



Industry Report On Indian Alco-Beverage Market

21st June 2022



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1. Overview of Global and Indian Economy

1.1. Macroeconomic Overview - 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	% Share (World GDP)
Developed Economies				
United States	1	24.7%	2	15.8%
Japan	3	6.0%	4	4.0%
Germany	4	4.5%	5	3.3%
United Kingdom	5	3.2%	9	2.3%
France	7	3.1%	8	2.3%
Developing Economies				
China	2	17.4%	1	18.3%
India	6	3.1%	3	6.7%

Source: World Bank Data, RBI, Technopak Analysis

1.2. Global Disposable Income per Capita, broken down between Developing and Developed Market

The disposable income per capita for developed economies such as United States, Germany, France and United Kingdom have been on the rise from the period between CY 2015-2019 and has witnessed a slight decline in CY 2020 owing to the effect of COVID-19 Pandemic. On average, the disposable per capita income for these major economies grew by ~3.3% CAGR over the period between CY 2015-19. Developing economies such as China and India, have witnessed similar trend in growth as compared to developed economies but have an average growth rate of ~6.5 CAGR over the period between CY 2015-19.


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Exhibit 2: Disposable Per Capita Income of Key Global Economies (value in USD)

Country	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CAGR 2010-20
Developed Economies												
United States	48,467	49,883	51,603	53,107	55,060	56,863	58,021	60,110	63,063	65,280	63,593	2.8%
Japan	36,577	37,379	38,514	40,219	41,581	42,913	44,635	46,372	47,573	49,041	46,483	2.4%
Germany	35,335	36,214	37,606	39,402	39,555	40,899	40,623	41,505	42,202	42,617	42,390	1.8%
United Kingdom	38,953	42,542	43,360	44,994	47,012	47,610	50,580	53,071	55,235	55,653	54,792	3.5%
France	35,903	37,441	37,679	39,524	40,144	40,850	42,925	44,577	46,577	49,072	46,983	2.7%
Developing Economies												
China	9,254	10,293	11,169	11,872	12,480	12,898	13,483	14,244	15,497	16,653	17,211	6.4%
India	4,237	4,494	4,861	5,057	5,234	5,465	5,840	6,183	6,675	6,998	6,504	4.4%

Source: World Bank Data, Technopak analysis

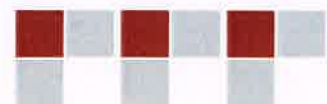
Exhibit 3: Country Wise GDP (USD trillion)

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



1.3. Median Age of Key Global Economies

Exhibit 4: Median Age: Key Emerging and Developed Economies (CY 2021)

Country	Developed Economies						Developing Economies					
	World	USA	UK	Japan	Germany	France	China	India	Russia	Brazil	Indonesia	Thailand
Median Age (Yrs.)	30.1	38.1	40.5	47.3	47.1	41.4	37.4	28.1	39.6	32.6	30.2	37.7

Source: World Population Review, Technopak Analysis

1.4 Effect of COVID-19 on Global Economy

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. India witnessed the highest de-growth and was the hardest hit economy in Q2 2020 with a decline of -24.2% quarter on quarter basis. India also showed a smart recovery in the next quarter with a 21.2% growth.

Major developed economies such as United Kingdom, Japan and Germany have also suffered decline in GDP. These economies have shown great resilience and were able to bounce back in Q3 CY 2020 and Q4 CY 2020. Among the developing economies, India showed the highest growth rate on a Q-o-Q basis in Q3 CY 2020 and Q4 CY 2020 with 21.2% and 8.6% growth respectively.

Exhibit 5: 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
India	0.40%	0.60%	-24.50%	21.20%	8.60%	2.30%	-10.20%
United Kingdom	0.00%	-2.80%	-19.50%	16.90%	1.30%	-1.60%	4.80%
Germany *	-0.10%	1.80%	-10.00%	9.00%	0.70%	-2.00%	1.60%
Brazil	0.30%	-2.30%	-9.00%	7.70%	3.10%	1.20%	-0.10%
U.S.	0.50%	-1.30%	-8.90%	7.50%	1.10%	1.50%	1.60%
Japan	-1.90%	-0.60%	-7.90%	5.40%	2.80%	-1.10%	0.50%
Australia	0.40%	-0.30%	-7.00%	3.60%	3.20%	1.90%	0.70%
China	1.20%	-8.70%	10.00%	2.80%	3.00%	0.40%	1.30%

Source: Technopak Analysis

*implies data is Provisional



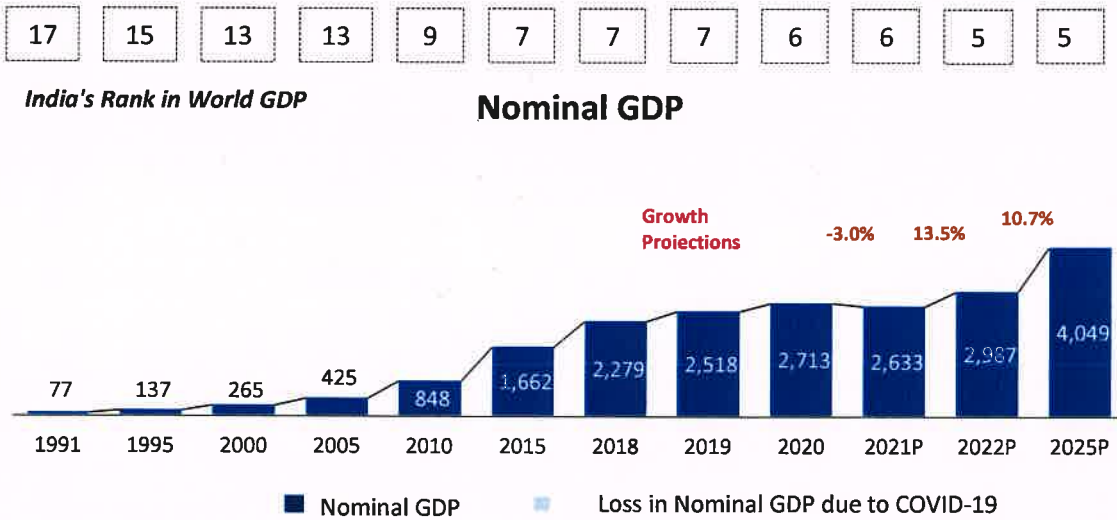
1.5 Macro-economic overview of India

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 at 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 as compared to same period preceding year. GDP of India is expected to reach USD 4 Trillion 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 urbanisation, growing young and working population, IT revolution, increasing penetration of mobile and internet infrastructure, increasing aspirations and affordability, etc.

Exhibit 6: India's Nominal GDP in FY (USD Billion)



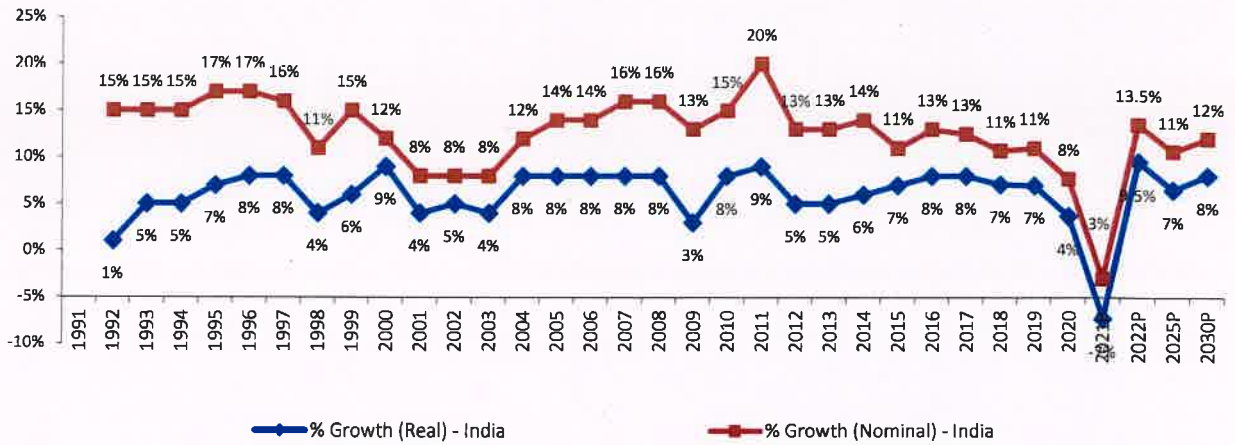
Source: Technopak Analysis

1 US\$= INR 75

White boxes at the top refer to India's GDP rank on a global basis



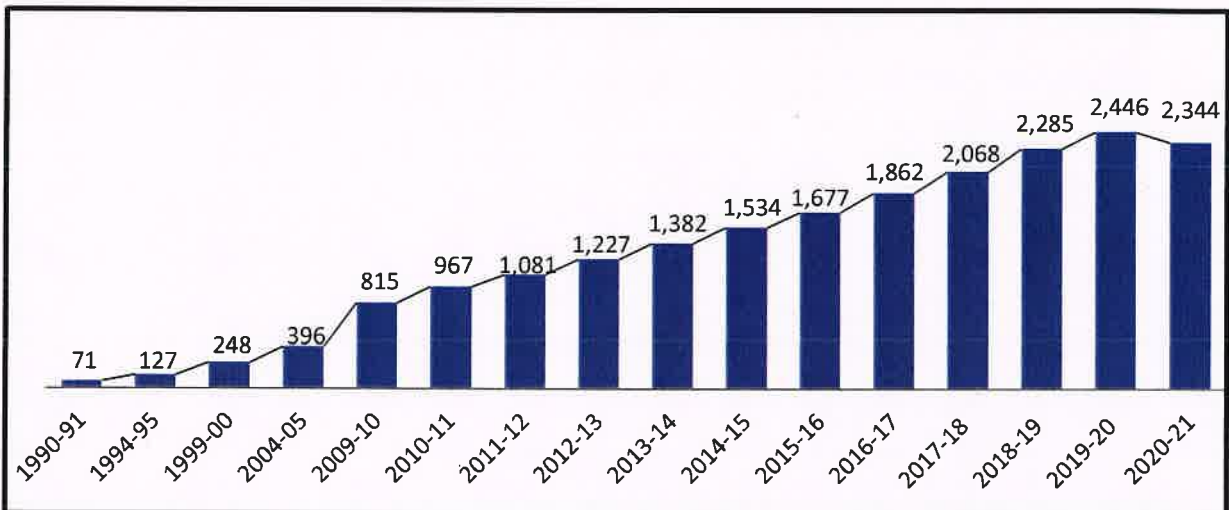
Exhibit 7: Historical GDP Growth of India (In %)



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

Exhibit 8: Nominal Gross Value Added at Factor Cost by Industry of Origin of India for FY (value in USD Billion)



Source: Technopak Analysis,

1 US\$= INR 75,

Estimates for the years 2011-12 onwards (at base 2011-12) are available at basic prices only



1.6 Domestic Consumption Growth

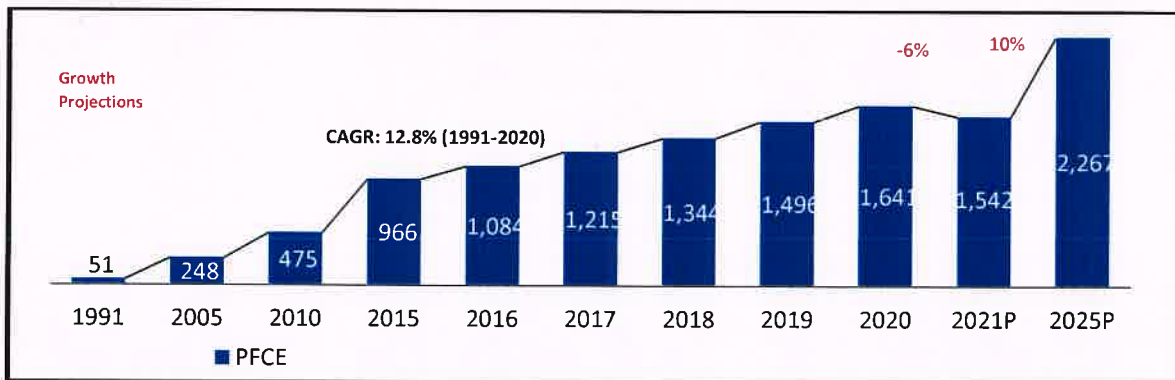
Private Final Consumption Expenditure

High share of Domestic Consumption in Private Final Consumption Expenditure (PFCE)

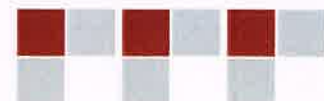
India's share of domestic consumption, measured as private final consumption expenditure, in its GDP was ~57% in FY 2022. This private consumption expenditure includes final consumption expenditures of Households and Non-profit institutions serving Households and comprises both goods (food, lifestyle, 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. 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%). 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.

Exhibit 9: India's Household Final Consumption Expenditure (in USD Billion)



Source: Technopak Analysis, Year indicates FY



Private Final Consumption Expenditure (Developing and Developed Market)

Exhibit 10: Total Private Final Consumption Expenditure at current prices (value in USD Billion)

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	Contrib ution to GDP (2020)	CAGR (2015-21)
Developed Economies														
United States	10,260	10,699	11,047	11,363	11,847	12,263	12,693	13,239	13,993	14,428	14,047	14,347	67.0%	2.7%
Japan	2,928	3,224	3,271	3,529	3,386	3,315	3,304	3,390	3,405	3,460	3,533	3,559	53.4%	1.2%
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	50.7%	1.3%
United Kingdom	27,308	27,068	27,342	27,875	28,317	28,940	29,698	29,831	30,074	30,234	26,780	29,779	61.0%	0.5%
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	53.1%	0.9%
Developing Economies														
China	2,090	2,637	3,019	3,429	3,845	4,178	4,344	4,745	5,353	5,605	NA	NA	38.1%	NA
India	411**	447**	749	863	966	1,084	1,215	1,344	1,505	1,641	1,542	1,718	58.6%	8.0%

Source: Technopak Analysis, World Bank

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 and CY 2011, base year was 2004-05

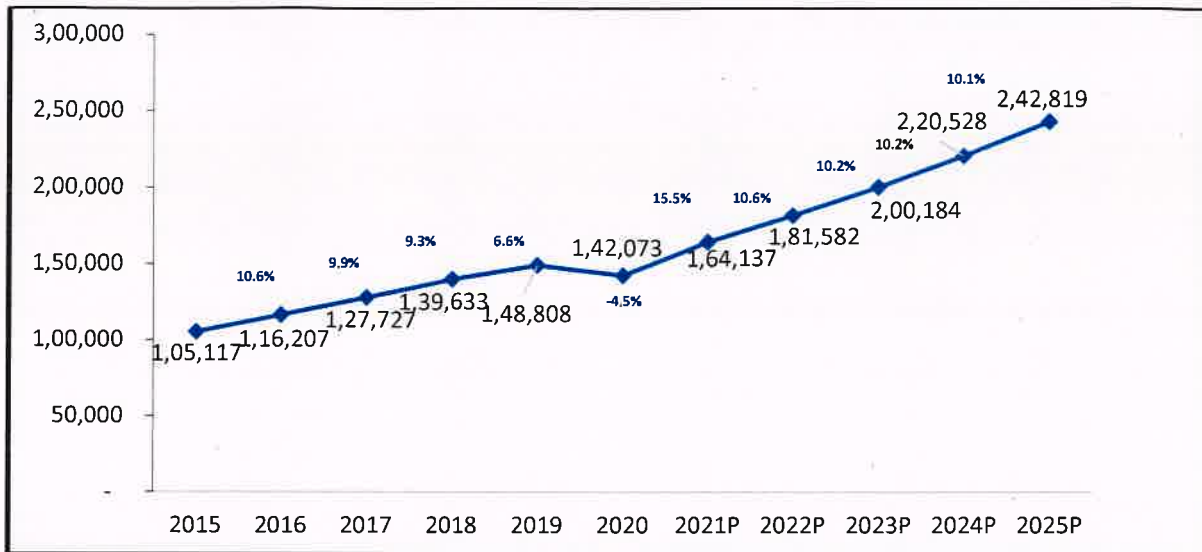
1US\$ = INR 75

Per Capita Income Growth

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%.



