significant share in the defence segment.
- **Bacardi**: An international brand, Bacardi has gained popularity in India, especially among the youth, with its range of white rums that blend well in cocktails.

While dark rum remains popular in traditional markets, there is a noticeable shift in metropolitan areas towards flavoured and white rums, aligning with changing taste preferences.

Vodka –

The Indian vodka industry has experienced notable growth and transformation in recent years, driven by evolving consumer preferences, increasing urbanization, and a burgeoning middle class with rising disposable incomes. *In 2022, the market generated a revenue of approximately USD 3.0 billion, with projections indicating it will reach USD 5.0 billion by 2030, reflecting a compound annual growth rate (CAGR) of 6.4% from 2023 to 2030.*

The Indian vodka market is characterized by a diverse range of products catering to various consumer segments. Non-flavoured vodka has traditionally dominated the market, accounting for the largest revenue share in 2022. However, there is a growing trend towards flavoured vodkas, driven by younger consumers seeking innovative and diverse taste experiences. This shift is further supported by the rising cocktail culture in urban centres, where flavoured vodkas serve as versatile bases for mixed drinks.

Several domestic and international brands have established a strong presence in the Indian vodka market like **Radico Khaitan**: Known for its flagship brand "Magic Moments," Radico Khaitan has significantly contributed to the vodka segment's growth. In the second quarter ending September 2024, the company reported a 24% increase in net profit, driven by the rising demand for premium alcoholic beverages. The company's operational revenue also saw a 9.5% uptick, reaching 39.07 billion rupees. **United Spirits Limited (USL)**: A subsidiary of Diageo, USL offers a range of vodka brands catering to different market segments, including premium and standard categories. Some of its well-known vodka brands include **Smirnoff, Romanov, White Mischief, and Ciroc**. **Smirnoff** is known for its **triple-distilled, charcoal-filtered purity** and smooth taste. It is widely used in cocktails and is available in various flavours like Green Apple, Orange, and Cranberry, catering to the growing demand for flavoured vodkas among younger consumers.

Romanov is popular among **budget-conscious consumers** who seek a smooth and reliable vodka experience at a lower price point. **White Mischief** is targeted at the **youth segment**, known for its light, easy-drinking profile and fun, youthful branding. It has dominated the entry-level flavoured vodka market, offering variants like Strawberry Ginseng and Mango Mint, which resonate well with first-time vodka drinkers and partygoers. **Pernod Ricard**: With its brand "Absolut," Pernod Ricard has captured a significant share of the premium vodka market in India, appealing to consumers seeking international quality and brand recognition.

The youthful population, particularly millennials and Gen Z, are more open to experimenting with new flavours and brands, driving the demand for both flavoured and craft vodkas. Rapid urbanization has led to lifestyle changes, with an increase in social drinking and the adoption of Western drinking habits, further propelling vodka consumption.

GIN – The Indian gin industry has undergone a remarkable transformation in recent years, evolving from a niche segment to a dynamic market characterized by innovation, premiumization, and a resurgence of domestic brands. This growth is driven by changing consumer preferences, a burgeoning cocktail culture, and the infusion of indigenous botanicals that lend unique flavours to Indian gins. *The Indian gin market has witnessed significant expansion, with its value estimated at USD 1,666.3 million in 2024 and projected to reach USD 2,710.9 million by 2031, reflecting a compound annual growth rate (CAGR) of 7.2% during the forecast period.* This robust growth is indicative of the increasing popularity of gin among Indian consumers, particularly in urban centres where the spirit has become a staple in social settings. A notable trend in the Indian gin industry is the rise of craft distilleries producing premium and super-premium gin variants. Brands such as "Stranger & Sons," "Jaisalmer Indian Craft Gin," and "Greater Than" have garnered both domestic and international acclaim for their quality and distinctive flavour profiles. These gins often incorporate locally sourced botanicals, including Himalayan juniper berries, Darjeeling tea leaves, and an array of indigenous spices, offering consumers a unique tasting experience that reflects India's rich biodiversity.

The expansion of India's middle class, coupled with rising disposable incomes, has led to a shift in consumer behaviour. There is a growing inclination towards premium and luxury spirits, with consumers willing to explore and invest in high-quality gin products. The proliferation of mixology and cocktail culture in urban areas has further propelled gin's popularity, as it serves as a versatile base for a variety of cocktails. Additionally, the increasing participation of women in social drinking has broadened the consumer base for gin in India. The Indian gin market is segmented based on type, price range, and distribution channels. London Dry Gin remains the dominant type, favoured for its classic taste and versatility in cocktails. However, there is a growing interest in flavoured and specialty gins, driven by consumers seeking novel experiences. In terms of pricing, the premium gin segment holds a significant market share, while the luxury gin segment is expected to exhibit the fastest growth, with a *CAGR of 6.2%* during the forecast period. Distribution channels encompass liquor stores, bars, pubs, restaurants, and online platforms, with the latter gaining prominence due to the convenience and wider selection they offer.

Despite the positive trajectory, the Indian gin industry faces challenges, particularly in the regulatory domain. Stringent advertising regulations and complex licensing processes can impede market expansion. Recent incidents, such as the internal investigation of Pernod Ricard's India unit for alleged violations of local laws, highlight the complexities international spirits companies may encounter in the Indian market. Such challenges underscore the importance of compliance and a nuanced understanding of the local regulatory environment for sustained success.

The future of the Indian gin industry appears promising, with sustained growth anticipated in the coming years. Factors contributing to this outlook include continuous product innovation, the incorporation of indigenous botanicals, and the expansion of distribution networks. As consumer preferences evolve and the demand for premium and craft spirits rises, the Indian gin market is poised to solidify its position both domestically and on the global stage.

Brandy -

The Indian brandy industry stands as a significant segment within the country's alcoholic beverage market, reflecting both traditional preferences and evolving consumer trends. *As of the 2021-2022 fiscal year, the market's volume was approximately 83.18 million cases, positioning brandy as the second most consumed spirit in India, with a market share exceeding 15%.* Contrary to global norms where brandy is predominantly consumed in colder climates, India's consumption patterns are unique. The southern and western regions of India, despite their warmer temperatures, are the primary consumers of brandy. This trend is attributed to cultural preferences and established drinking habits in these areas. However, there is a gradual increase in brandy consumption in northern regions, traditionally dominated by whisky, indicating a shift in consumer tastes. *The Indian brandy market has demonstrated steady growth, with a compound annual growth rate (CAGR) of 0.9% between 2017 and 2022. Notably, the market experienced a 13% growth in 2021*, underscoring a rising demand. Projections suggest that the market will continue to expand, driven by increasing disposable incomes, urbanization, and a growing preference for premium spirits. The market is predominantly composed of "other grape brandy," which accounted for 95% of the market share in 2022, followed by cognac. This indicates a strong consumer preference for grape-based brandies over other fruit-based variants. The trend towards premiumization is evident, with consumers willing to explore and invest in higher-quality products, leading to a diversification of offerings in the market. The brandy industry contributes significantly to India's economy, not only through direct sales but also via employment and tax revenues. *The market is expected to continue its growth trajectory, with projections indicating a market volume of USD 4.3 billion by 2029, growing at a CAGR of 3.58% from 2025 to 2029.*

McDowell's No. 1 Brandy, a flagship product of United Spirits (a Diageo company), is one of the most widely consumed brandies in India, known for its smooth taste and affordability. Similarly, **Mansion House Brandy**, produced by Tilaknagar Industries, has established itself as a premium brandy choice, particularly in the southern states. **Honeybee Brandy**, from the house of United Breweries, is another popular choice, appreciated for its sweet and mellow profile. **Old Admiral Brandy & Morpheus**, owned by Radico Khaitan, has gained prominence as an affordable and high-quality option, even winning international accolades for its taste and quality. In recent years, there has been a rise in the premiumization trend in the brandy industry, with brands like **Kyron Brandy**, a luxury offering from the House of Alcobrew, catering to consumers looking for a sophisticated and refined drinking experience. This shift towards premium brandy is reflective of changing consumer preferences, as more Indians seek high-quality spirits with richer flavours and better craftsmanship. These brands have built a loyal following over the years, especially in southern states like Tamil Nadu, Kerala, and Karnataka, where brandy consumption is traditionally higher.