Exhibit 11: India's GDP Per Capita at current prices (value in INR)



Year indicates CY.

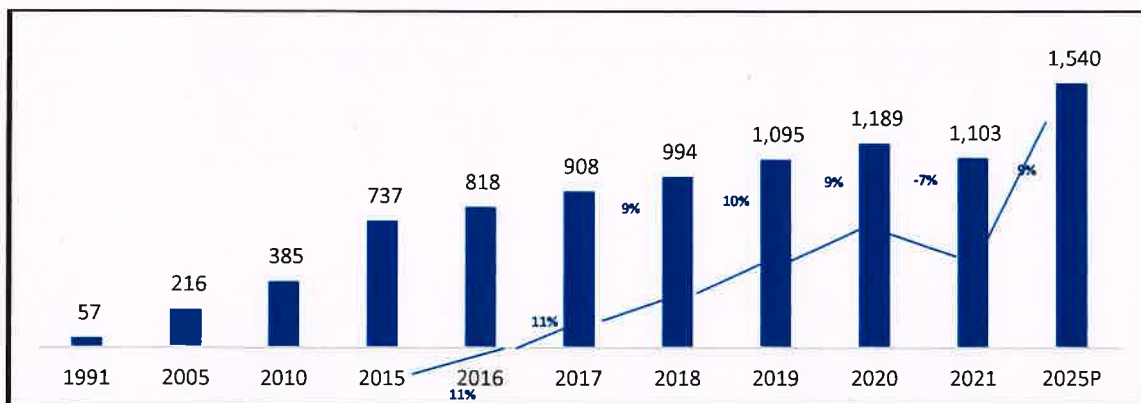
Source: IMF projections.

Note: Numbers for 2021-2025 are Provisional

Per Capita Final Consumption Expenditure

Per capita final consumption expenditure has shown a significant growth pre COVID. In CY 2020, the average per capita final consumption expenditure was around USD 1,189, a steep increase from USD 385 in CY 2010. Due to emergence of COVID-19 in CY 2020, there has been a significant drop in the Per capita final consumption expenditure. It is expected to grow at 4% CAGR over the next 5 years and is expected to reach USD 1,540 by CY 2025.

Exhibit 12: India's Per Capita Consumption Expenditure (USD) (Current Prices) (for CY)



Source: Technopak analysis

Note: Numbers for 2021 and 2025 are Provisional

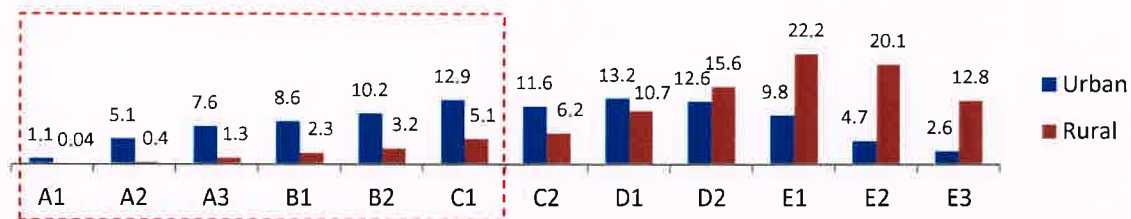


Top 20% of Indian Households Account for nearly Half of the Total Household Consumption

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.

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% was twice the national average.

Exhibit 13: SEC Break-up of Indian Households FY 2020 (in %age)



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)-own by the family. The list has eleven items, ranging from 'electricity connection' and 'agricultural land' to cars and air conditioners

2 Growth Drivers

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

Young population

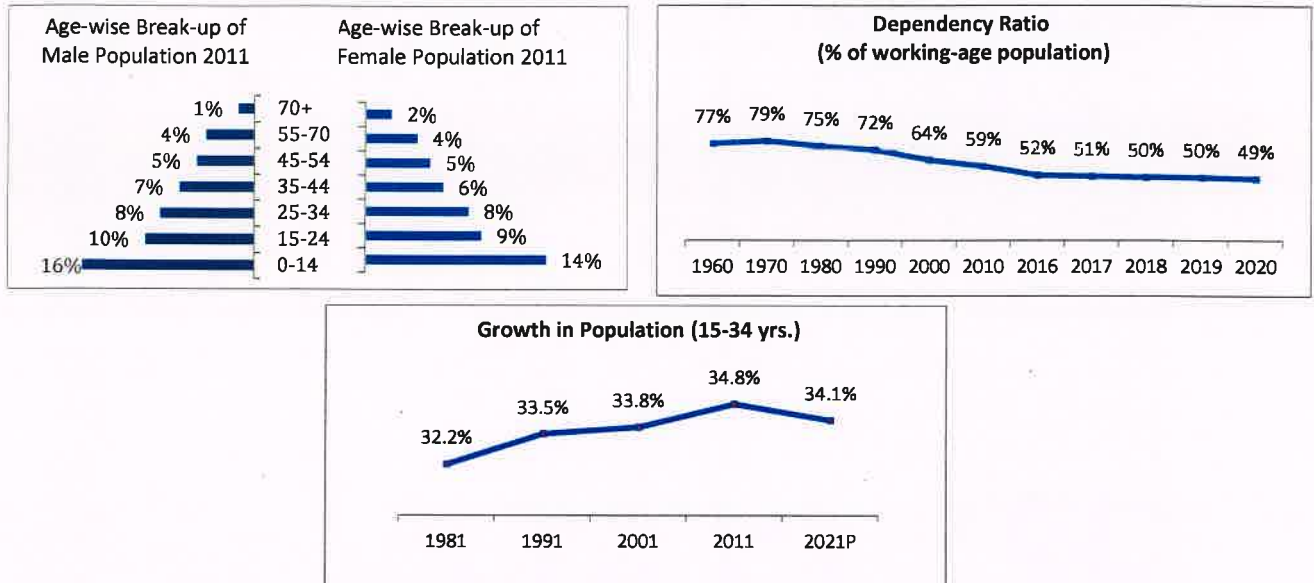
India has one of the youngest populations globally compared to other leading economies. The total population of India is estimated at 1.39 billion for CY 2021. The median age in India is estimated to be 28.1 years in CY 2021 as compared to 38.1 years and 37.4 years in the United States and China, respectively and is expected to remain under 30 years until 2030.

The size of India's young population is contributing to a decline in the dependence ratio (the ratio of dependent population size compared to the working-age population size (15 to 64 years of age), which has decreased from 64% in CY 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 CY 2000 to 67% in CY 2020 is expected to sustain the growth momentum of the Indian economy and lead to rising income levels in the long-term. The younger segment of the population is naturally pre-disposed to adopting new trends and exploration given their educational profile and their exposure to media and technology, which presents an opportunity for domestic consumption in the form of branded products and organised retail.



Exhibit 14: Age Dependency Ratio for India



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

Participation of Women in Workforce

Multiple factors, including better health care and greater media focus are allowing women in India, in both urban and rural areas, to exercise greater influence on their families and society. The most important factor, however, is educational opportunity. Between 2005 and 2015 wherein enrolment of girls in secondary education increased from 45.3% to 81% and in FY 2019 it was higher than enrolment of boys. Higher education has also seen an increase in women enrolment, with 49% of women holding a share in higher education in FY 2020. The Gross Enrolment Ratio (total enrolment as a percentage of eligible official population) for FY 2020 has been 27.3% for women and 26.9% for men. These changes are expected to have a broad impact on societal factors, including workforce demographics and economic independence for women.

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



Exhibit 15: 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

Urbanisation

India has the second largest urban population in the world in absolute terms at 486.9 million 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 urbanisation that is a key trend to note with strong implication on India's economic growth.

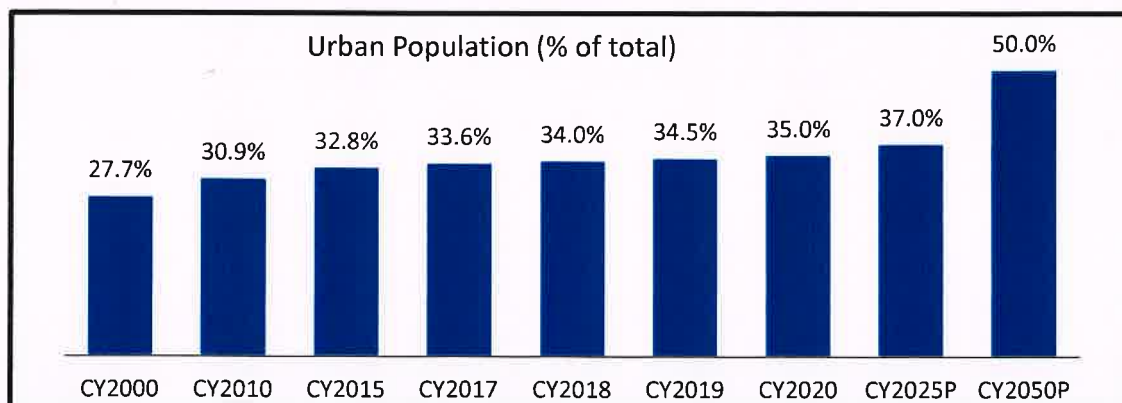
In FY 2019, the urban population contributed 63% of India's GDP. Going forward, it is estimated that 37% (541 million) of India's population will be living in urban centers by FY 2025. Urban population is expected to contribute 70% of the country's GDP by FY 2030. This trend is expected to continue with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

Exhibit 16: 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 17: Share of urban population in India (value in %)



Source: Technopak Analysis



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

- This growth of urbanisation will witness people moving into cities from rural hinterlands, from smaller towns to bigger cities and from one city to the other due to nuclearisation 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 urbanisation faces challenges in terms of formal housing, access to utilities and adequacy and capacity of public spaces. Close to 100 million Indians live in slums or informal establishments, and this is expected to increase to 120 Million 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 urbanisation trajectory.
- The disruptive factors due to the pandemic and quality of urbanisation 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.

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

Growing Middle Class

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

Exhibit 18: Household Annual Earning Details

Year (CY)	Total House Holds (in Million)	HHs with Annual earning US\$ 5,000 – 10,000 (Million)	% of total HHs	HHs with Annual earning US\$ 10,000–50,000 (Million)	% 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



Nuclearisation

The growth in the number of households exceeds population growth, which indicates an increase in nuclearisation 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 and living, packaged food, alcoholic beverages and food services.

Exhibit 19: Indian Household Size and Growth Trend

Year (CY)	Total No. of HHs (Million)	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 20: Distribution of Households by Number of Persons (value in Million)

No. of Person	Total HH (Million)	FY 2001		Total HH (Million)	FY 2011	
		Rural HH (Million)	Urban HH (Million)		Rural HH (Million)	Urban HH (Million)
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, favorable demographics, urbanisation and west influenced 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 million 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 companies 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 in work force and financial independence. Globalisation is playing a key role in internationalisation of food and beverage consumption patterns.

Make in India

The Make in India initiative was launched by Prime Minister in September 2014 as part of a wider set of nation-building initiatives. It was devised to transform India into a global design and manufacturing hub. The Make in India initiative has been built on layers of a collaborative effort. Department for Promotion of Industry and Internal Trade (DPIIT) had initiated this process by the flowing up participations from Union Ministers, Secretaries of the Government of India, state governments, industry leaders, and various knowledge partners.

Exhibit 21: Development made in major sectors of 'Make in India'

Major Sectors for Make in India	
Sectors	Development
Automobile	<ul style="list-style-type: none"> India's Automotive Industry is worth more than USD 100 Billion and contributes 8% of country's total export. The industry accounts for 2.3% of India's GDP and is set to become the 3rd largest in the world by 2025 By 2026, as per the Automotive Mission Plan 2016-26, the Automobile industry has the potential to contribute about 12% of total GDP and create 65 Million jobs.
Biotechnology	<ul style="list-style-type: none"> The Indian Biotechnology industry was valued at \$62.Billion in 2019 and expected to reach \$150 Billion by 2025. In the year 2018-19, Department of Biotechnology (DBT) published 1,194 publications. A total of 99 patent applications were filed and 15 patents were granted.
Chemicals	<ul style="list-style-type: none"> The Chemical industry in India is expected to grow at 9.3% per annum to reach USD 304 Billion by FY 2025. Exports of Indian Chemicals has registered growth of 106% in 2021-22 over 2013-14. India's exports of Chemicals for 2021-22 hit a record at USD 29296 Million
IT and BPM	<ul style="list-style-type: none"> The IT-BPM industry is the largest private sector employer – delivering around 4.14 Million jobs. The industry accounts for more than 45% share in total services export from India. GOI aims to make Indian Electronics a USD 300 Billion industry by 2025.
Oil and Gas	<ul style="list-style-type: none"> India is the fourth-largest refiner in the world with a total refining capacity of 247.57 MMTPA. India is the 3rd largest consumer of oil in the world, after the United States and China.
Construction	<ul style="list-style-type: none"> In the last five years, the construction sector, as a part of manufacturing contributed an average of 8 per cent to the overall Gross Value Added (GVA) Jal Jeevan Mission reaches a milestone of 3.5 Crore rural households taps water connections.
Renewable Energy	<ul style="list-style-type: none"> India has attracted USD 64 Billion foreign investment and made India 4th largest and fastest-growing economy in the world. By 2022 share of Renewable Energy will expand to 220 GW. GOI is aiming to have Net Zero Emissions by 2070. Nearly 450 GW out of 500 GW will come from Renewable Energy sources
Roads and Highways	<ul style="list-style-type: none"> The total length of National Highways in the country has increased from about 91,287 km to about 1,40,937 km since April 2014 till 15th December 2021. Pace of construction increased from 12 km per day in 2014-15 to 37 km per day in 2020-21 (by more than 3 times).
Tourism and Hospitality	<ul style="list-style-type: none"> The Global Medical Tourism Market was worth USD 19.7 Billion in 2016 and estimated to be growing at a CAGR of 18.8 %, to reach USD 46.6 Billion by 2021. India's ranking in the Travel and Tourism Competitive Index (TTCI) of the World Economic Forum moved up by 6 positions from 40th position in 2017 to 34th position in 2019.

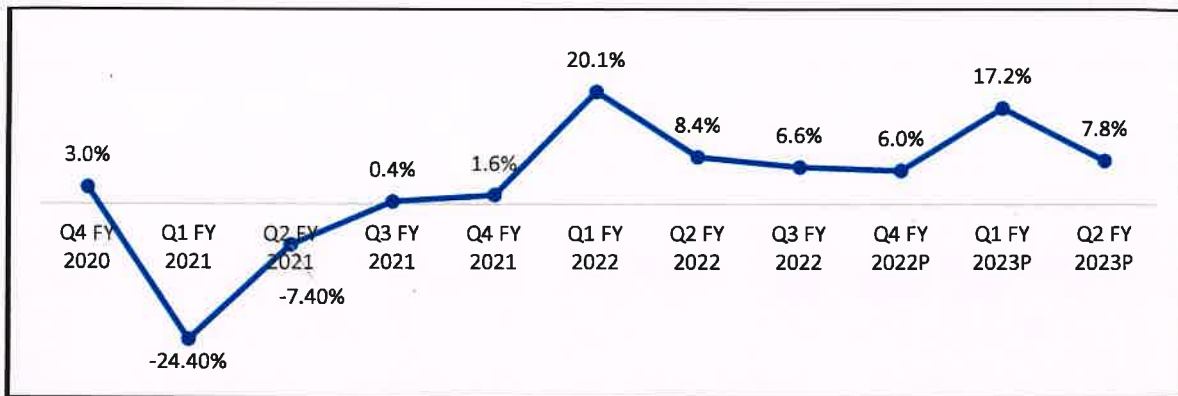
Source: makeinindia.com



3 Impact of COVID-19 on Indian Economy

COVID-19 has 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 -3%.

Exhibit 22: Quarter wise GDP Growth Trend India



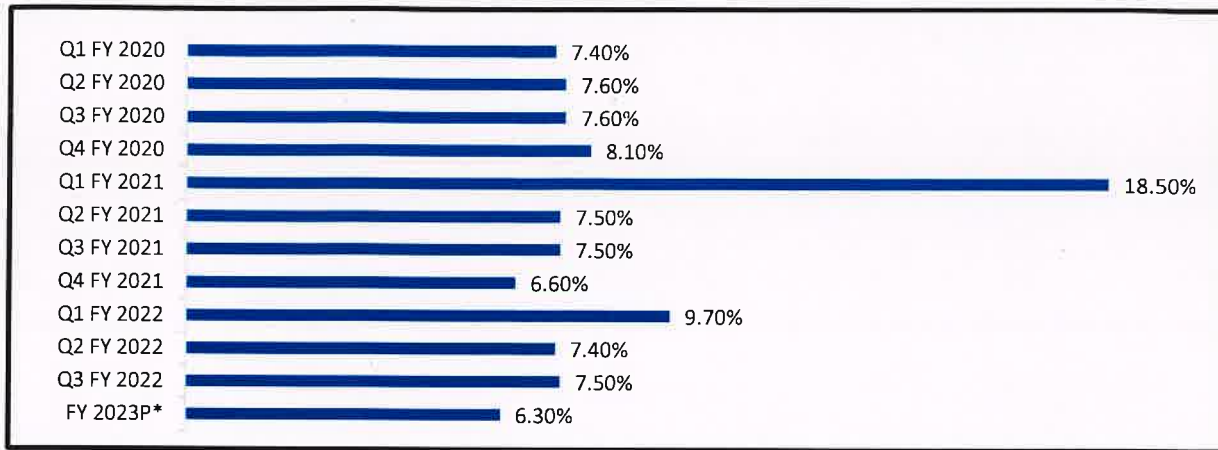
*Data for Q4 2022, Q1 2023, Q2 2023 is provisional
Source: Secondary Research*

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, there was recovery 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 23: Quarterly Average Unemployment Rate in India (in %)



Source: CMIE, Technopak Analysis, Secondary Research

Data for FY 2023 is projected

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 Crore. The number was significantly reduced to 6.5 Crore in Aug'20. However, there has been a sign of recovery as the number of formal jobs reached 7.7 crore in Aug'21 and 8.4 Crore in Sep'21. Employment in August 2021 was 5.7 Million lower than it was in 2019-20. This includes 8.8 million losses of salaried jobs and reduction by 2 million of employment to entrepreneurs.

The loss in jobs were partially offset by a 4.7 million increase in employment in farming and 0.7 million increase in employment as daily wage workers and 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.

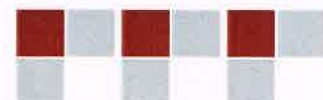
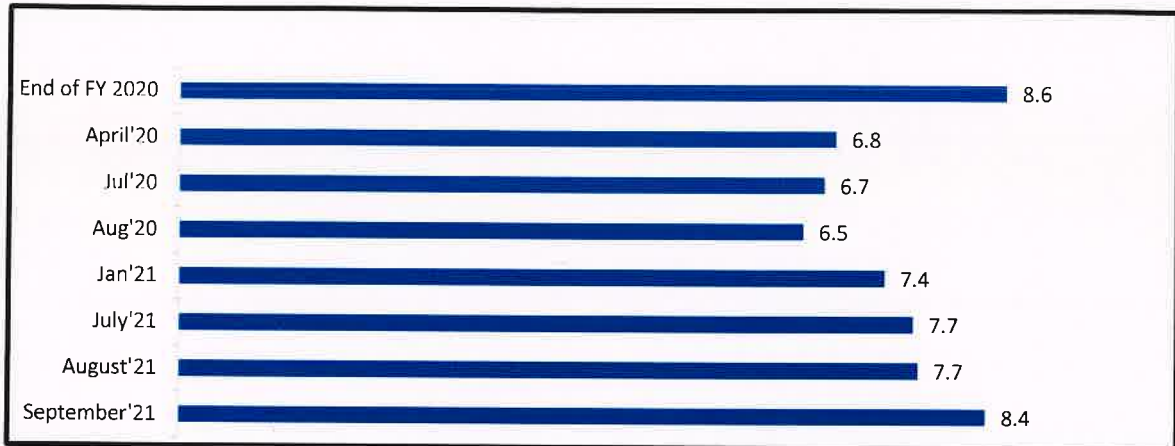


Exhibit 24: Formal jobs in India (In Crore)



Source: Technopak Analysis, Secondary Research

Income Levels

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 area and not place of work.

Between September-October,2019 and September-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 INR 15,000 per month in CY 2019 to INR 13,000 per month in CY 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.



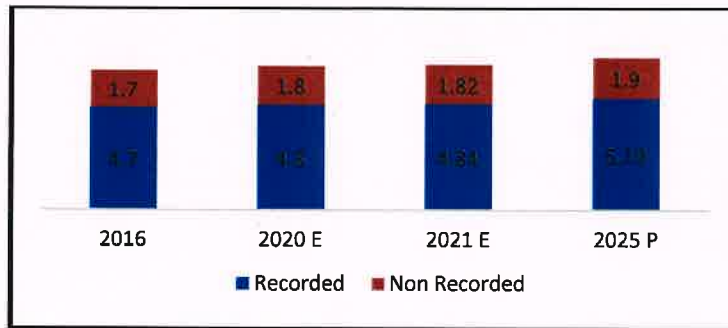
2. Global Consumption Trends in Alco-beverages

2.1 Consumption Trend in Alco-beverages

Alcohol consumption is captured by World Health Organisation (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 for population above 15 years. This includes both drinking and non-drinking population. The minimum legal drinking age in some countries is as low as 16 years. 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. The recorded alcohol per capita consumption for CY 2021 is estimated at 4.8 litres.

Exhibit 25: World Per capita Alcohol consumption in form Pure alcohol for CY (in litres)



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

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 alcoholic beverage markets in the world growing from a small base of 1.3 litres per capita of recorded consumption of pure alcohol in CY 2005 to 2.7 litres per capita consumption in CY 2010 and further to 3.0 litres per capita consumption in CY 2020.

In addition to the growth in per capita alcohol consumption, positive demographic factors including more than 10 million people added every year to the population eligible for drinking, makes it one of the most attractive markets for alcoholic beverages.


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Exhibit 26: Recorded Per capita consumption of pure alcohol (in litres) (Years in CY)

Country	2005	2010	2020	2025 P	CAGR		
					2005-10	2010-20	2020-25P
France	12.9	12.3	11.2	10.8	-1%	-0.9%	-0.8%
United Kingdom	11.4	10.0	9.7	10.0	-2.5%	-0.3%	0.3%
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%
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	0.20%	0.0%	1.20%

Source: Technopak Analysis

Exhibit 27: India alcohol market size in 100% pure alcohol (volume in Million Litres) (Years in CY)

Year	2005	2010	2020	2025P
Per capita consumption (in Litres) (100% pure alcohol)	1.3	2.8	3.0	3.2
Population in Crore	105	119	135	141
Alcohol market size (in Million Litres) (100% pure alcohol)	856	2,263	2,891	3,370

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.

Distilled alco- beverage consisting of spirits as a category is the largest category of alcoholic beverages contributing close to 44% of alcohol consumption in the world in CY 2021. Un-distilled alco-beverage primarily including beer and wines together contribute almost equivalent to distilled alco beverage.

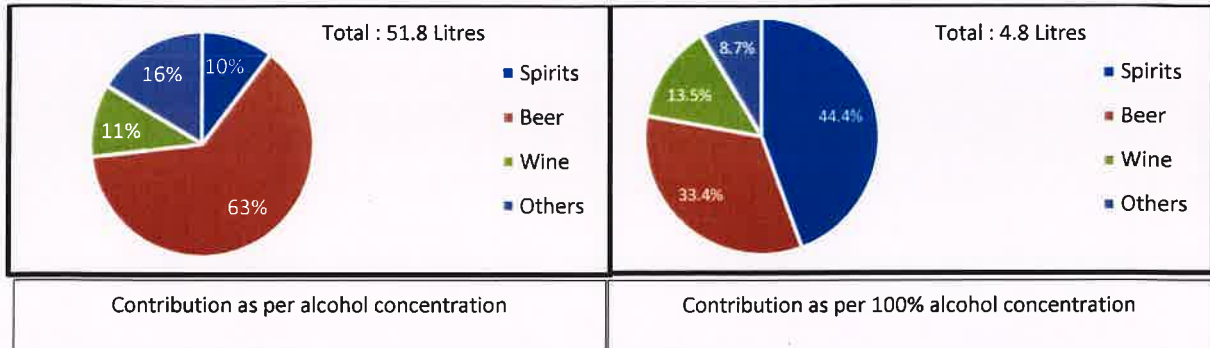
Exhibit 28: World per capita recorded alcohol consumption for CY 2021 (volume in litres)

Category	% Contribution to Pure Alcohol Consumption	Average Alcohol Content (%)	Per Capita Consumption as per alcohol concentration (in litres)
Spirit	44.4%	40%	5.4
Beer	33.4%	5%	32.5
Wine	13.5%	12%	5.4
Others	8.7%	5%	8.5
Total	100%		51.8

Source: Technopak Analysis



Exhibit 29: Per Capita consumption of alcoholic beverages CY 2021 (volume in Litres)

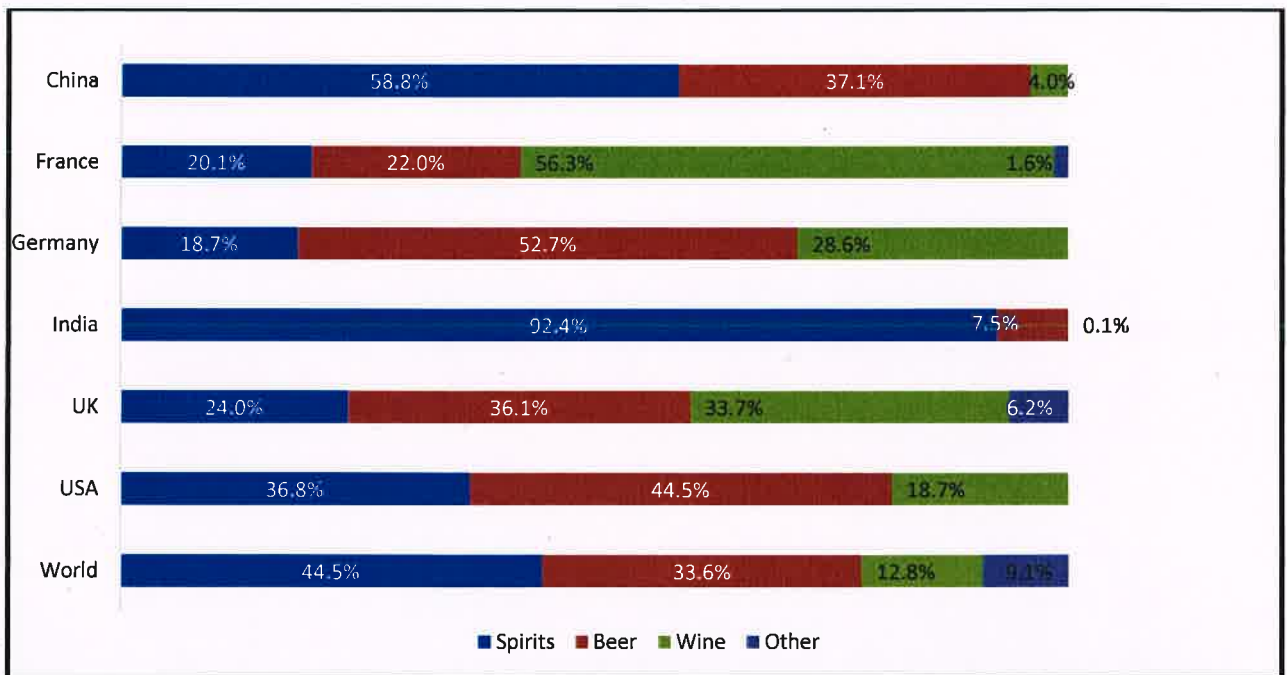


Note: Data converted from pure alcohol data to average concentration for each category
Source: Technopak Analysis

India is one of the leading spirits markets with more than 90% of consumption in the form of spirits

India is 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.

Exhibit 30: Contribution of alcoholic beverages in 100% alcohol CY 2021 (in %)



Source: Technopak Analysis



Exhibit 31: Per Capita alco-beverage consumption as per alcohol concentration CY 2021 (in Litres)

Country	Spirit	Beer	Wine	Others	Total
Germany	5.0	110.5	25.2	-	140.7
France	5.7	49.6	52.8	3.5	111.7
USA	8.4	78.4	14.2	-	101.0
United Kingdom	5.9	69.9	28.9	11.7	116.5
China	7.1	32.7	1.6	0.9	42.2
India	6.9	4.8	0.0	-	11.8
Overall	5.4	32.5	5.4	8.5	51.8

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

Alcohol Consumption by Gender

Proportion of women in current drinkers is close to 37% in CY 2021. Close to 30% of all women are in the category of current drinkers. Also, when females drink alcohol, they drink less on an average. Men consume close to three times of alcohol consumption by women. The proportion of current drinkers in overall population has come down from 45.5% in CY 2010 to 40.8% in CY 2021 but the total market size remains unchanged as the overall population increases.