International brands such as **Hennessy Cognac** and **Remy Martin**, though expensive and available in limited quantities, have also found a niche market in India among affluent consumers and high-end bars. As disposable incomes rise and urban drinking culture evolves, the demand for both mass-market and premium brandy is expected to grow, making India one of the key markets for brandy in the years to come.

2. Country Liquor:

Country liquor, also known as 'Desi Daru,' is an integral part of India's rural and semi-urban alcohol consumption landscape. Produced from locally sourced raw materials such as sugarcane, molasses, grains, or fruits, country liquor is characterized by its affordability and regional specificity. The country liquor segment varies significantly across different states, reflecting regional preferences and raw material availability. For instance, in Maharashtra and Uttar Pradesh, country liquor is commonly derived from molasses, whereas in states like Rajasthan and Madhya Pradesh, mahua-based liquor (made from mahua flowers) is popular. Similarly, toddy (fermented palm sap) is widely consumed in Kerala, Tamil Nadu, and Andhra Pradesh. Despite these differences, country liquor maintains a significant share of the total alcohol consumption in India, particularly in states where it is legally recognized and regulated by state excise departments.

The production of country liquor is highly regulated due to concerns over quality control and health risks. Licensed manufacturers are required to follow strict guidelines related to production, storage, and distribution, with state governments imposing excise duties and licensing fees. However, the presence of illicit or unregulated country liquor remains a challenge, particularly in regions where restrictions on alcohol sales exist. **Spurious and unregulated liquor** often poses severe health risks due to **methanol contamination**, leading to **alcohol poisoning incidents and fatalities**. To curb such risks, state governments issue licenses to specific country liquor manufacturers while implementing measures like mandatory denaturation and colour additives to distinguish regulated country liquor from illicit variants.

The country liquor industry plays a crucial role in the economy, particularly at the state level, as excise duty on alcohol is one of the largest sources of revenue for state governments. In states like **Uttar Pradesh, Bihar (before prohibition), and Maharashtra**, the taxation on country liquor generates billions of rupees annually. Additionally, the industry provides employment opportunities for a large segment of the population, including **local farmers (who supply raw materials), distillers, distributors, and retailers**. Small-scale country liquor distilleries also contribute to rural economies, supporting livelihoods in regions where alternative employment opportunities may be limited. **Bangla**, a popular country liquor in West Bengal, is made from fermented rice and molasses and holds a significant share in the state's alcohol consumption. Similarly, **Haryana No. 1** and **Punjab No. 1** are government-regulated country liquor brands in their respective states, ensuring a steady revenue stream through excise duties. **Maharashtra Santra** and **Maharashtra Mahua** are well-known regional variants, with Santra being orange-flavoured and Mahua being derived from the Mahua flower, a traditional tribal alcoholic drink. Rajasthani No. 1 is another state-approved brand in Rajasthan, catering to local tastes with its strong and inexpensive liquor. Goa Kings, although primarily associated with beer, also produces a locally popular country liquor that is widely consumed by both tourists and locals. Saraya Distilleries, a significant player in the market, produces molasses-based country liquor under various regional labels. Many of these brands cater to a loyal consumer base that prefers strong, affordable spirits over premium alternatives.

Despite its economic significance, the country liquor segment faces several challenges such as regulatory hurdles – Frequent changes in taxation and licensing policies create uncertainty for manufacturers and distributors. Competition from IMFL – As incomes rise and consumer preferences shift towards premium and branded spirits, country liquor faces stiff competition from affordable IMFL brands. Illicit Alcohol Trade – The presence of unlicensed production units results in black-market sales, depriving the government of revenue and posing serious health hazards. Quality and Safety Concerns – While regulated country liquor is relatively safe, illegally produced versions are often adulterated, leading to alcohol poisoning incidents.

3. Wine:

The Indian wine industry, though relatively nascent compared to traditional spirits like whisky and rum, has been experiencing a remarkable transformation over the past few decades. This evolution is driven by a confluence of factors, including changing consumer preferences, increasing disposable incomes, urbanization, and a growing acceptance of wine as a lifestyle beverage. This comprehensive analysis delves into the multifaceted aspects of the Indian wine market, encompassing its growth trajectory, consumer demographics, production regions, challenges, and prospects.

The Indian wine market has witnessed significant growth, with consumption patterns reflecting a burgeoning interest among consumers. *In 2016, wine consumption stood at 24.5 million Liters, which escalated to 35.7 million Liters in 2019. Despite a temporary setback during the COVID-19 pandemic, consumption rebounded to 37.5 million Liters in 2022. This upward trajectory is projected to continue, with estimates indicating* ***a market volume of approximately USD 8.64 billion by 2029****, growing at a compound annual growth rate* ***(CAGR) of 6.64% between 2025 and 2029****. Red wine dominates the Indian market, accounting for over 16 million Liters of the total consumption in 2022*. Fortified wines and vermouths also hold a substantial share, with 18 million Liters consumed in the same year. White and sparkling wines, while currently representing a smaller segment, are gradually gaining popularity, especially among urban consumers and younger demographics.

The profile of the Indian wine consumer is evolving. Traditionally perceived as a beverage for the elite, wine is now finding a broader audience across various socio-economic strata. Urban centres such as Mumbai, Delhi, Bangalore, Pune, and Hyderabad are the primary hubs of wine consumption, collectively accounting for a significant portion of the market. Notably, Mumbai leads with 32% of the consumption, followed by Delhi at 25%, and Bangalore at 20%.

Several factors contribute to this shift in consumer behaviour like Health Consciousness, growing awareness of the health benefits associated with moderate wine consumption, such as antioxidants in red wine, has attracted health-conscious consumers. Exposure to Global Cultures with increased travel and exposure to international lifestyles have familiarized Indian consumers with wine, integrating it into social occasions and dining experiences.

India's wine production is predominantly concentrated in the states of Maharashtra and Karnataka, which offer favourable climatic conditions for viticulture. ***The city of Nashik in Maharashtra, often referred to as the "Wine Capital of India,"*** *is home to several prominent vineyards and wineries. Similarly, regions around Bengaluru in Karnataka have emerged as significant wine-producing areas.*

Leading domestic wineries have played a pivotal role in shaping the Indian wine landscape such as

Sula Vineyards: As India's largest wine producer, Sula has been instrumental in popularizing wine culture. *The company reported a 7% year-on-year increase in net profit for the quarter ending June 2024, driven by a 24.4% surge in demand for its more affordable wine range. However, premium wine sales experienced a 7.4% decline during the same period, attributed to factors such as national elections and heatwaves affecting consumer spending.*

Fratelli Wines: Established in the Akluj region of Maharashtra, Fratelli has gained recognition for its commitment to quality and introduction of new grape varietals to the Indian market.

Grover Zampa Vineyards: With vineyards in both Maharashtra and Karnataka, Grover Zampa is known for its premium offerings and has received international accolades for its wines.

The future of the Indian wine industry appears promising, with several trends indicating sustained growth like

- **Expansion of Wine Tourism:** Wineries are investing in tourism initiatives, offering vineyard tours, tastings, and hospitality services. For instance, Sula Vineyards plans to launch a resort at York Winery in Nashik by 2026, aiming to enhance its wine tourism business.
- **Diversification of Product Offerings:** Producers are introducing a wider range of wines, including sparkling, rosé, and dessert wines, to cater to diverse consumer preferences.
- **Emphasis on Quality and Sustainability:** There's a growing focus on adopting organic practices and sustainable viticulture to appeal to environmentally conscious consumers.