Exhibit 32: Men vs Women consumption of alcohol for the world (value in Litres) (for CY 2021)

CY	Total APC			contribution to drinking population		% drinkers by gender		
	Men	Women	Ratio	Men	Women	Men	Women	Total
2021	18	5.7	3.1	62.9%	37.1%	51.3%	30.2%	40.8%
2016	19.4	7	2.8	62.4%	37.6%	53.5%	32.2%	42.9%
2010	21.2	8.9	2.4	61.8%	38.2%	56.2%	34.8%	45.5%

Source: Technopak Analysis

Data projected basis WHO data up to 2019

APC: Alcohol per capita in terms of 100% alcohol

Regulatory Framework for Distribution and Sale of Liquor

Alco-beverage industry around the world 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 alco-beverages is regulated in majority of countries in the world to guard against harmful use. These policies include control from production, pricing, storage and movement and final consumption of alco-beverages.



Exhibit 33: Snapshot of alcohol policies and status in India

Policies and 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



3. Alco-beverage Industry in India

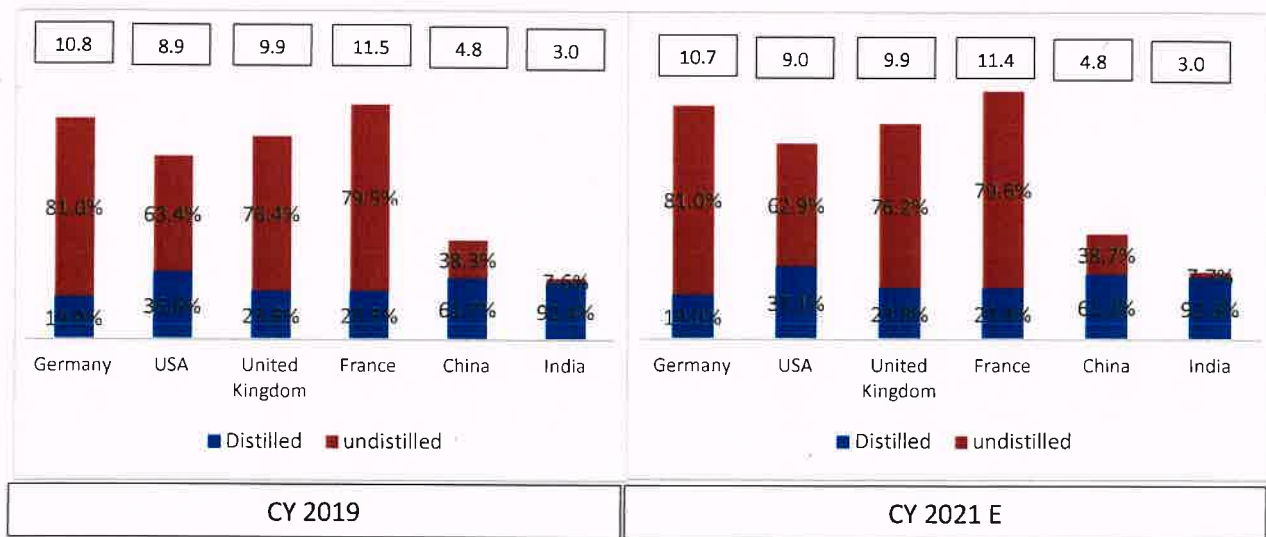
3.1 Indian alco-beverage market profile

India is primarily a distilled alco beverage market with contribution of spirits in form of pure alcohol at more than 90% in CY 2021

India is primarily a distilled alcohol market with more than 90% of recorded pure alcohol consumption in form of distilled spirits. This is unlike developed countries where contribution of undistilled alco beverages including beer and wine together is higher than distilled spirits.

Distilled spirits in India continue to be the dominant form of alco beverage consumption even as acceptance of beer and wine is increasing. Even in case of undistilled alco-beverages, alcohol content by volume is higher than in Europe and USA. In case of beer category, strong beer has a dominant share in the overall beer consumption. In wines category, fortified wines with higher alcohol content control a sizable market share in India

Exhibit 34: Per capita consumption of alcohol in terms of pure alcohol for CY (volume in Litres)



Source: Technopak Analysis
Data projected basis WHO data up to 2019

Recorded alcohol consumption in India is close to 3 Billion litres of pure alcohol in CY 2021 with 92% in form of distilled spirits

India is one of the fastest growing alco-beverage markets in the world, with distinctive characteristics that make it appealing to the top players of the industry. One of the biggest attractions is the size of the market and the continual evolution of the market as economic variables such as rising GDP, urbanisation and women's involvement in the workforce fuel demand and growth.

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The recorded alcohol per capita (APC) for India in CY 2021 was estimated at 3.0 litre per annum against the world average of 4.8 litres. Indian market size is estimated at close to 3 billion litres of pure alcohol in CY 2021. Distilled alco-beverages contribute close to 92% of the total pure alcohol consumption in India. The market for alco beverages in India is estimated to grow at 3.8% by volume for the period between CY 2021 to CY 2025 as ~10-12 million people join drinking population every year.

Exhibit 35: Alco-beverage market size in 100% pure alcohol CY 2021 (vol. in Litres)

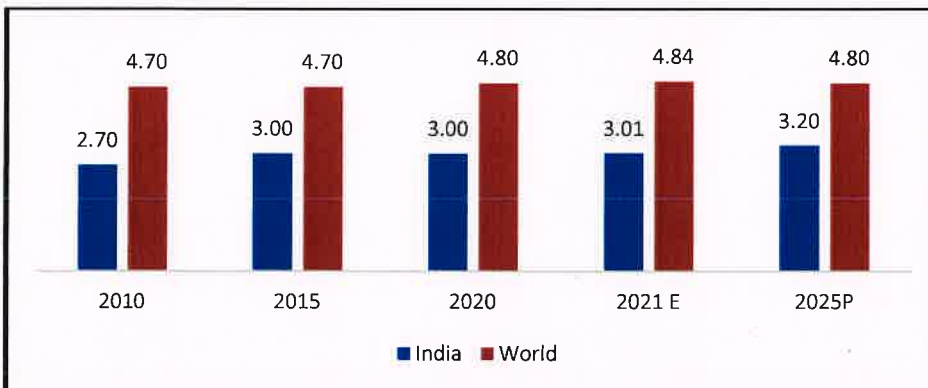
Country	APC (litres)	Total market size (Billion litres)	Spirits Market Size (Billion Litres)
China	4.8	5.5	3.4
India	3.0	2.9	2.7
USA	9.0	2.4	0.9
Germany	10.7	0.8	0.1
France	11.4	0.6	0.1
United Kingdom	9.9	0.5	0.1
World	4.8	27.8	12.5

Source: Technopak analysis

Data derived from WHO data available till 2019

APC is Alcohol per capita

Exhibit 36: Per Capita consumption of recorded APC in pure alcohol form (volume in litres)



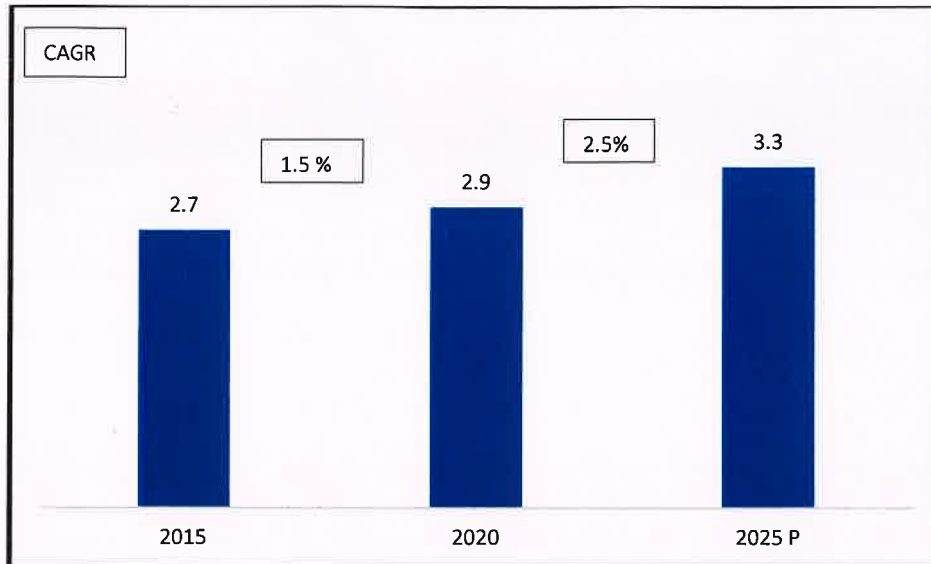
Source: Technopak analysis

Data derived from WHO data available till 2019

APC is Alcohol per capita



Exhibit 37: Indian alco-beverage market size in recorded pure alcohol for CY (volume in Billion Litres)



Source: Technopak analysis, Census India
Data derived from WHO data available till 2019

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

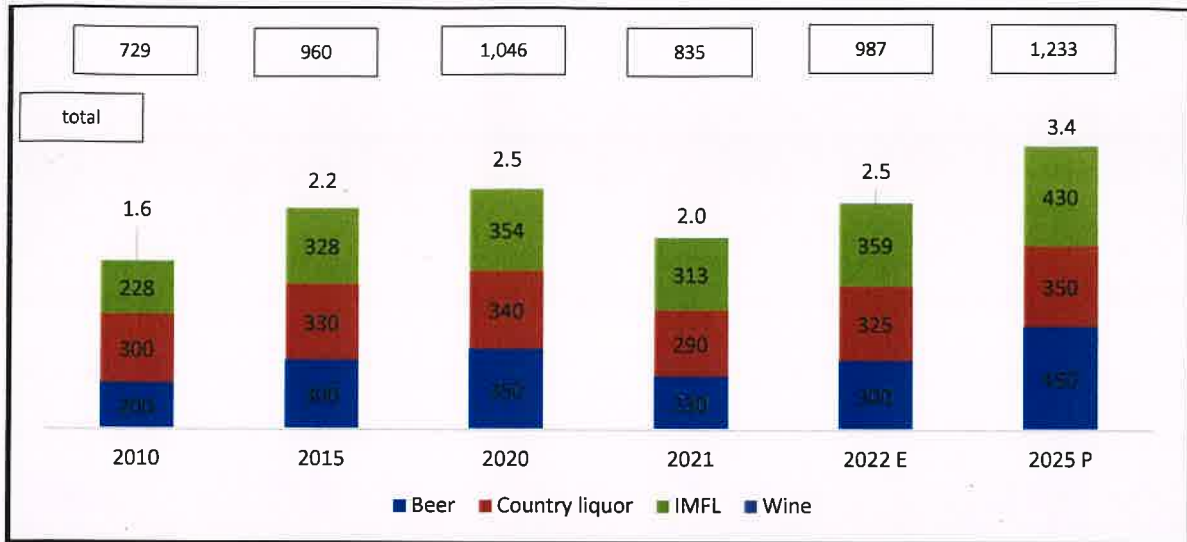
The Indian alco-beverage market crossed more than a billion cases per annum in FY 2020. A volume-based analysis shows that alcohol beverage market in India is almost equally divided between country liquor, Indian Made Foreign Liquor (IMFL) and beer with a small contribution from wines and imported spirits. The industry is projected to cross 1,200 million cases in volume by FY 2025.

India's per capita consumption is significantly lower compared to global per capital consumption. Low per capita consumption coupled with positive demographics factors and more than 10 million people added each year to the population eligible for drinking, make India an attractive market for alcoholic beverages. There exists significant potential for future growth for the alcoholic beverages market in India.

Indian Made Foreign Liquor (IMFL) is the largest segment of Indian alco-beverage market both in volume and value terms. IMFL segment recorded sales of 310 million cases in FY 2021 with a decline of 11.4% in volume as compared to FY 2020 sales at 350 million cases. IMFL market is estimated to have recovered to 355 million cases in FY 2022. IMFL sales volume is projected to reach 425 cases by FY 2025. IMFL sales by value is estimated at INR 174,000 crore in FY 2022. IMFL sales value is projected to reach INR 240,000 crore by FY 2025. During the period between FY 2022 and FY 2025, IMFL sales value is expected to grow at a CAGR of 11.3% and sales volume at a CAGR of 6.2%.



Exhibit 38: Alco-beverage consumption in India (in Million cases) and CAGR for FY



CAGR (FY)	Beer	Country Liquor	IMFL	Wine	Total
2010 – 2015	8.4%	1.9%	7.6%	6.1%	5.7%
2015 – 2020	3.1%	0.6%	1.5%	2.9%	1.7%
2022 E – 2025P	14.5%	2.5%	6.2%	10.7%	7.7%

Source: Technopak Analysis

Note: IMFL also includes imported spirits in the charts

Note: Data projected basis Multiple State Excise Dept., Annual Reports WHO data

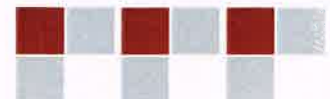
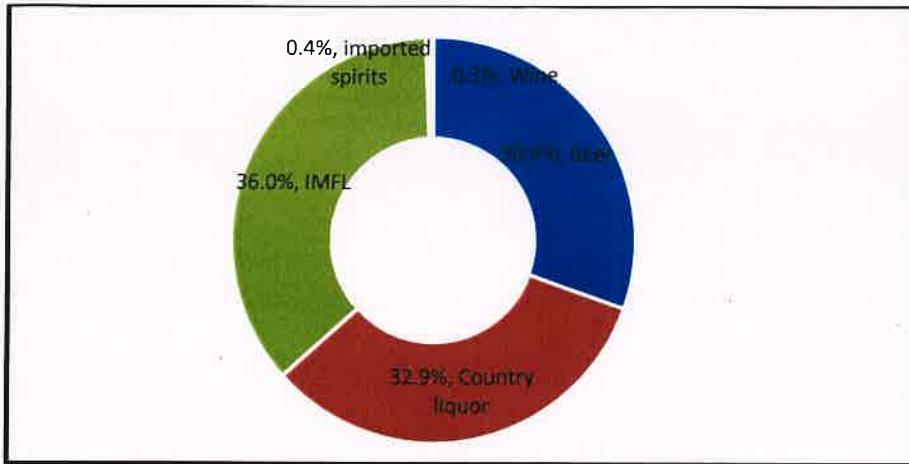


Exhibit 39: Alco-beverages Consumption in India FY 2022E (total 987 Million cases)

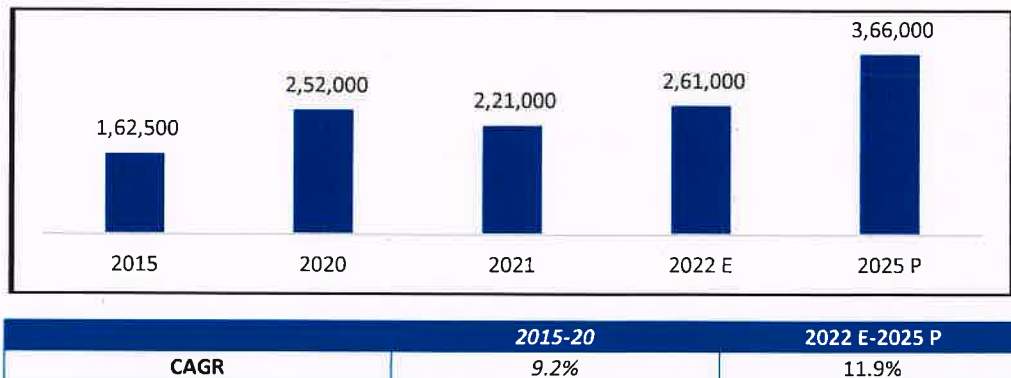


Source: Technopak Analysis
Data projected basis Multiple State Excise Dept., Annual Reports WHO data

Indian alco-beverage sector size is estimated at INR 2.6 Lakh Crore in FY 2022 making it one of the biggest markets in the world.

Indian alco-beverage market is the third largest market in the world after China and Russia. It is also the 2nd largest spirits market in the world. Indian alco-beverage is projected to grow at a CAGR of 7.7% by volume for the period between FY 2022 to FY 2025 against the projected world market growth of 1.5% by volume for the same period. Indian market is projected to grow at 12% per annum in value terms for the period between FY 2022 to FY 2025. Indian market is dominated by Indian made foreign liquor (IMFL) which is estimated to contribute close to 66% in value to the overall market in FY 2022.

Exhibit 40: Indian Alco-beverage market in INR Crore



Source: Technopak Analysis
Note: Data projected basis annual reports Multiple State Excise Dept.



Indian alco-beverage market is domestic market led with share of exports and imports together at less than 5%

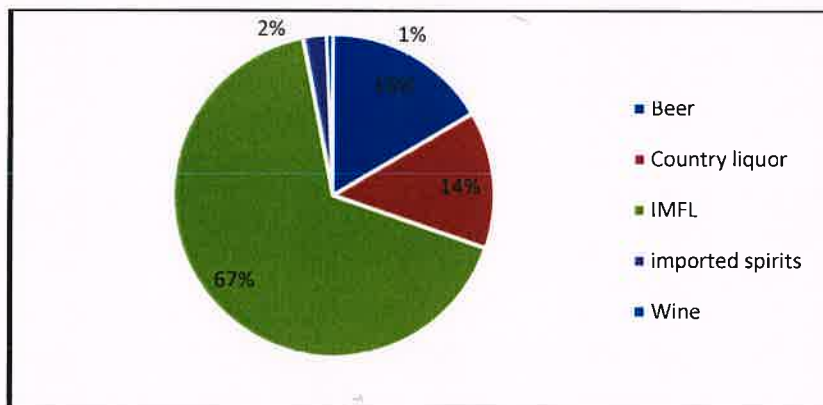
Indian alco-beverage market is domestic market led with contribution of exports at ~USD 300 Million and imports at ~USD 500 Million has been rangebound in the last five years from CY 2015 to CY 2020. Import is dominated by whisky with bulk of it used for blending and thus play an important role in the IMFL market. The trend towards premiumisation may lead to increased imports of alco beverages, particularly whisky.

Imported wines have also played an important role in development of wine segment in India. However, unlike other Asian countries including Japan and South Korea, growth of import in wines has been limited and market has been captured by domestic players.

Export of Indian alco-beverages is in countries with large population of Indian diaspora with middle east accounting for bulk of exports. Premium Indian alco-beverages including single malt whisky's have started to carve a niche for themselves but it is very small.

The Indian regulatory framework is also playing an important role in providing a level playing field for domestic alco-beverage players. Foreign liquor as imported in India is charged a custom duty as per customs act 1962. Customs tariff of 150% 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.

Exhibit 41: Indian Alco-beverage market FY 2022 E (Total value INR 2.6 lakh Crore)



Source: Technopak Analysis

Note: Data projected basis annual reports and multiple state excise department

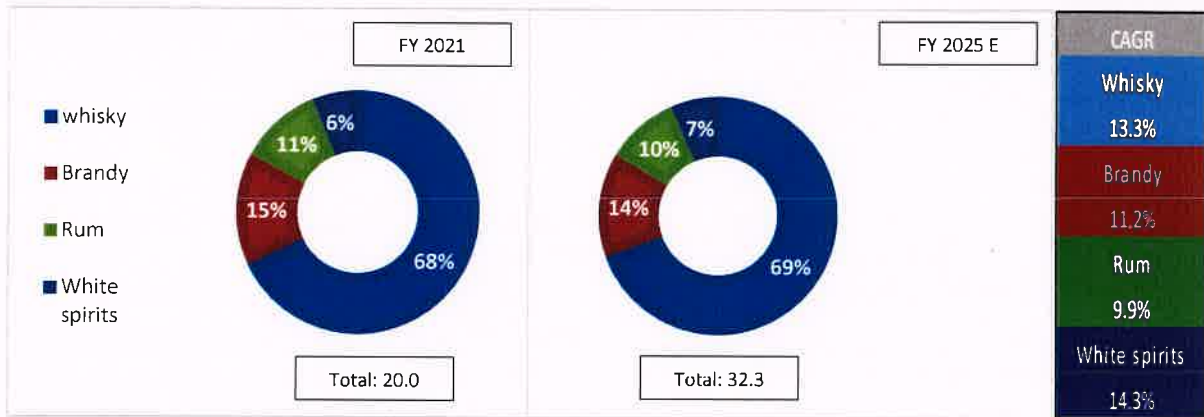
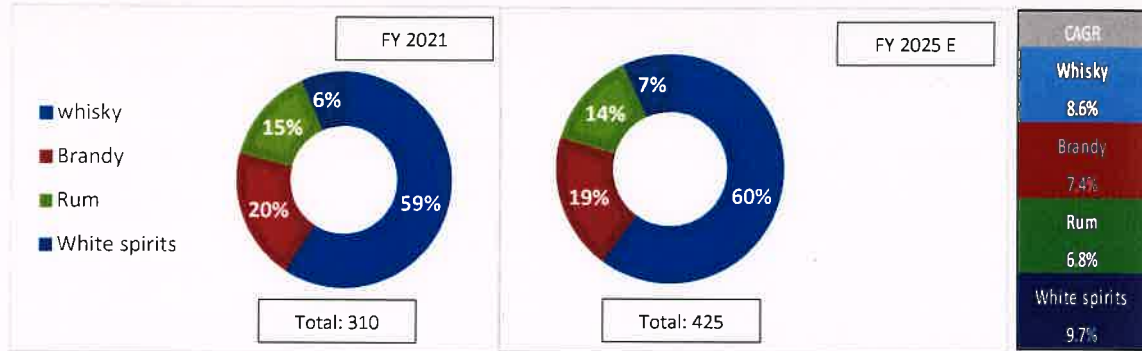
Indian made foreign liquor (IMFL) is dominated by Brown Spirits unlike world market which is a White Spirits market

Indian made foreign liquor (IMFL) 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. As per distilled spirits council in USA, for calendar year 2021 vodka contributed close to 27% of distilled spirits market in USA whereas contribution of American whisky was close to 10%. However, White spirits in India have shown higher growth for



the period between FY 2015 to FY 2022 with CAGR of 3.5% in volume terms whereas CAGR growth for the same period for brown spirits in volume terms is 1.4%. IMFL market in India is a concentrated market with top three players controlling close to half of the overall market by volume in FY 2021.

Exhibit 42: IMFL market in India



Source: Technopak Analysis
Data projected basis annual reports analysis

A large country liquor market catering to the lower income group is the target market for recruitment for IMFL

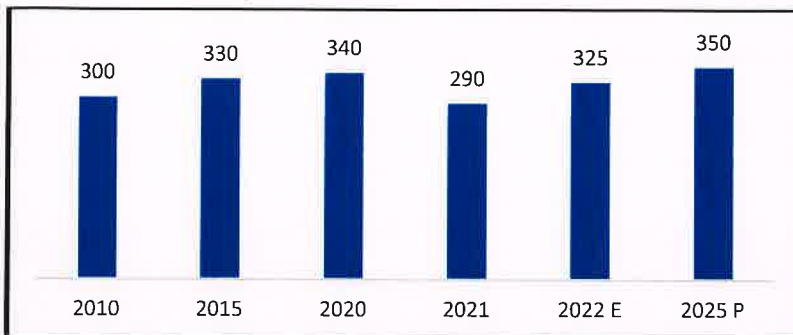
Flavoured local alcoholic beverage popularly known as country liquor or Indian made Indian liquor (IMIL) is close to one third of the alcoholic beverage market by volume in FY 2021. IMIL is a flavoured alcoholic drink influenced by



regional taste preferences where popular flavours are fruit flavours, masala flavours, etc. It caters to the price sensitive, lower income group in India and has high acceptance in rural areas.

IMIL is made from rectified spirits with alcohol percentage of 30% to 37%. Rectified spirits have lower level of purity as compared to extra neutral alcohol (ENA) used in IMFL. However, recently country liquor companies have started using ENA as raw material. Country liquor market was estimated at 325 Million cases in FY2022. However, market is projected to be range bound at 350 Million cases by FY 2025, recovering from loss in volumes due to COVID-19.

Exhibit 43: IMIL market in India in Million cases FY 2020 (340 million cases)



CAGR	2015-20	2022 E -25 P
IMIL	0.6%	2.5%

Source: Technopak Analysis

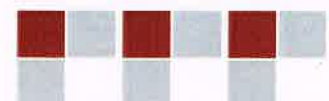
A large country liquor market is also a target group for IMFL as customers move from IMIL to IMFL. IMFL market has benefitted from ban on country liquor across all states in south India, due to health hazards. Any ban on country liquor leads to an instant jump in volumes in IMFL. This recruitment happens at the lower end called the popular segment of the IMFL market. Maharashtra, Uttar Pradesh and West Bengal are key markets for Indian made Indian liquor (IMIL). This category will drive volume growth for IMFL as legislation become more favourable to IMFL and also beverage firms innovate.

Exhibit 44: Ban on country liquor and growth in IMFL sales trend

State	Year	Event	Share in IMFL volume	IMFL volume trend
Karnataka	2007	Ban on sale of Arrack	~ 17%	<ul style="list-style-type: none"> • 32.5 to 49 million cases from 2007-08 to 2011-12 • CAGR of 11%
Andhra Pradesh	2013	Ban on sale of Arrack	~7%	<ul style="list-style-type: none"> • 28 to 36 million cases from 2013-14 to 2017-18 • CAGR of 6%

Source: Technopak Analysis

Note: Data projected basis state excise department and news articles

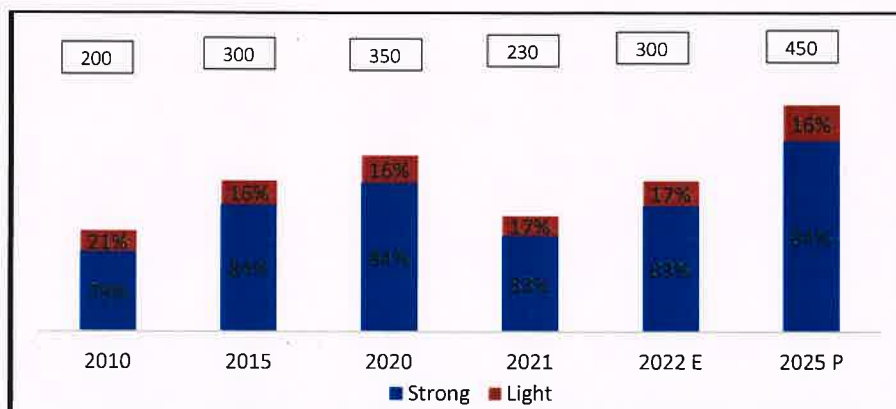


Indian beer market is projected to reach 450 million cases by FY 2025 with market dominated by strong beer

Beer category has shown consistent growth in volumes since 2005 as volume crossed 350 million 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%.

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 categories are driving growth in beer market in India. 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.

Exhibit 45: Indian Beer Market in million cases



CAGR	2015-20	2022 E -25 P
Strong	3.2%	14.8%
Light	2.8%	12.9%
Overall	3.1%	14.5%

Note: Total market size in Million cases captured in text box

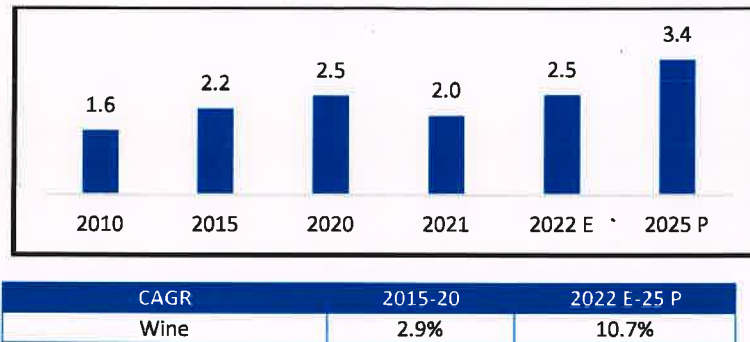
Source: Industry Reports, Annual Reports, Technopak Analysis

Indian wine market is projected to reach 3.4 million cases by FY 2025 with high contribution of domestic wines

Wine category in India is estimated at 2.5 million cases in FY 2022 and projected to grow to 3.4 million cases by FY 2025 with a compounded annual growth rate of more than 10.7% by volume. The supply of domestic wines that are reasonably priced and easily available as compared to the imported wines has helped expand the market. As of FY 2020, share of wine as a form of alcohol consumption in India was very low at less than 1% by volume whereas contribution of wines to alcohol consumption was close to 12% in the world. Its contribution was as high as close to 50% in select European countries.



Exhibit 46: Indian wine market by Volume in million cases (data for FY)



Source: Technopak Analysis

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

3.2 Indian Alco Beverage Market by Price and Segments

Indian alco-beverage market has traditionally been a price sensitive market. The popular segment as also known as mass premium segment has been the volume driver for the category in the first decade and a half of the century. This period between CY 2000 to CY 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, 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 spirit's market.

The Indian beer market continues to grow, leveraging high growth in premium and super premium categories in both strong and light beer. 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-based wines were introduced by domestic developers as well as imported in India.

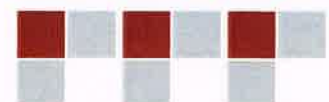


Exhibit 47: Industry Split by Price Range and Segments

Alco-beverage	Sub Segment	Segment Name	Price Range* (INR)
Spirits	IMIL	Cheap /Local or unbranded	100-200
	IMFL	Popular	upto 350
		Prestige	350-850
		Premium	850-1,750
	Bottled in India (BIIs)	Premium	850-1,750
Bottled in origin (BIO)	Luxury	1,750 and above	
Beer	Beer	Popular	upto 160
		Premium	160 and above
Wines	Wine	Popular	upto 400
		Economy	400-700
		Premium	700-950
		Elite	950 and above

*Price Range mentioned for Karnataka
Price for 750 ml pack except beer which is for 650 ml
IMIL prices are representative as IMIL banned in Karnataka
Source: Primary research, Technopak Analysis, Karnataka excise dept.