4. Beer:

The Indian beer industry has undergone significant transformation over the past few decades, evolving from a nascent market to a dynamic sector characterized by rapid growth, diversification, and increasing consumer acceptance. This evolution is driven by factors such as changing social norms, rising disposable incomes, urbanization, and a youthful demographic inclined towards alcoholic beverages. Despite facing challenges like regulatory complexities, high taxation, and recent economic pressures, the industry continues to exhibit resilience and adaptability.

As of 2024, the Indian beer market was valued at approximately INR 444.6 billion. Projections indicate that this figure is expected to reach INR 802.5 billion by 2033, reflecting a compound annual growth ***rate (CAGR) of 6.72% during the period from 2025 to 2033.*** *This growth trajectory is attributed to an increasing preference for beer among consumers, especially millennials, during social and cultural gatherings. The changing lifestyle of consumers and the easy availability of products through online platforms further bolster this trend.*

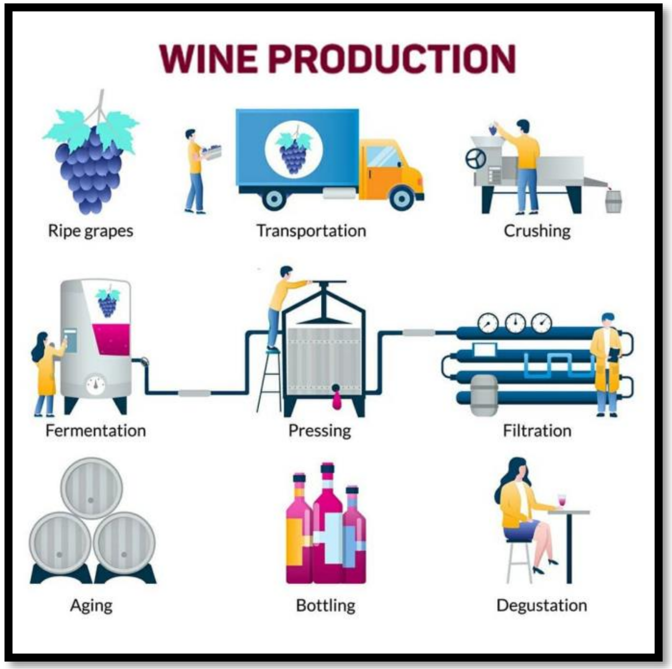
The Indian beer landscape is dominated by several key players, with United Breweries Limited (UBL) leading the market. UBL, known for its flagship brand Kingfisher, held a market share of approximately 51.1% in 2014. Other significant players include **SABMiller India**: Acquired by Anheuser-Busch InBev, SABMiller India had a market share of 25.6% in 2014, with popular brands like Haywards and Knockout. **Carlsberg India**: Holding a 7.6% market share in 2014, Carlsberg offers brands such as Tuborg and Carlsberg. **Anheuser-Busch InBev**: Known for Budweiser, the company had a 2.1% market share in 2014. It's important to note that market dynamics have evolved since 2014, with companies expanding their portfolios and new entrants influencing market shares.

In recent times, the industry has faced challenges stemming from economic factors and regulatory issues. In February 2025, United Breweries reported a 25% decrease in profit for the third quarter of 2024, with profits before exceptional items and tax dropping to 867.3 million rupees from 1.16 billion rupees the previous year. This decline was attributed to reduced consumer spending on lower-priced brands amidst high inflation. Despite a nearly 7% increase in revenue to 4.42 billion rupees, the growth rate was slower compared to preceding quarters. Regulatory challenges have also impacted operations. In January 2025, United Breweries halted the supply of Kingfisher beer to Telangana, India's largest beer-consuming state, due to pricing disputes. The company cited delayed payments and the lack of government approval for price increases since 2019/20 as factors affecting their finances. This led to beer shortages in the state, prompting the government to ration supplies. By February 2025, Telangana permitted a beer price hike, allowing existing stock to be sold at revised rates. This decision came after constructive discussions between the state authorities and United Breweries. United Breweries launched Amstel Grande, a higher-priced beer, to compete with premium brands from competitors like Anheuser-Busch InBev and Carlsberg.

Value Chain Analysis

1. Raw Material Sourcing: The Foundation of the Liquor Industry

The liquor industry’s value chain begins with the procurement of raw materials, which are crucial in determining the final product's quality, taste, and uniqueness. The key raw materials used in liquor production include barley, grapes, sugarcane, molasses, and extra neutral alcohol (ENA). Companies engaged in the production of liquor source these raw materials from farmers, agricultural cooperatives, and dedicated suppliers.



Source: Wines and Bubbles

Key Players in Raw Material Sourcing are India Glycols: A major player in the production of industrial chemicals and bio-based ENA, which is a critical ingredient in alcoholic beverages. **Globus Spirits**: Engages in manufacturing ENA and grain-based spirits, making it a vital supplier in the industry. **Piccadily Agro**: Specializes in distillation and ethanol production, supplying essential ingredients for whiskey and rum manufacturers.

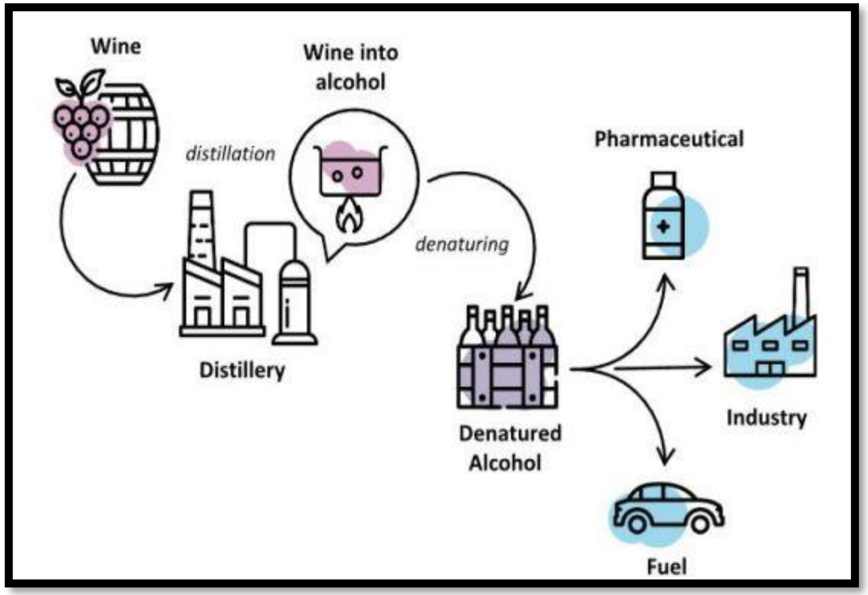
The sourcing of raw materials is highly dependent on agricultural conditions, government policies, and international trade agreements. The cost of barley and grapes fluctuates due to climatic conditions and changes in demand. The liquor industry faces challenges in securing high-quality raw materials due to government regulations on sugarcane pricing and ethanol blending mandates. Additionally, geopolitical issues, including import tariffs, impact the availability of specific raw materials.

2. Manufacturing and Processing: The Art of Liquor Production

Once the raw materials are procured, they undergo various processes depending on the type of liquor being produced. Broadly, liquor production involves brewing (for beer), fermentation (for wine), and distillation (for spirits such as whiskey, vodka, and rum). The manufacturing process defines the product's taste, alcohol content, and quality.

Key Players in Liquor Manufacturing are United Spirits: The largest alcoholic beverage company in India, producing whiskey, rum, vodka, and gin under brands like McDowell's No. 1, Royal Challenge, and Antiquity. **United Breweries**: A leader in the beer segment, famous for Kingfisher. **Radico Khaitan**: A strong player in spirits, known for brands like Magic Moments vodka and Rampur whiskey. **Tilaknagar Industries**: Specializes in brandy and whiskey production, with Mansion House brandy being a key offering. **Som Distilleries**: Produces beer and spirits, with brands like Hunter Beer and Milestone Whiskey.