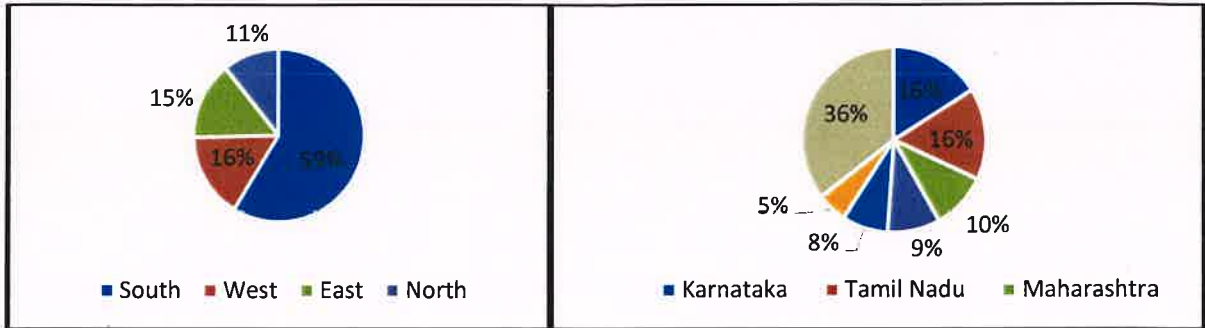
3.3 Regional and State wise Split of Alco-beverage Consumption

Indian alcoholic beverage market is dominated by southern states with five 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 India market has higher contribution of popular segment whereas north and west lead in prestige and above segment. The five states of south India have a large segment of drinkers in IMFL as country liquor is banned whereas in north India country liquor is available, mostly made from Grain ENA. In the North, contribution of prestige and above price segment categories is higher as end-consumer prices are relatively lower than any other part of the country in states like Delhi and Haryana.



Exhibit 48: Regional Split of IMFL market for FY 2020 (total volume 350 million cases)

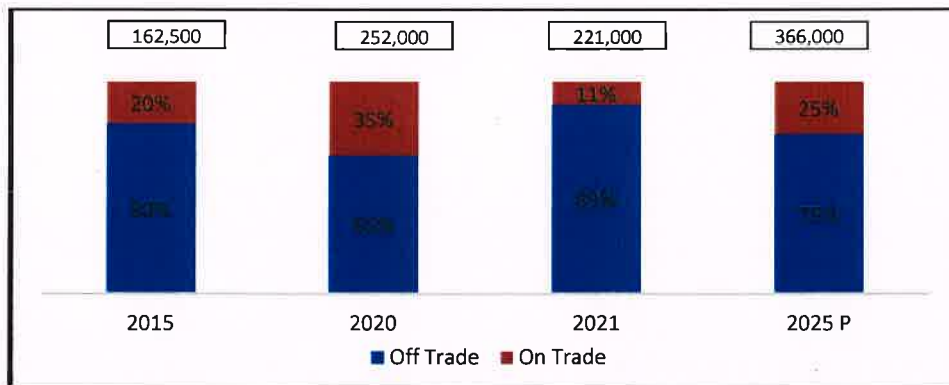


Source: Primary Research, Technopak Analysis

Prominence in On-Trade channel is set to drive sales growth in Off-Trade channel

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 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

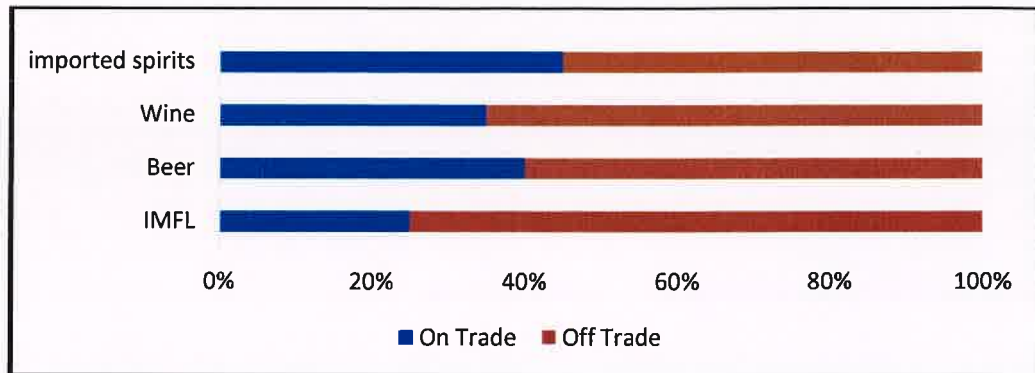
Exhibit 49: On-Trade and Off-Trade sales of Indian Alco-beverage market (in INR Crore)



Source: Primary Research, Technopak Analysis



Exhibit 50: Segment wise trend: On-Trade vs. Off-Trade sales (FY 2020)



Source: Primary Research, Technopak Analysis

Every state and union territory in India is effectively an independent market

Alco-beverages 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.

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 21 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. Enforcement of minimum drinking age specially on a higher side is always a challenge and violations are quite common.

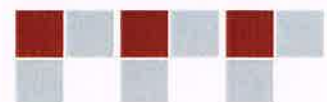


Exhibit 51: State wise Minimum Drinking Age

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

3.4 Distribution and pricing structure

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



Exhibit 52: 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	<ul style="list-style-type: none"> • Retail Private • Distributor Private
Corporation Model Company -> Corporation*-> Retail	Type 1	Rajasthan, Karnataka	<ul style="list-style-type: none"> • Retail Private • Corporation buys from the company and sells it to retailer
	Type 2	Madhya Pradesh	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Retail also owned by the corporation
Wholesale Model Company -> Wholesale**-> Retail	Type 1	Haryana, Delhi NCR	<ul style="list-style-type: none"> • Retail Private • Wholesale Private • Multiple competing businesses controlling chunks of wholesale and retail
	Type 2	Sikkim	<ul style="list-style-type: none"> • 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 and wholesale has common ownership.

Taxes on alco-beverages serve the dual purpose of revenue maximisation and control proliferation of alco beverages

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. More than 60% of gross revenue of leading alcoholic beverage companies in India constitutes of excise paid directly to the state governments. Share of excise in total gross revenues of leading alco beverage companies in India has shown an increasing trend. In addition to excise some states also charge sales tax. In addition to these taxes there are one time or annual fees on label registration and related activities.

The quantum of tax under different heads is also a function of distribution model and revenue maximisation objective of the states. Trade margins in states where one or both the legs of distribution is in the private hands would also be a function of agreed MRP which are approved by the respective state governments.



Exhibit 53: Share of Excise to Revenue of alco-beverage companies in India (Value in %)

Company	Industry	Share of Excise to Revenue		
		FY 2019	FY 2020	FY 2021
Allied Blenders & Distillers	Spirits	66%	63%	63%
Diageo	Spirits	68%	68%	71%
Pernod Ricard	Spirits	58%	58%	59%
United Breweries	Beer	54%	56%	60%

Source: Technopak analysis
Derived from annual reports

Exhibit 54: Illustrative pricing of IMFL in Uttar Pradesh

S. No	EDP*	Category	Consideration	Wholesaler	Retailer	MRP
	(per 750 ml)		fees (Rs)	margin (Rs)	margin (Rs)	(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 and 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

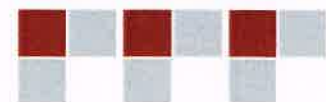


Exhibit 55: Illustrative Pricing of IMFL in Maharashtra

Sr No	Particulars	Formula	Values	Result
1	Excise Duty (Whichever is higher)	(Manufacturing Cost * 3)	(60 * 3) = 180.00	196.9
		OR	OR	
		$350 * 0.75 * (\text{Size of bottles} / 1000)$	$350 * 0.75 * (750 / 1000) = 196.88$	
2	MRP (Excluding VAT)	if (Manufacturing Cost < (Excise Duty / 3))	if (60 < (196.88 / 3))	316.9
		$2 * \text{Manufacturing Cost} + \text{Excise Duty}$	$2 * 60 + 196.88$	
		OR	OR	
		(Manufacturing Cost * 5)	(60 * 5) = 300.00	
		OR	OR	
		$((\text{Manufacturing Cost} * 5) + (\text{Manufacturing Cost} - \text{Cut Off}) * 4)$	$(60 * 5) + (60 - 157.5) * 4 = -90.00$	
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

Import Duties on foreign liquor helps create a level playing field for the domestic industry

Foreign liquor imported into 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 of local alco-beverages in India.

Alcoholic beverages imported in India are subject to excise and all other duties as per the excise rules of each state on the calculated deemed Ex- distillery Price (refer exhibit 54). High customs duty coupled with high excise and other state duties has ensured that market for imported alco-beverages is niche and small.

Exhibit 56: 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 litres	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 litres 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 57: 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)	1,567

Source: Technopak Analysis

Data derived from Delhi Excise policy

Covid-19 leads to opening of e-commerce and home delivery channel for alco beverages market in India

In May 2020, some states in India launched e-commerce trials for the first time in response to over-crowding in liquor stores, which followed the relaxation of the country's lockdown measures. Maharashtra, Punjab, West Bengal, and Chhattisgarh were the first adopters, with several other states later following suit. The two popular models of e-commerce being tried in India is supply through an aggregator who can pick stocks from retailers or direct supply from retailer to the customers.



Some states are also allowing third-party operators to deliver alcohol. In June 2020, tech giant Amazon had received authorisation to deliver alcohol throughout West Bengal. But as alcohol ecommerce gathers momentum around the world, lawmakers are having to play catch-up by amending legislation and closing existing loopholes.

Exhibit 58: Key requirements for service providers selling on an online platform

- The Service Provider shall ensure that only retailers holding valid license for the sale of liquor in West Bengal are allowed to register as Sellers on its platform.
- The Service Provider shall ensure that only potable alcoholic products, brands, and labels registered with the Excise Commissioner in terms of the extant Excise rules for sale in West Bengal to civil consumer with primary and secondary legends WB/GEN and valid for the period / current Financial Year are allowed to be enlisted by the Sellers on its platform for online sale.
- The Service Provider shall ensure that only consumers / buyers of legal drinking age, i.e., 21 years of age or above, are allowed to purchase liquor online through its portal and receive the ordered liquor at their delivery address
- The Service Provider shall ensure that liquor is delivered at the home of the buyer or any other private place. No liquor shall be delivered at any public place like any educational institution, religious place of public worship, hospital, or health care establishment etc.
- The Service Provider shall provide access to the WBSBCL to the entire data on such online purchase, sale, and delivery of liquor.
- The Service Provider shall ensure that the ordered liquor is picked up from the Excise licensed premises / retail counter of the Seller meant for sale of liquor and from no other place. No liquor shall be picked up from any go-down or warehouse of the Seller, even if such go-down or warehouse may be approved for storage of liquor.
- The revenue sharing arrangement on conveyance charges collected from buyers for packaging, handling, transportation, and delivery of liquor ordered online shall be exclusively between the Seller (i.e., licensed retailer) and the Service Provider and WBSBCL shall not interfere in the matter.

Source: West Bengal state Beverages corporation, Technopak Analysis

Point of sale activations and digital media are driving marketing and brand building initiatives in alco-beverage industry

Alco-beverage category being media-dark in India, point of sale activations and promotion in food services sector are the most important outlet for of surrogate marketing. Marketing in alco-beverage category is also done through sports tournaments, events, music festivals, and brand extensions in mineral water or other commodities offered under brand's name.

Mass media advertising as part of Above the Line (ATL) marketing has been banned in India as per the Cable Television Network (Regulation) Amendment Bill, which came into effect on 8 September 2000. Digital media has become very important in alco-beverage marketing. Digital marketing has helped alco-beverage industry reach more consumers and made alcoholic beverages more accessible than before. Influencer-led campaigns have become a very integral part of marketing mix.

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. 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.

3.5 Growth Drivers

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. 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 million people to its workforce every year over the next two decades, with the working-age population projected to cross 1 billion by CY 2030. With a growing number of people joining the work force sooner than in the past and together with changing lifestyles and dismantling of social barriers to consumption of alcohol is driving growth in alcoholic beverage market in India. Greater social acceptance for drinking amongst women as well as in Tier II and Tier III towns is expected to open newer profitable consumer segments. Rapid increase in urban population, a sizable middle-class population with rising disposable income, and a growing economy are driving consumption of alcohol in India. In addition, 10 to 12 million people are expected to enter the legal drinking age each year. These factors will also result in consumers choosing to upgrade to more quality offerings.

Premiumisation of Alco-beverages in India

Premiumisation is the most important theme in each of sub-segments of Indian alco-beverage sector. Volume growth in Indian alco-beverage market was led by popular segment in first decade and half of the century. However, market has 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 products from prestige, premium and luxury segments. Rapid urbanisation is also leading to spur in aspirational values of people, driving consumption of premium alco-beverage brands. Indians travelling abroad are also leading to an upgrade towards premium segments in the alco-beverage market. The trend is further amplified with the rising influence of social media on the millennials and rising aspirations

COVID-19 induced Premiumisation

COVID-19 has also increased growth of premiumisation in the alcoholic beverages market in India. Restrictions in the food services sector and hesitancy of people to go out in crowded areas during the pandemic led to drinking at home becoming more acceptable and common. Off-trade sales firmed up as On-trade sales was literally shut down. Consumers opt for more expensive premium drinks when drinking at home due to lower price for an Off-trade purchase in comparison to On-trade consumption. Drinking at home also became socially acceptable and availability of home delivery services further drove consumption.



Prominence of new channel of sales

COVID-19 has ensured that new channels of sales get more prominence. Home delivery and limited e-commerce in 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 in India. However, this may also be a temporary phenomenon as state governments allowed 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.

Growth 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 at restaurants, hotels, pubs, and bars etc. Alco- beverages have been a part of the 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 alco-beverages have become increasingly common post COVID-19.

Influence of On-trade

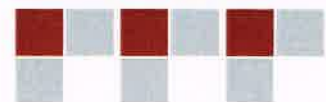
On-trade sales have a key role in introducing new tastes to consumers. As new products get prominence in On-trade, the off-trade segment picks up, giving the product category a multifold growth. This is true for multiple products like pasta and pizza where seeding of product was done in the food services segment followed by multifold growth in retail channel.

On-trade sale has been one of the key drivers of growth and premiumisation in Indian alco-beverage industry. 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 alco-beverages as consumers with higher disposable income spend more on alcoholic beverages as a share of their overall bills.

On trade alco-beverage 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. On-trade platforms like PBCLs (Pubs, bars, clubs, and lounges) and FDR (Fine Dine Restaurants) also serve as a medium of surrogate marketing.

Reduction in social taboo around alcohol consumption and social drinking

Attitude towards alco-beverages has in the recent past been changing due to globalisation, 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 special occasions and certain festivals. Rapid urbanisation has also led to increasing alco-beverage consumption within the metropolitan and tier 1 cities. There has been a shift in trend from binge drinking to social drinking among friends, professional settings as well as in families. As participation of women in workforce increases and their disposable income is also increasing, women are increasingly indulging in alco-beverage consumption.