The manufacturing process involves multiple stages, including malting, mashing, fermentation, distillation, aging (for certain spirits), and blending. In whiskey production, aging in wooden barrels plays a crucial role in developing its flavor profile. Wine production, on the other hand, involves controlled fermentation and bottling. Challenges in manufacturing include stringent regulations, excise duties, and compliance with environmental norms. With rising input costs, companies are investing in technology to optimize processes and reduce wastage.



3. Bottling and Packaging: Ensuring Product Safety and Appeal

Bottling and packaging are critical steps in the liquor industry, as they influence branding, customer perception, and regulatory compliance. Different types of packaging include glass bottles, aluminum cans, tetra packs, and kegs.

Innovations and Key Players in Bottling & Packaging are

- **Hindustan National Glass (HNG)**: One of India's largest glass packaging manufacturers, supplying bottles to liquor companies.
- **AGI Greenpac**: A major supplier of glass containers for liquor, food, and pharmaceutical industries.
- **United Breweries**: Uses recyclable aluminum cans for beer packaging, ensuring sustainability.
- **Sula Vineyards**: Innovated with lightweight glass bottles to reduce carbon footprint. Sustainable packaging is gaining traction as companies look for eco-friendly alternatives. The increasing preference for PET bottles and tetra packs for affordable liquors helps lower costs and improve logistics.

4. Distribution and Retail: Navigating India's Complex Liquor Market

Distribution in the liquor industry is one of the most challenging aspects due to strict state-wise regulations. India follows a three-tier system of distribution: manufacturers sell to distributors, who then supply to retailers, bars, and restaurants.

Major Players in Distribution & Retail are

- ✓ **United Spirits & United Breweries**: Have a nationwide distribution network, making their products available across all states.
- ✓ **Radico Khaitan & Allied Blenders**: Focus on regional distribution, particularly in states with high liquor consumption.
- ✓ **Sula Vineyards**: Pioneered direct-to-consumer wine sales and operates vineyard tours to boost brand engagement. State regulations play a significant role in how liquor reaches consumers.

Some states, like Tamil Nadu and Kerala, have government-controlled liquor distribution, while others follow an open-market approach. The advent of e-commerce and home delivery services in certain regions is gradually reshaping the industry.

5. Marketing and Brand Promotion: Overcoming Advertising Restrictions

Unlike other consumer goods, liquor companies face strict restrictions on advertising. To overcome this, brands use surrogate advertising, event sponsorships, and digital marketing. **Strategies Used by Leading Brands are as follows**

- **Surrogate Advertising**: Liquor brands promote their names under the guise of soda, mineral water, and music CDs (e.g., Kingfisher packaged water, Royal Stag music CDs).
- **Sponsorships & Events**: United Breweries sponsors sports events, while Sula Vineyards organizes SulaFest.

- **Social media & Influencer Marketing**: Brands like Magic Moments vodka use digital platforms to engage young consumers.
- **Experiential Marketing**: Whiskey tasting sessions and vineyard tours (by Sula) enhance customer engagement.

The future of liquor marketing will see a stronger push toward digital advertising, influencer collaborations, and experiential promotions. With global brands entering India, competition in branding is expected to intensify. Understanding this value chain helps investors, policymakers, and business strategists navigate the challenges and opportunities within the industry. With evolving consumer preferences, technological advancements, and regulatory changes, the liquor sector in India is poised for significant transformation in the coming years.

Production & Packaging types of Beer

Macro-Brewery: The Large-Scale Beer Giants

Macro-breweries are **industrial-scale brewing operations** that produce beer in massive quantities, often measured in **millions of barrels per year**. These breweries are characterized by **high-volume production, extensive automation, and global distribution networks**. Some of the world's most famous beer brands, such as Budweiser, Heineken, and Kingfisher, come from macro-breweries that have established themselves as market leaders over decades.

One of the key advantages of macro-breweries is their **economies of scale**. Due to their **large-scale operations**, they can produce beer at a **lower cost per unit**, allowing them to price their products competitively. This efficiency extends to their supply chain, as they can **negotiate better deals for raw materials**, such as malt, hops, and yeast, due to bulk purchasing. Their streamlined production processes and advanced bottling and packaging technologies also help maintain **consistent quality** across millions of units. Macro-breweries often **target the mass market**, producing beer that is **widely accessible and appeals to a broad audience**. This usually means brewing **lighter, easy-drinking lagers** with a focus on **consistency rather than experimentation**. Unlike craft breweries, which thrive on variety and unique flavours, macro-breweries focus on creating **reliable, uniform products** that consumers can recognize and trust.

In addition to high-volume production, macro-breweries have **powerful marketing and branding strategies**. They invest heavily in **advertising campaigns, sponsorship deals, and celebrity endorsements** to maintain their dominance. These breweries often sponsor **major sporting events, music festivals, and cultural celebrations**, making their brands synonymous with entertainment and social gatherings. Despite their dominance, macro-breweries face **challenges from changing consumer preferences**. The rise of **craft beer culture and microbreweries** has introduced a segment of consumers who prefer **flavor diversity and authenticity** over mass-produced beer. To combat this, some macro-breweries have started **acquiring craft breweries** or launching their own craft-style brands to cater to the evolving market.

Microbrewery: Small-Scale Brewing with a Local Touch

Microbreweries operate on a **smaller scale than macro-breweries**, typically producing **less than 15,000 barrels of beer per year**. These breweries focus on **quality over quantity**, offering unique and diverse beer styles that cater to regional or niche markets. Unlike macro-breweries that prioritize mass production and consistency, microbreweries emphasize **creativity, authenticity, and local appeal**. One of the defining characteristics of microbreweries is their **experimentation with flavours, ingredients, and brewing techniques**. They often use locally sourced grains, specialty hops, and unique fermentation methods to create distinctive beers that stand out from mainstream brands. Many microbreweries specialize in **craft ales, stouts, porters, IPAs (India Pale Ales),** and other flavorful varieties that offer a richer taste experience compared to commercial lagers. Microbreweries are also deeply connected to their communities. They often operate as brewpubs or taprooms, where customers can enjoy freshly brewed beer on-site. This direct interaction with consumers fosters brand loyalty and a unique drinking experience, making microbreweries a cultural hub in many cities. Some microbreweries also collaborate with local farmers, restaurants, and businesses, further strengthening their regional identity.

One challenge microbreweries face is **scalability**. Since they produce smaller batches, they may struggle to **meet growing demand** or expand beyond their local market. Additionally, **higher production costs per unit** mean microbrewery beers are often **more expensive** than mass-produced alternatives. However, this exclusivity and premium quality are precisely what attract craft beer enthusiasts who are willing to pay more for a unique, well-crafted brew.

In recent years, the rise of the **craft beer movement** has propelled microbreweries into the spotlight. Many consumers are shifting away from **generic, mass-produced beers** and opting for **flavourful, handcrafted options** that provide a **richer and more diverse drinking experience**. As a result, microbreweries have gained significant traction, with some even growing into larger craft breweries or expanding distribution beyond their local regions. Microbreweries represent the **passion, artistry, and innovation of brewing**, offering consumers a refreshing alternative to the uniformity of macro-brewed beers. Their emphasis on **quality, variety, and local engagement** ensures that they remain a vital and thriving segment of the beer industry.

Craft Brewery: Innovation, Tradition, and High-Quality Ingredients

Craft breweries share similarities with microbreweries but often have a broader focus on traditional brewing methods, artisanal ingredients, and innovation. While some craft breweries operate at the microbrewery scale, others grow into regional or national brands without compromising on quality and authenticity. One of the hallmarks of craft breweries is their dedication to brewing excellence. Unlike macro-breweries that prioritize efficiency, craft breweries focus on using high-quality ingredients, specialized brewing techniques, and extended fermentation times to create superior beer. Many craft brewers take pride in sourcing organic hops, specialty malts, and unique yeast strains to develop complex, flavourful beers that cannot be replicated on a mass scale. Innovation is at the core of craft brewing. Craft brewers are known for their experimentation with flavours, incorporating ingredients such as fruit, spices, coffee, chocolate, barrel-aged techniques, and wild fermentation. This results in a vast array of beer styles, from hazy IPAs and sour ales to imperial stouts and farmhouse saisons.

Another key aspect of craft brewing is community engagement and storytelling. Many craft breweries are independent and family-owned, with a strong emphasis on their heritage, brewing philosophy, and connection to their customers. The culture surrounding craft breweries often includes brewery tours, taproom experiences, beer festivals, and collaborations with other artisans. Craft breweries also play a significant role in reviving historical brewing traditions. Many specialize in classic European styles such as Belgian tripels, German dunkels, and British bitters, while adding a modern twist to appeal to contemporary tastes. Their commitment to traditional techniques ensures that old-world brewing knowledge continues to thrive in the modern beer industry.

The popularity of craft beer has skyrocketed in recent years, challenging macro-breweries and reshaping the beer market. Many consumers are moving away from mass-market lagers in Favor of craft beers that offer depth, complexity, and authenticity. As a result, craft breweries are now a powerful force in the global beer industry, with many expanding their reach while maintaining their artisanal identity.

Other Production Types: Homebrewing and Contract Brewing

Beyond macro-breweries, microbreweries, and craft breweries, other production types exist in the beer industry, including homebrewing and contract brewing. Homebrewing is the practice of individuals brewing beer on a small scale for personal consumption. Many beer enthusiasts start as homebrewers, experimenting with ingredients and techniques in their own kitchens or garages. With the rise of homebrewing kits and online tutorials, the culture of homebrewing has expanded significantly, allowing amateur brewers to create their own custom beers. Some successful craft breweries even began as homebrewing projects before scaling up to commercial production. Contract brewing, on the other hand, involves one company brewing beer on behalf of another. In this arrangement, a brewery produces and packages beer for a separate brand that may not have its own production facility. This model is beneficial for new or small beer brands that want to enter the market without investing in a full-scale brewery. Contract brewing allows companies to focus on marketing, branding, and distribution while leaving the brewing process to an established facility.

The beer industry continues to evolve with diverse packaging options tailored to different consumer preferences and market demands. Cans and bottles remain dominant, each with unique advantages in terms of preservation, convenience, and brand positioning. Tetra packs and pouches offer cost-effective and sustainable solutions, while kegs cater to commercial draft beer sales. As sustainability and innovation shape the future of packaging, breweries are likely to explore new materials and technologies to meet consumer expectations while minimizing environmental impact.

Cans: A Modern and Efficient Packaging Choice

Cans have become one of the most popular packaging formats for beer worldwide due to their numerous advantages. Made from **aluminium**, these cans are lightweight, making them easy to transport and reducing logistics costs. The **lightweight nature** also contributes to a lower carbon footprint, as transporting cans requires less fuel compared to heavier glass bottles. Additionally, aluminium cans are **100% recyclable**, making them an environmentally friendly choice. In many regions, used beer cans are melted down and repurposed to create new cans, minimizing waste and conserving resources.

> *"One of the most significant advantages of cans is their* ***superior ability to protect beer from light and oxygen exposure****. Light, particularly ultraviolet (UV) rays can cause beer to become "skunky" due to a chemical reaction with hops. Aluminium cans provide a complete* ***barrier against light****, ensuring that the beer retains its original taste and aroma for a longer period. Oxygen exposure can also lead to beer oxidation, which results in stale flavours."*

Cans are hermetically sealed, reducing the risk of oxygen permeation and preserving the beer's freshness. Cans are also widely preferred for convenience, as they are easy to carry, do not break like glass, and chill faster due to their thin walls. This makes them an ideal choice for outdoor events, concerts, and sporting venues where glass is prohibited. Furthermore, modern advancements in can designs, such as nitrogen-infused cans for stouts and craft beers, have enhanced the drinking experience by mimicking the effects of draft beer.

Despite these benefits, some consumers believe that beer tastes different when packaged in cans. This perception is largely psychological, as most modern aluminium cans are lined with a protective coating, preventing any metallic taste from affecting the beer. Overall, cans offer a cost-effective, eco-friendly, and protective solution for beer packaging, making them a preferred choice for many breweries and consumers alike.

Bottles: A Classic and Premium Packaging Option

Beer bottles have been a traditional packaging format for decades, particularly for premium and craft beers. Typically made from **glass**, beer bottles offer a high-end aesthetic that appeals to consumers who associate bottled beer with **quality and tradition**. Glass bottles come in various shapes and sizes, allowing brands to create distinctive packaging that stands out on store shelves. Additionally, **dark-coloured glass**, such as brown or green, helps protect beer from light exposure, reducing the risk of spoilage.

One of the main advantages of **glass bottles is their non-reactive nature**. Unlike metal, glass does not interact chemically with beer, ensuring that the original taste remains unaltered. This is one reason why many **high-end and craft breweries** prefer bottles over cans, as they want to maintain the beer's authenticity. However, glass bottles are **heavier than cans**, making them more expensive to transport. They are also fragile and prone to breaking, which increases handling and storage concerns. Another drawback is that even dark-coloured bottles allow **some amount of light penetration**, particularly in brightly lit environments like supermarkets. Over time, this can impact the flavour and quality of the beer. From an environmental perspective, **glass bottles are recyclable**, but their recyclability is not as efficient as that of aluminium cans. Broken or contaminated glass is often discarded, and the recycling process requires significant energy. However, **returnable glass bottles**, commonly used in some markets, help reduce environmental impact by allowing multiple refills before recycling.

Overall, beer bottles remain a preferred choice for **premium, traditional, and craft beer brands**, offering a sophisticated appearance and maintaining beer integrity. However, the increasing shift toward sustainability and convenience has led many breweries to explore alternative packaging options.

Glass: Reinforcing the Traditional Beer Experience

When referring to "glass" as a beer packaging material, it typically means glass bottles, as discussed above. However, the concept of beer in glass also extends to draft beer served in glassware. Many beer enthusiasts argue that beer is best enjoyed from a properly designed glass, as it enhances the sensory experience.

Different types of beer require specific glass shapes to maximize aroma retention, carbonation, and flavour enhancement. For instance, a pilsner glass is tall and slender to highlight the beer's clarity and effervescence, while a snifter glass is used for strong ales and stouts, allowing the aromas to concentrate at the top. Beer mugs and steins provide a sturdy grip, making them ideal for casual drinking settings. Glassware plays a significant role in craft breweries, pubs, and bars, where presentation is crucial. Unlike cans and bottles, beer served in a glass allows consumers to appreciate its colour, head retention, and carbonation. Many brands emphasize the importance of serving beer in the correct glass to enhance the overall drinking experience.

While glass bottles and draft beer served in glassware continue to hold a strong place in the beer industry, their weight, fragility, and higher carbon footprint in transportation remain challenges. However, the premium perception and aesthetic appeal of beer in glass packaging or glassware make it a staple in the industry.

Tetra Packs: An Emerging and Cost-Effective Alternative

Tetra packs are a relatively new concept in beer packaging but have been widely used for liquor, juices, and dairy products. These cartoon-like containers are made from multiple layers of paperboard, polyethylene, and aluminium foil, creating a lightweight, durable, and protective barrier against light and oxygen.

Additionally, many tetra packs are biodegradable and recyclable, appealing to environmentally conscious consumers. However, tetra packs are not commonly associated with premium beer brands, as they are often perceived as a budget-friendly option. While they provide excellent protection against external factors, they lack the traditional appeal of bottles or cans, which are deeply ingrained in beer culture. Moreover, tetra packs may not be as durable as aluminium cans when subjected to rough handling, potentially leading to punctures or leaks. Some brands have experimented with tetra packs for low-cost and mass-market beer offerings, but widespread adoption remains limited. As sustainability continues to drive packaging innovations, the beer industry may see an increase in the use of tetra packs, particularly for economical and bulk packaging formats.