Favorable excise policies can drive growth in Indian alco beverage market

Multiple states are coming up with favorable excise policies which promote better customer experience. There are opportunities to set up attractive retail outlets at prominent locations including malls and airport. States are revisiting the excise policies with the dual objective of better customer experience as well as revenue maximisation. Multiple states have also taken initiatives to rationalise tax structure and recover the revenue loss by higher sales.

3.6 Barriers to Entry in the Indian Alco beverage market

Regulatory Barrier

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

Fragmented distribution chain and strong relationship between incumbents

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

Limited access to marketing levers with ban on Above the Line (ATL) advertising

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

Bias towards premium and luxury segment in new launches

New launches in Indian alco-beverage market have a bias towards prestige and luxury segment. Indian alco - beverage market across segment has seen multiple launches but there is a clear trend that popular and Prestige segment which contribute close to 80% of the overall are not seeing new launches. Current players are well entrenched in the segment and incremental benefit of new launch in these segments is lower, this also limits the opportunity to drive volumes for new brands. This points to high entry barrier in the segment as profitability is possible only at enhances scale of business.



4. Whisky Market in India

India is the largest whisky market in the world leveraging its large and growing drinking population

India is the largest whisky market in the world with almost one out of every second bottle of whisky sold in India. A large population base with positive demographic trends including young population, growing income and increasing urbanisation is driving growth of Indian whisky market. India is traditionally a distilled spirits market with close to 90% of pure alcohol consumption in form of distilled spirits in FY 2021. Growing income has a direct co-relation with increase in per capita consumption and whisky category being the largest category in Indian alco-beverage market will benefit the most from the positive demographic factors and growing income.

Exhibit 59: World whisky market CY 2020 (Volume in Million cases)

Market	CY 2020
India*	183
USA	50
France	20
Others	125
Total	378

Source: Technopak Analysis

*Data for India for FY 2021

The millionaires club by Drinks International

Distilled spirit council of USA, Scotch whisky association

Whisky to lead growth in distilled spirits market in India

Sale of whisky in India in FY 2021 accounted for 59% of IMFL sales by volume and 67% by value. In addition, the popular segment also known as mass premium segment constituted approximately 37% of the total IMFL market by volume in India in FY 2021.

Whisky category to lead recovery of alco beverages in India leveraging economic recovery, pent up demand, strong at home consumption trends and premiumisation trends. Indian whisky market is projected to reach 255 Million cases by FY 2025 after a volume decline of close to 10% in FY 2021 due Covid-19 related events including complete lockdowns, loss of sale in On-trade channel and conservative approach of customers' post Covid-19 pandemic.

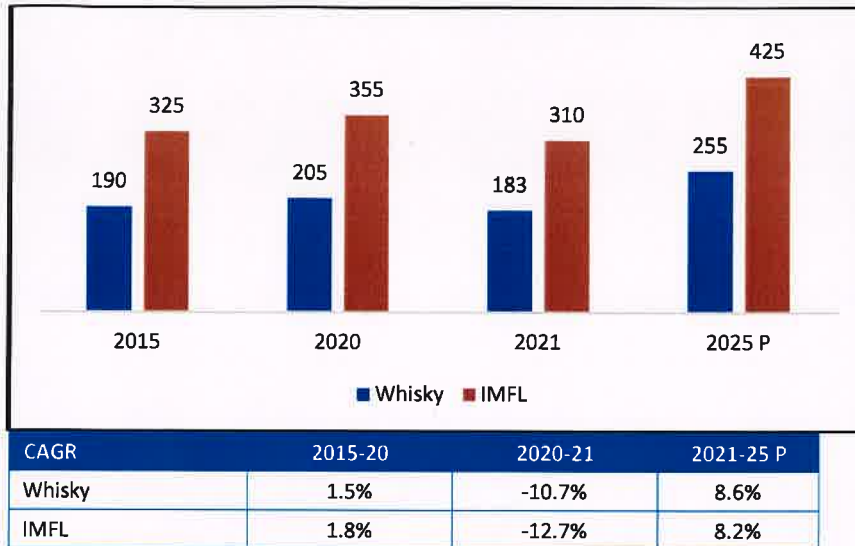


Ankur Bisen
Senior Partner

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Exhibit 60: Indian whisky market trend for FY (Volume in million cases)



Source: Technopak Analysis
 The millionaires club by Drinks International
 + includes imported

Indian Whisky market projected to reach USD 22.4 Billion by FY 2025 leveraging demographic trend, new customers and premiumisation

Indian whisky market valued at USD 14.9 Billion in FY 2020 is projected to reach USD 22.4 Billion by FY 2025. The market is set to drive value growth with strong premiumisation trends leading to up-trading within the category as well as increasing preference for high value products across price segments. Volume growth in alco beverages including whisky category has tapered to a single digit growth from FY 2013 onwards due to overall regulatory issues and general economic trends.

Rising income, growing urbanisation and increasing awareness towards western tastes and trends is driving premiumisation. There a shift in purpose of consumption of whisky from getting a high to recreation and socialising. The industry will leverage strong trends towards premiumisation to drive value growth.

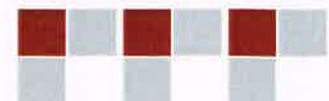
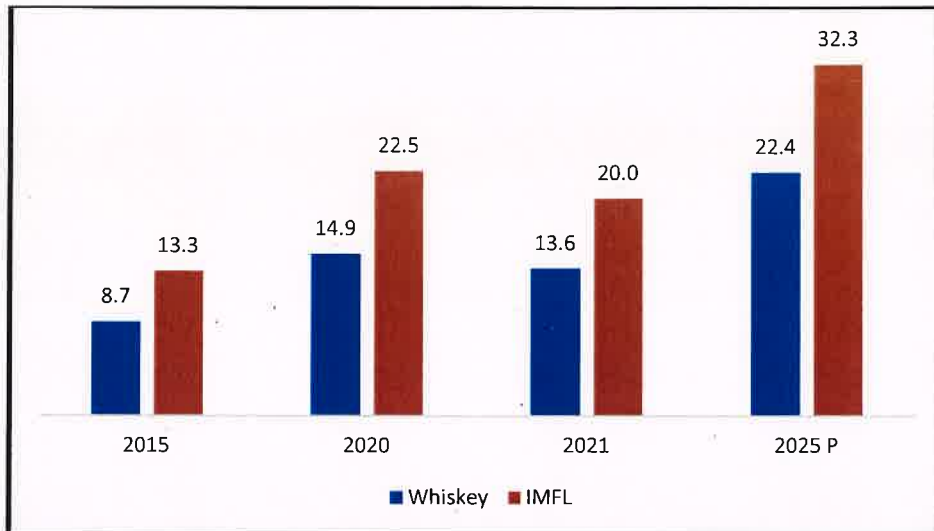


Exhibit 61: Indian whisky market Trend for FY (Value in USD billion)



CAGR	2015-20	2020-21	2021-25P
Whiskey	11.5%	-9.0%	13.3%
IMFL	11.1%	-11.2%	12.7%

Source: Technopak Analysis
The millionaires club by Drinks International
+ includes imported

Indian whisky market is traditionally a price sensitive with value segment being the core to the category

Indian whisky market can be divided into four segments including popular, prestige, premium and luxury segments. The value segment consisting of popular and prestige segment contributed close to 87% of total volume for the Indian whisky market in FY 2020. Up-trading from IMIL to popular and similarly popular to prestige segments is one of the strong themes of whisky market.

Prestige segment also known as deluxe segment is the largest segment for whisky market contributing 50% of the whisky market by volume in India at 91 million cases in FY 2021, showing consistent growth over the years and projected to reach 135 million cases contributing 53% by FY 2025. It is projected to add highest number of cases to the overall whisky market in India.

Popular segment also known as mass premium segment will continue to play an important role in the price sensitive category including rural markets and Indian Made Indian Liquor market (IMIL). Popular segment or mass premium segment with sale of 67 million cases in FY 2021 contributed 37% by volume to whisky market in India. It is projected to reach 83 million cases by volume in FY 2025.

Premium segment is projected to grow at the fastest rate among all segments, leveraging strong premiumisation trends, urbanisation, rising income, and a young and aware customer profile. Luxury segment is driven by high end imported whisky including blended as well as single malt whisky consisting of bottled in India (BII) and bottled in origin (BIO) products with a strong market in On- trade segment including hospitality segment.



Exhibit 62: Category split by Price Range and Segments (in Rs)

Segment	Price Range (Rs)	Brands
Popular	Upto 450	Aristocrat, Bagpiper, Bangalore Malt, Director's Special, Gold Riband, Haywards Fine, Officer's Choice, Original Choice, Old Tavern
Prestige	450-1,000	Director's Special Black, Imperial Blue, McDowell's No. 1, Officer's Choice Blue, Royal Stag, Royal Green Whisky, White and Blue, Sterling Reserve B7, Royal Challenge
Premium	1,000-2,200	100 Pipers, Blender's Pride, Signature, Sterling Reserve B10 Premium
Luxury	2,200 and above	Chivas Regal, 100 Pipers 12 Years, Paul John, Rampur, Amrut, Ballentine,

*Price as Karnataka State Beverages Corporation for 750 ml pack
Source: Technopak Analysis

Pricing of whisky in different states of India has high degree of variation

Prices of alco beverages in India are controlled by respective state governments with varying tax structure leading to high variation in prices across states.

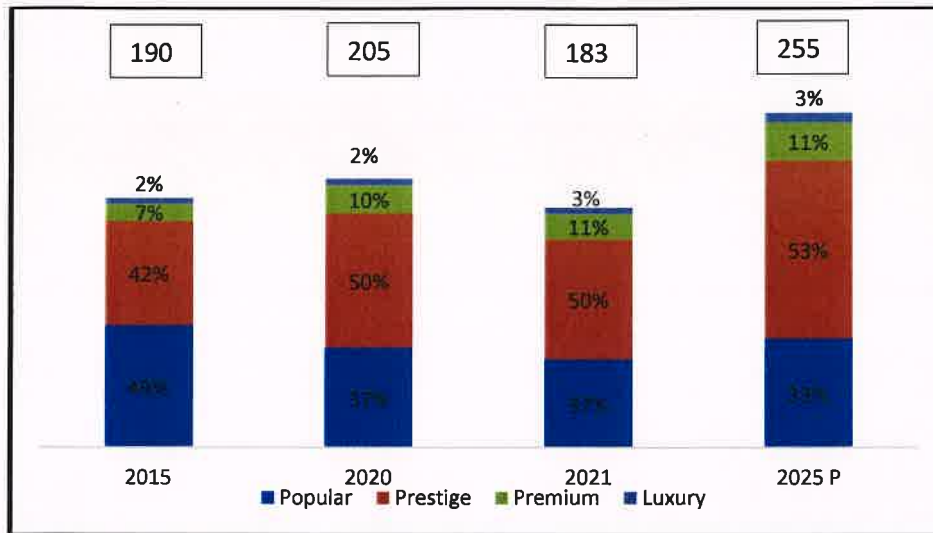
Exhibit 63: IMFL Whisky split by Price Range and Segments (in INR)

Segment	Brand	Delhi	Karnataka
Popular	Officer's Choice	340.00	440.33
Prestige	Director's Special Black	410.00	726.11
	McDowell's No.1	420.00	821.74
	Officer's Choice Blue	420.00	821.74
Premium	Blender's Pride Reserve Coll.	930.00	1,964.59
	Sterling Reserve B 10	830.00	Not Registered
	100 Pipers 8 YO	1,970.00	3,493.82
Luxury	Ballantines	1,490.00	3,500.00
	Jack Daniels	2,730.00	5,490.29

Note: Latest prices as per excise dept of Delhi and Karnataka. Price for 750 ml pack Source: Technopak Analysis, State excise dept.



Exhibit 64: Segment wise split of whisky sales for FY (volume in million cases)

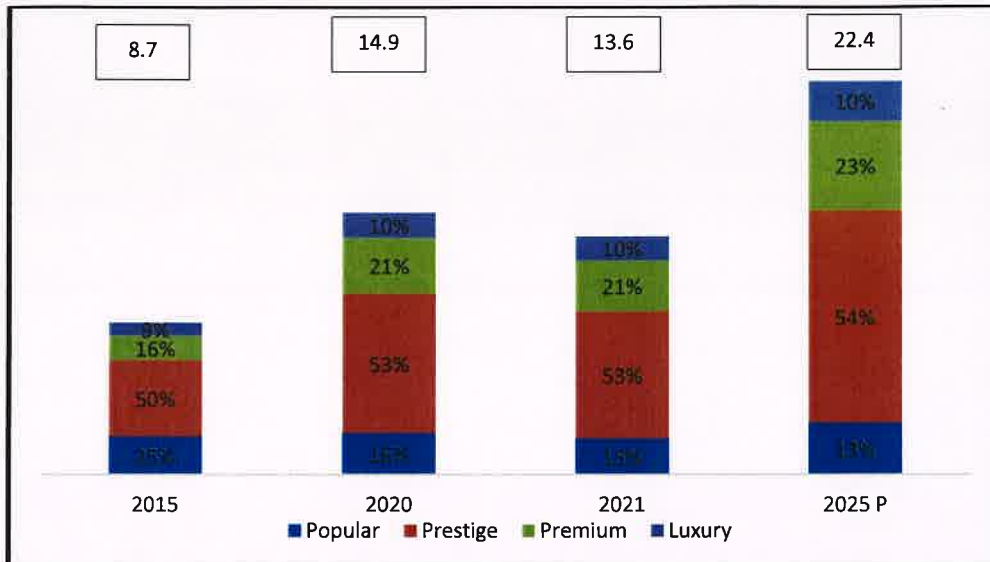


Segment	2015-20	2020-21	2021-25P
Popular	-3.9%	-11.5%	5.5%
Prestige	5.2%	-10.7%	10.3%
Premium	10.1%	-9.7%	10.9%
Luxury	4.4%	-4.1%	10.4%
Overall	1.5%	-10.8%	8.7%

Source: Technopak Analysis
 The millionaires club by Drinks International
 Annual reports



Exhibit 65: Segment wise split of Whisky sales – for FY (Value in USD Billion)



Segment	2015-20	2020-21	2021-25P
Popular	1.8%	-12.6%	9.3%
Prestige	12.7%	-8.9%	13.7%
Premium	17.9%	-9.4%	15.0%
Luxury	14.1%	-2.6%	13.3%
Overall	11.5%	-9.0%	13.3%

Source: Technopak Analysis
The millionaires club by Drinks International
Annual reports

Strong presence in value segment is key to drive growth in premium and luxury category

Contribution of premium and luxury segment by value is projected to reach 33% of the overall whisky market by FY 2025 from 31% in FY 2021. However its contribution by volume would still be close to 14% in FY 2025. The complex regulatory environment and inter state variations as well as inter state applicable taxes makes it necessary for companies to drive volumes across all segments. Alco-beverage companies need a strong presence in value segment including popular and prestige segment to gain from presence in premium and luxury segments by driving operational leverage.

Allied Blenders and Distillers have successfully leveraged their strength in popular segment to launch successful brands in both prestige and premium segments. Its recent launch in premium segment, Sterling Reserve is the most successful launch in the premium segment, quickly achieving the millionaire case status in the first year of its launch.