*The primary advantage of **tetra packs** is their cost-effectiveness and sustainability. Since they are significantly lighter than glass and cans, they reduce transportation costs and carbon emissions. Tetra packs also take up less space, making storage and distribution more efficient.*

Other Packaging Types: Kegs, Pouches, and Innovations

Beyond the conventional packaging methods, beer is also available in kegs, pouches, and other innovative formats. Kegs are widely used for draft beer in bars, restaurants, and events, offering a cost-effective way to serve large quantities of beer. Kegs are made from stainless steel or aluminium and can hold beer under controlled pressure, ensuring freshness for extended periods. They are also refillable and reusable, reducing packaging waste. The major drawback of kegs is that they are bulky and not suitable for individual consumers, limiting their use to commercial establishments. Beer pouches have been introduced in some markets as an alternative to cans and bottles. These flexible, lightweight pouches reduce packaging waste and are easy to carry. However, they are not widely accepted, as beer consumers often prefer the traditional experience of drinking from a bottle or can. Recent innovations in beer packaging include bag-in-box systems, aluminum growlers, and eco-friendly biodegradable bottles. The push for sustainable packaging solutions is encouraging brands to experiment with plant-based and compostable materials, aiming to reduce environmental impact.

Competitive Positioning

How about rising input Costs and Margin pressures in the Indian Liquor Industry?

The Indian liquor industry is facing mounting challenges due to **rising input costs**, which are significantly affecting production expenses and squeezing profit margins. The primary raw materials used in liquor production—**barley, glass bottles, and extra neutral alcohol (ENA)**—have all witnessed **substantial price increases** in recent years, driven by global supply chain disruptions, inflation, and domestic regulatory factors. This trend has made it increasingly difficult for liquor manufacturers to maintain profitability, as state-imposed **Maximum Retail Prices (MRPs)** limit their ability to pass on these increased costs to consumers.

1. **Barley Price Volatility: Impact on Beer and Whisky Production**

Barley, a crucial ingredient in beer and whisky production, has seen fluctuating prices due to climate change, reduced domestic supply, and increased demand from other industries. India relies heavily on Rajasthan, Uttar Pradesh, and Haryana for barley cultivation. However, unpredictable weather patterns, droughts, and reduced acreage have led to lower yields, pushing up prices. Additionally, import dependence for high-quality malting barley has grown, exposing the industry to currency fluctuations and global market volatility. The war in Ukraine, a key global barley supplier, has further disrupted supply chains, leading to price spikes. With barley prices increasing, the cost of malt and malt-based beverages has risen, affecting beer production the most. Beer manufacturers find it difficult to absorb these higher costs, particularly because beer is highly taxed at the state level, making price adjustments even more challenging.

2. **Soaring Prices of Extra Neutral Alcohol (ENA) and Its Impact on Spirits**

Extra Neutral Alcohol (ENA) is a key raw material for producing whisky, rum, gin, vodka, and other distilled spirits. ENA is derived from molasses (a byproduct of sugar production) or grain-based sources, and its price is highly volatile due to fluctuations in sugarcane and grain production. One of the major reasons for the increased cost of ENA is the Indian government's aggressive push for the Ethanol Blended Petrol (EBP) program, which aims to increase ethanol blending in fuel. This has diverted a significant portion of ENA supply toward the fuel industry, reducing availability for liquor production and driving up prices. As sugar mills and grain-based distilleries prioritize ethanol production for fuel blending (due to government incentives), liquor manufacturers face higher procurement costs and supply shortages. Since ENA is the primary base for most **alcoholic beverages**, any increase in its cost directly affects production expenses. Whisky, rum, and vodka producers face **severe margin pressures**, especially in states where liquor prices are tightly regulated, preventing them from passing on costs to consumers.

3. Surging Glass Bottle Costs: A Major Packaging Challenge

The price of glass bottles, another crucial component of liquor packaging, has also been rising due to higher fuel and raw material costs in the glass manufacturing sector. The production of glass bottles requires silica, soda ash, and limestone, along with high-temperature furnaces powered by coal or gas. As energy costs soar, the cost of producing glass bottles has increased, impacting liquor companies significantly. Many Indian states have strict packaging regulations, requiring alcohol to be sold in glass bottles rather than plastic or tetra packs, limiting cost-cutting alternatives. Additionally, a shortage of recycled glass due to supply chain constraints has further added to the price surge. This issue is particularly concerning for companies that operate in the premium liquor segment, where high-quality packaging is essential for brand positioning.

4. Other Cost Pressures: Logistics, Taxation, and Import Duties

Apart from raw material costs, liquor manufacturers also face higher transportation and logistics expenses due to rising fuel prices. Given that liquor production is often concentrated in specific regions, companies must transport finished goods across multiple states, increasing freight costs. Additionally, high state excise duties and multiple layers of taxation further reduce manufacturers' ability to absorb rising input costs. Each Indian state has different liquor taxation policies, and some states impose high license fees, import duties, and bottling charges, making cost management even more difficult.

5. Limited Pricing Flexibility Due to Government MRPs

One of the biggest challenges liquor manufacturers face the inability to pass on rising costs to consumers due to state-imposed Maximum Retail Prices (MRPs). Unlike other industries where companies can adjust prices dynamically based on input costs, the liquor industry is heavily regulated by state governments. Each state sets the final selling price of liquor, and price revisions are often delayed or restricted. This means that even as production costs increase, companies must continue selling at pre-determined prices, leading to shrinking profit margins. While some states allow periodic price revisions, these adjustments are often insufficient to fully offset rising costs.

How are Liquor Companies Adapting to Rising Costs?

To combat rising input costs and margin pressures, liquor manufacturers are adopting various strategies like Cost Optimization and Efficiency Improvements, companies are investing in process automation, energy-efficient distillation methods, and waste reduction strategies to lower overall production costs. Many liquor companies are sourcing raw materials locally to reduce import dependency and currency risk.

Product Premiumization, as some manufacturers are shifting focus toward premium and super-premium liquor segments, where profit margins are higher, and pricing flexibility is greater. Premium brands face less government pricing intervention, allowing companies to absorb cost increases more effectively.

Alternative Packaging Solutions, some companies are exploring lightweight glass bottles, PET bottles (where allowed), and recyclable packaging to reduce packaging costs. Refillable bottles and eco-friendly packaging are being considered in some states to reduce dependency on expensive glass bottles.

Government Advocacy for Price Revisions, Industry bodies and liquor manufacturers are engaging with state governments to seek periodic price adjustments and tax relief measures. Some states have responded by allowing price hikes in premium categories, but lower-end liquor segments remain heavily price-controlled.

Diversification into Non-Alcoholic Beverages and Ready-to-Drink (RTD) Products, some liquor companies are expanding into non-alcoholic beers, premium mixers, and RTD beverages, which have higher margins and lower regulatory restrictions.

Comparable Analysis

As of 16, Feb 2024

S.No.	Name	CMP Rs.	Mar Cap Rs.Cr.	OPM %	Quick Ratio	Cash Cycle	EV / EBITDA	Raw Material %	CMP / Sales	CMP / FCF	IV Rs.	P/E	Asset Turnover
1	**United Spirits**	1364.4	99239.75	17.86	1.53	108.34	41.3	35.83	8.4	122.74	233.86	67.62	1.08
2	**United Breweries**	2040.6	53954.51	9.13	1.03	195.58	63.35	20.62	6.18	487.84	219.02	122.89	1.22
3	**Radico Khaitan**	2042.9	27334.58	13.37	0.98	226.5	44.94	33.24	5.91	-190.06	453.5	87.82	1.07
4	**Allied Blenders**	327.05	9147.92	10.55	1.07	56.58	26.7	37.85	2.72	53.05	54.71	76.5	1.29
5	**Piccadily Agro**	587.6	5543.38	22.15	1.66	154.31	29.17	48.1	6.66	390.4	194.67	52.38	1.11
6	**Tilaknagar Inds.**	253.7	4912.49	16.2	1.91	87.41	20.77	23.42	3.54	62.72	113.72	25.62	1.36
7	**India Glycols**	1151.55	3565.37	12.26	0.38	43.94	9.7	54.81	0.93	-22.49	699.82	17.05	0.63
8	**Sula Vineyards**	313	2641.61	26.06	0.83	643.13	18.99	13.76	4.59	63.25	122.42	37.35	0.6
9	**Globus Spirits**	857.45	2483.58	5.15	0.73	14.04	20.32	68.27	1		329.74	145.32	1.44
10	**Som Distilleries**	112.41	2195.27	11.87	0.91	95.55	12.54	64.99	1.48	-72.3	81.4	21.79	1.23
	Median			**12.815**	**1.005**	**101.945**	**23.735**	**36.84**	**4.065**	**62.72**		**60**	**1.165**

Source: Screener

As of February 16, 2024, the Indian liquor industry presents a diverse landscape, with key players such as United Spirits, United Breweries, Radico Khaitan, and others showcasing varied financial metrics. This comprehensive analysis delves into critical financial ratios and recent developments to provide a nuanced understanding of the industry's current state.

1. Market Capitalization and Company Positioning

United Spirits leads the market with a capitalization of ₹99,239.75 crore, underscoring its dominant position in the Indian liquor sector. United Breweries follows with ₹53,954.51 crore, while Radico Khaitan stands at ₹27,334.58 crore. These figures reflect the companies' market values and investor confidence, influenced by brand strength, market share, and financial performance.

2. Profitability Metrics

- **Operating Profit Margin (OPM):** This metric indicates the efficiency of a company's core business operations. Sula Vineyards boasts the highest OPM at 26.06%, suggesting superior operational efficiency, possibly due to its focus on premium wines and effective cost management. In contrast, Globus Spirits reports an OPM of 5.15%, indicating potential challenges in managing operational costs or pricing strategies. The median OPM across the industry is 12.82%, serving as a benchmark for assessing relative performance.

- **Raw Material Cost Percentage:** This ratio assesses the proportion of revenue consumed by raw material expenses. Globus Spirits has the highest raw material cost at 68.27% of revenue, which may impact its profitability and pricing flexibility. Conversely, Sula Vineyards reports a lower percentage at 13.76%, likely benefiting from premium pricing and efficient supply chain management.

3. Liquidity and Solvency

- **Quick Ratio:** This liquidity measure evaluates a company's ability to meet short-term obligations without relying on inventory sales. Tilaknagar Industries exhibits a robust quick ratio of 1.91, indicating strong liquidity and financial health. In contrast, India Glycols has a quick ratio of 0.38, suggesting potential liquidity constraints and a reliance on inventory liquidation or additional financing to meet short-term liabilities.
- **Cash Conversion Cycle (CCC):** The CCC reflects the time taken to convert investments in inventory and other resources into cash flows from sales. Sula Vineyards has a notably high CCC of 643.13 days, implying a prolonged period to turn inventory into cash, which could tie up working capital. On the other hand, Globus Spirits reports a CCC of 14.04 days, indicating efficient inventory and receivables management, leading to quicker cash realization.

4. Valuation Metrics

- **Enterprise Value to EBITDA (EV/EBITDA):** This ratio provides insights into a company's valuation relative to its earnings before interest, taxes, depreciation, and amortization. United Breweries has an EV/EBITDA of 63.35x, reflecting high investor expectations and a premium valuation, possibly due to its market leadership and brand equity. In contrast, India Glycols stands at 9.7x, suggesting a more modest valuation, which could be attributed to market perceptions of growth potential or industry positioning.
- **Price-to-Earnings (P/E) Ratio:** This metric indicates the price investors are willing to pay per rupee of earnings. Globus Spirits has a P/E ratio of 145.32x, suggesting high growth expectations or potential overvaluation. Conversely, India Glycols' P/E ratio of 17.05x may indicate undervaluation or lower growth prospects as perceived by investors.

5. Efficiency Ratios

- **Asset Turnover Ratio:** This ratio measures a company's ability to generate revenue from its assets. Globus Spirits reports the highest asset turnover at 1.44x, indicating effective utilization of assets to drive sales. Sula Vineyards, with an asset turnover of 0.6x, may have a more asset-intensive operation or lower efficiency in asset utilization, which could impact profitability.

6. Recent Industry Developments

- **United Breweries:** The company experienced a 25% decline in profit for Q3 2024, with profits before exceptional items and tax falling to ₹867.3 million from ₹1.16 billion the previous year. This downturn is attributed to reduced consumer spending on lower-priced brands amid high inflation. Additionally, United Breweries faced challenges in Telangana due to delayed government payments and a lack of price hike approvals since 2019/20, leading to a temporary supply halt. However, the state has recently permitted a price increase, which may alleviate some financial pressures.
- **Radico Khaitan:** The company anticipates a 20% revenue growth in the current fiscal year, driven by India's expanding middle class and increased spending on premium liquor. In the June quarter, Radico Khaitan reported a 14.3% sales volume growth in its high-end category, which contributes approximately half of its revenue. This growth is supported by the launch of new premium products priced between ₹4,000 and ₹10,000 under its Rampur, Sangam, and Jaisalmer brands.
- **Industry Outlook:** The organized liquor industry in India is projected to see revenue growth of 12-13% this fiscal year, reaching approximately ₹4.45 lakh crore. This growth is driven by strong demand, premiumization trends, and price hikes approved by various states. Operating profit margins are expected to improve by 100-150 basis points due to softening input costs, such as packaging materials and barley prices. However, extra neutral alcohol (ENA) prices remain high, which may limit margin expansion for distillers.

HHI Analysis

The **HHI (Herfindahl-Hirschman Index) analysis** of the Indian liquor industry indicates a moderately **concentrated market**, with a total HHI score of **2896.62**. The index, which is calculated by summing the squares of the market share percentages of all firms, helps assess **market competitiveness and dominance**. A higher HHI suggests **greater market concentration** and lower competition.

HHI Index Analysis				
S.No.	Name	Mar Cap Rs.Cr.	% of share	Squared
1	United Spirits	99239.75	46%	2079.29
2	United Breweries	53954.51	25%	614.61
3	Radico Khaitan	27334.58	13%	157.75
4	Allied Blenders	9147.92	4%	17.67
5	Piccadily Agro	5543.38	3%	6.49
6	Tilaknagar Inds.	4912.49	2%	5.10
7	India Glycols	3565.37	2%	2.68
8	Sula Vineyards	2641.61	1%	1.47
9	Globus Spirits	2483.58	1%	1.30
10	Som Distilleries	2195.27	1%	1.02
11	Others	6616.07	3%	9.24
	Total	**217634.5**	**100%**	**2896.62**

Source – Screener & Finblage Research

The Indian liquor industry is dominated by United Spirits, which holds a 46% market share, contributing significantly to the high HHI value with a squared share of 2079.29. United Breweries, with a 25% market share, is the second-largest player, followed by Radico Khaitan (13%). These three firms together account for 84% of the industry, making the market highly concentrated.

Smaller players such as Allied Blenders (4%), Piccadily Agro (3%), and Tilaknagar Industries (2%) contribute to market diversity but hold much smaller shares individually. Other notable firms include India Glycols, Sula Vineyards, Globus Spirits, and Som Distilleries, each with 1-2% share, suggesting limited competition at the lower end of the market. The "Others" category accounts for 3%, reflecting the presence of various smaller or regional players.

Key Risk

The Indian liquor industry, while being one of the fastest growing and highly lucrative markets, is also fraught with multiple challenges and risks. These risks arise from regulatory complexities, taxation burdens, fluctuating raw material costs, evolving consumer preferences, and increasing competition. Each of these elements plays a crucial role in shaping the industry's future and directly impacts the profitability and sustainability of liquor companies. Below is a comprehensive discussion of the major risks associated with the Indian liquor industry.

1. Regulatory and Compliance Risks

The most significant challenge facing the Indian liquor industry is the stringent and complex regulatory framework imposed by both central and state governments. Unlike many other industries, the liquor industry is primarily governed by state policies, leading to inconsistent and highly fragmented rules across the country. Each state has its own excise duties, licensing requirements, production norms, and distribution rules, making it difficult for companies to standardize operations.

For instance, states like Gujarat, Bihar, Nagaland, and Mizoram have imposed complete prohibition, whereas other states have varying degrees of restriction on liquor sales. The frequent changes in policies and tax structures create uncertainty, affecting investment decisions and long-term planning. Liquor companies need to navigate through a maze of regulations, ensuring compliance with multiple legal requirements, which can lead to increased costs and operational inefficiencies. Additionally, the liquor industry is subject to periodic bans, dry days, and restrictions on advertising, further limiting growth potential.

2. High Taxation and Price Control

Alcohol is one of the highest-taxed consumer goods in India, as it serves as a crucial revenue source for state governments. The taxation structure includes excise duties, value-added tax (VAT), and various other levies that significantly increase the final price of alcoholic beverages. This heavy taxation burden makes liquor expensive and reduces profit margins for manufacturers and distributors.

Apart from taxation, states often regulate the maximum retail price (MRP) of alcoholic beverages, restricting the ability of companies to pass on rising production costs to consumers. This price control, combined with high excise duties, often leads to reduced profitability, especially in the mid- and low-end segments of the market. Additionally, certain states impose an additional tax burden in the form of special levies or license renewal fees, further squeezing industry margins.

3. Rising Input Costs and Supply Chain Disruptions

The liquor industry relies on several key raw materials, such as barley, extra neutral alcohol (ENA), glass bottles, and packaging materials. The cost of these inputs has been on the rise due to inflation, global supply chain disruptions, and fluctuating agricultural output. For instance, ENA, a crucial ingredient in spirits production, is derived from sugarcane or grains, making it susceptible to price fluctuations based on agricultural trends and monsoon patterns.

Similarly, glass bottle prices have increased due to rising fuel and energy costs in glass manufacturing. Any disruptions in the supply chain, such as transport strikes, increased freight costs, or geopolitical instability, can further strain the procurement process. Since liquor manufacturers operate within a highly regulated pricing framework, they often find it difficult to pass these increased costs onto consumers, thereby putting pressure on their margins.

Another significant challenge is the lack of uniformity in sourcing raw materials across states. Since different states have varying policies regarding liquor production and distribution, companies often must rely on multiple suppliers, increasing supply chain complexity and costs.

4. Advertising Restrictions and Brand Awareness Challenges

One of the biggest marketing challenges faced by the liquor industry in India is the ban on direct advertising. The government has imposed strict restrictions on promoting alcoholic beverages through television, radio, print media, and digital platforms. As a result, companies must rely on surrogate advertising strategies, such as promoting music CDs, soda, or packaged water under the same brand name, to maintain brand visibility.

This restriction on direct advertising makes it difficult for new brands to gain recognition and compete with established players. Unlike other consumer goods industries where advertising plays a crucial role in market penetration and customer retention, liquor brands must rely on alternative marketing techniques such as event sponsorships, social media engagement, and brand merchandising. These indirect promotional activities often require substantial investment and creativity to be effective, adding to the overall marketing expenditure.

Additionally, brand loyalty in the liquor industry is often influenced by state policies and availability rather than purely consumer preference. Since different states impose different restrictions on liquor sales and distribution, some brands may find it difficult to expand their market presence despite having strong consumer demand.

5. Changing Consumer Preferences and Rise of Health Consciousness

Consumer preferences in India's liquor industry have been evolving rapidly, influenced by rising disposable incomes, urbanization, and increased exposure to global brands. While this shift has created opportunities for premiumization, it has also introduced new challenges for traditional liquor brands.

One of the most significant risks in this segment is the growing preference for craft spirits, premium wines, and low-alcohol beverages. Many consumers, especially in urban areas, are moving away from mass-produced liquor brands and opting for artisanal and locally crafted alcoholic beverages. This trend forces established companies to diversify their product portfolios and invest in new product development to keep up with changing demand patterns.

Moreover, increasing health awareness and lifestyle changes are leading to a decline in alcohol consumption, particularly among younger consumers. Many people are opting for healthier alternatives, such as non-alcoholic beers, mocktails, and functional beverages, thereby reducing the market size for traditional alcoholic products. Additionally, concerns over excessive alcohol consumption and its impact on health have led to stricter regulations and awareness campaigns discouraging alcohol use, further impacting industry growth.

6. Illicit Liquor and Counterfeiting Risks

Illicit liquor remains a major concern for the Indian liquor industry, as it leads to revenue losses for legal manufacturers and poses serious health risks to consumers. Illicit liquor, also known as country liquor or spurious liquor, is often produced without proper quality controls and sold at significantly lower prices. Since legal alcohol is heavily taxed, many consumers, particularly in rural and lower-income segments, turn to cheaper, unregulated alternatives, which are often hazardous.

Counterfeiting is another serious challenge for branded liquor companies. Fake liquor bottles, which resemble premium brands, are often sold in the market, leading to loss of sales and reputational damage. Despite efforts by law enforcement agencies to crack down on illegal liquor production, the problem persists due to weak regulatory enforcement in certain regions. Companies must invest in anti-counterfeiting measures, such as special packaging, holograms, and authentication techniques, to combat this issue.

7. Environmental and Sustainability Risks

The liquor industry is also facing increasing scrutiny over its environmental impact. The production of alcoholic beverages, particularly spirits, requires significant amounts of water and energy, contributing to environmental concerns. Distilleries generate large volumes of wastewater, which, if not treated properly, can lead to pollution and ecological damage.

With growing awareness about environmental sustainability, regulatory bodies are imposing stricter norms regarding waste management, water conservation, and carbon emissions. Companies are now required to adopt sustainable production practices, invest in wastewater treatment facilities, and implement responsible sourcing initiatives. While these measures are essential for long-term sustainability, they also lead to increased compliance costs and capital expenditures.

Moreover, climate change poses a direct risk to raw material supply chains. For example, erratic monsoons and rising temperatures can affect barley and grape production, impacting the supply of essential ingredients for beer, whiskey, and wine. As climate-related disruptions become more frequent, liquor companies must develop strategies to mitigate these risks and ensure consistent raw material availability.

8. Competition from Global and Domestic Players

The Indian liquor industry is highly competitive, with a mix of domestic giants, multinational corporations, and emerging startups. Companies such as United Spirits, Radico Khaitan, and Allied Blenders face stiff competition from global players like Diageo, Pernod Ricard, and AB InBev, which bring extensive expertise, strong brand portfolios, and financial strength to the market.

Additionally, new entrants, including craft distilleries and boutique wineries, are challenging traditional players by offering niche products and innovative flavours. The rise of direct-to-consumer (D2C) sales channels and online alcohol delivery services is also reshaping the competitive landscape. Companies must continuously innovate and differentiate their offerings to stay relevant in this dynamic market.

Disclaimer

The information presented in this document is based on publicly available data collected from the annual reports of the top 10 listed companies in the Indian liquor industry, research publications from platforms such as ResearchGate, industry reports, and other reputed sources. Every effort has been made to ensure the accuracy and reliability of the data; however, I do not claim any proprietary rights over the information sourced from these publicly available materials. This document is for informational and research purposes only and should not be construed as financial, investment, or professional advice. Readers are encouraged to conduct their own due diligence and consult with industry experts before making any business or investment decisions.