United Spirits Ltd, India's leading player in spirits market has hived off a large part of its brand portfolio consisting of brands from popular segment as a franchisee business. The company has further rationalised its portfolio by

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selling thirty two brands and franchising another twelve brands. This has increased its contribution of prestige and above price segment to 85% from the current 74% by value. Contribution of popular segment to sales for United breweries has come down from 54% in FY 2015 to close to 15% by value in FY 2022 after this rationalisation of brand portfolio.

Pernod Ricard, India's second largest player in alco-beverage market does not have any brand in the popular segment but it has gained prominence in the Indian whisky market through its marquee brands in prestige segment including Imperial Blue and Royal Stag. Growth in premium segments also drives profitability for companies in the alco-beverage segment as share of excise as a percentage to overall pricing is lower as compared to popular segment. Higher prominence and growth in premium and luxury segments of whisky category also ensures that incidence of alco-beverage consumption in lower strata of the society which may suffer more due to perceived addictive nature of product, is lower. Many states have come up with favourable policies towards premium and luxury segment of alco beverages including a customer friendly retail environment and presence in high retail locations.

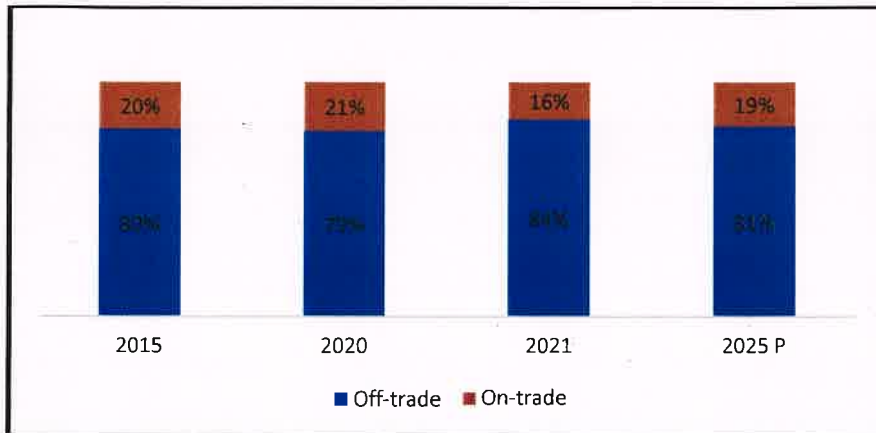
On Trade prominence is key to growth of premium and luxury segments

On-trade activations are key to driving sale of products from premium and luxury segment. It is more important in alco-beverage market as marketing levers are limited due to media dark nature of the industry. Alco beverage companies use On-Trade platform to promote range, new launches, and other marketing activities to engage with the target group of customers. The young profile of Indian consumer with a growing popularity of alco beverages as a social drink and an element of recreation makes the role of On-Trade segment a very important lever.

On-trade sales shrunk during FY 2021 due to the first wave of COVID-19 and the resultant lockdowns and restrictions in the restaurant industry. Covid-19 pandemic has ensured that in-home consumption grows as a much stronger segment. Alco beverage companies are engaging with their target group through digital channels to promote Do It Yourself (DIY) trend, promoting product innovation and customer engagement through ready to drink versions of their popular brands, product hacks on whisky-based cocktail ideas and other in-house party ideas. Growth of e-commerce in alco-beverage can add more strength to increase in-home consumption of whisky. Complete recovery of On-trade channel will be a long and slow process due to multiple waves of Covid -19 and related changing customer behavior.



Exhibit 66: Sales split by value: On Trade vs off Trade for FY



Source: Technopak Analysis, Primary Research

4.1 Importance of exports and import to whisky category in India

Indian whisky is unique as it is not bound by any rules on ageing or storage in specialised casks. Indian whisky is only required to use ethanol produced from an agricultural source. Weather condition in India can also be detrimental to ageing of alcohol as losses are higher in Indian tropical weather. Indian sugar companies use molasses produced as a by-product during processing of cane sugar, to produce extra neutral alcohol (ENA) which is sold off to Indian spirits companies, though top spirits companies in India are nowadays largely using ENA produced from Grain in their IMFL products.

Imported whisky plays an important role in blending with Indian grain whisky. Majority of whisky imported in India is used to blend with Indian grain whisky. Another important segment of imported whisky includes whisky that is imported in bulk and bottled in India (BII segment). This constitutes a large part of the premium segment. Luxury segment of whisky is dominated by bottled in origin (BIO segment) whisky with both blended as well as single malt whisky. Imported whisky is marketed in India highlighting its pedigree including ageing, quality of wash, use of specialised barrels, filtration process as well as expertise in blending process. Scotch whisky has the highest contribution to imported whisky in India. The top spirits companies in India today include the top two companies of the world which has led to access to the marquee brands of the world in India.

Any import of alco-beverages including whisky's is liable to a customs duty of 150%. This 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 which may be used for blending with production in India.



Exhibit 67: World's Top Exporters of Whisky by volume (CY 2020)

Rank	Country	% Share
1	United Kingdom	53.1%
2	United States	10.7%
3	Ireland	7.9%
12	India	1.0%

Source: Technopak Analysis

UAE imports ~43% of the total whisky exported by India

Export of Indian whisky is limited as Indian whisky does not conform to specifications listed for whisky in major markets of the world. Indian whisky is popular in countries with large Indian diaspora with middle east being the biggest market for Indian whisky.

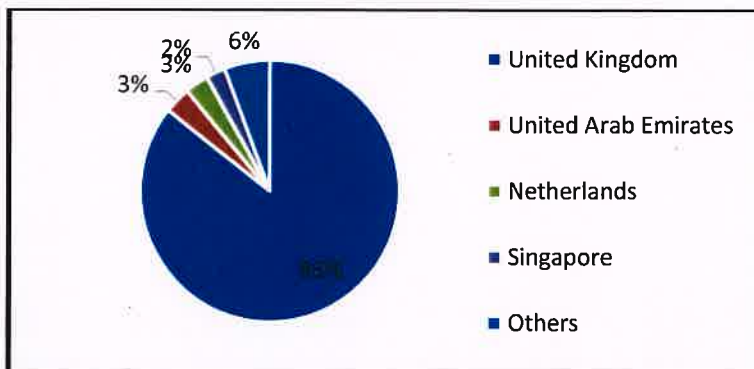
In CY 2020, India exported ~6.12 Million cases of whisky to other countries in the world. United Arab Emirates (UAE) was the largest importer of IMFL whisky importing 23.7 Million litres (2.6 Million cases) in CY 2020 accounting for 43% of the total share.

Indian whisky companies have started to develop marquee brands adhering to the highest quality of raw material and processing standards to come up with unique product offerings which stand out for product notes and flavour as well as overall product quality. Amrut Single malt whisky and Paul John single malt whisky are two products with successful launch in this category. Top alco-beverage company including United spirits and Pernod Ricard have also forayed into India based single malt products.

India gets ~86% of its total imports from the United Kingdom

United Kingdom is the largest exporter of whisky to India. India was the second largest importer of scotch whisky by volume in the world in calendar year 2019.

Exhibit 68: Country wise split of whisky imported by India by volume for CY 2020 (in %)



Source: Technopak Analysis
Trade map

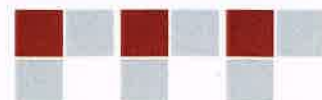


Exhibit 69: Country wise import of Scotch Whisky by CT (Volume in Million 70cl bottles)

Country	2020	2019	% Growth
France	173	176	-2%
India	95	131	-27%
USA	112	127	-12%
Japan	45	60	-25%
Brazil	45	43	5%
Germany	50	43	16%
Others	620	700	-11%
Total	1,140	1,284	-11%

Source: Technopak Analysis

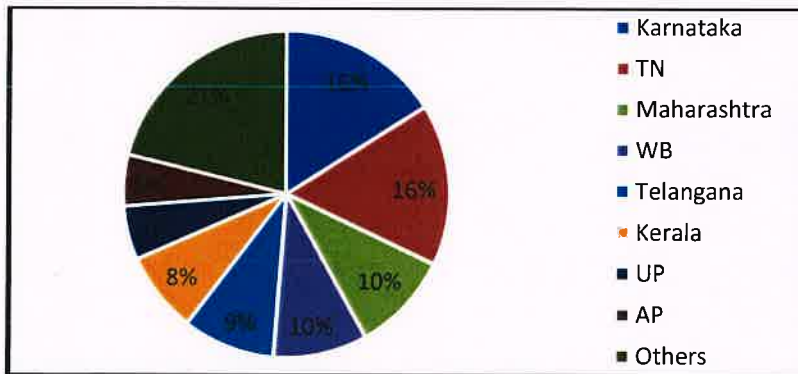
Scotch whisky association

Note: 70 cl bottle equivalent to 700 m

Southern states contribute close to 45% of Indian Whisky market

Indian IMFL market is dominated by five southern states in India contributing more than 50% of total consumption by volume. Karnataka and Tamil Nadu are the top two markets in the country contributing more than 30% of overall consumption of IMFL by volume in India in FY 2020. Prohibition of country liquor has led to growth of IMFL in southern states. Southern states contribute close to 45% of whisky sold in the country.

Exhibit 70: State wise sale of IMFL in India by volume– FY 2021 (Total vol. 310 million cases)



Source: Technopak Analysis

Data derived from excise dept multiple states

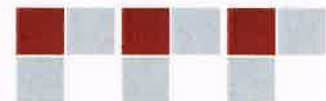


Exhibit 71: State wise ranking by Whisky sales in India – FY 2021 (Total vol. 183 million cases)

State	Rank
Karnataka	1
Telangana	2
Maharashtra	3
Uttar Pradesh	4
Andhra Pradesh	5

Source: Technopak Analysis
Data derived from excise dept multiple states

4.2 Key players in Indian whisky market

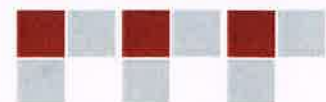
Indian IMFL market is a concentrated market with top three players controlling close to half of the Indian IMFL market by volume in FY 2021. These three companies are also the top whisky selling companies in India.

United Spirits Ltd is the leader of Indian IMFL market. It achieved the coveted distinction of the largest spirits company in the world by volume with largest number of Millionaire brands in the world till 2015. United Spirits Ltd is controlled by the largest spirits company in the world, Diageo plc. United Spirits has 8 millionaire brands in the Indian whisky category including McDowell's No. 1 which was the top selling whisky in the world for calendar year 2020 by volume.

Pernod Ricard India is wholly owned subsidiary of Pernod Ricard SA. It is the second largest company in the IMFL market in India. Pernod Ricard has played a key role in premiumisation of Indian whisky market with a range of iconic brands including Imperial Blue, Royal Stag, and Blenders Pride. Pernod Ricard acquired wine and spirits business of Seagram in India which gave it a prominent position Indian IMFL market. It is the most profitable company in alcohol beverage industry in India. It has 3 millionaire brands in Indian whisky category for calendar year 2020.

Allied Blenders and Distiller is the largest Indian-owned Indian-made foreign liquor ("IMFL") company and the third largest IMFL company in India, in terms of annual sales volumes between FY 2014 and 2021. Allied Blenders and Distiller is one of only four spirits companies in India with a Pan-India sales and distribution footprint, and a leading exporter of IMFL, in terms of annual sales volumes between FY 2019 to FY 2021 with an estimated peak share of 20% in FY 2021.

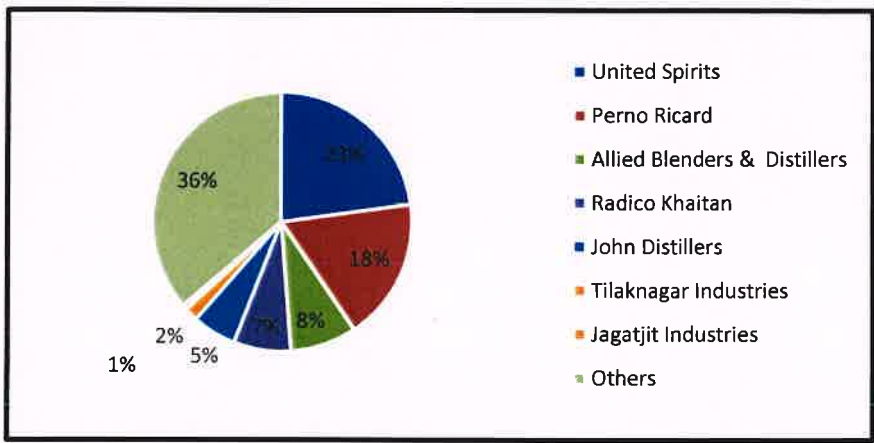
Allied Blenders and Distillers India has a portfolio of millionaire brands or brands that have sold over million 9-litre cases in one year. Its brands such as, Officer's Choice Whisky, Sterling Reserve and Officer's Choice Blue, are 'Millionaire Brands'. Its top selling whisky brand Officer's Choice, launched in 1988 rose to the top of Indian market with sale of 25.12 Million cases in FY 2016. Officers' Choice franchise including Officer's Choice Whisky and Officer's Choice Blue bettered its performance by selling of 34.15 Million cases in FY 2016. Its flagship brand Officer's Choice Whisky franchise has been among the top selling whisky brands globally in terms of annual sales volumes between CY 2016 and 2019. Officer's Choice Whisky franchise including Officer's choice Blue is currently ranked third among the largest selling whisky brands globally in CY 2020. Officer's Choice Whisky is the market leader in the popular segment also known as mass premium segment in India with a market share of 23% in terms of annual sales volumes in FY 2021.



Allied Blenders and Distillers has successfully transitioned from an exclusive popular segment play in whisky category with successful launches in both prestige and premium category. Officer’s Choice Blue whisky, its offering in prestige segment sold one million cases in the first year of its launch in 2011 and is among the leading whisky brands in its segment in several Indian states with overall peak share of 8.4% in FY 2020by – sales volume. it touched sales of 8 Million cases within four years of its launch in 2015-16. Officer’s choice blue whisky with sale of 5.8 million cases in FY 2021 is the fifth largest whisky brand in India in prestige segment also known as deluxe segment.

Allied Blenders and Distillers entered premium segment in 2017 with its twin offering Sterling Reserve Blend 10 and Blend 7 which crossed one Million cases in first year of launch. In calendar year 2019, Sterling Reserve was the fastest growing spirits brand globally by volume, at a growth rate of 131%. Sterling Reserve was the fastest growing spirits brand by volume in India in FY 2021 with 2% growth whereas other whisky brands in the segment degrew. Sterling Reserve Blend 7 is the third largest selling brand in the premium whisky segment by volume in India in FY 2021. Allied Blenders and Distillers is also the top exporter of IMFL from India with close to 20% share in overall exports from India by volumes in FY 2021.

Exhibit 72: IMFL market in India by players – FY 2021 (Total volume - 310 Million cases)



Source: Technopak Analysis
Data derived annual reports, investor presentation

Exhibit 73: Company wise Rank by Whisky sales in India – FY 2021 (total volume- 183 Million cases)

Company	Rank
United Spirits	1
Pernod Ricard	2
Allied Blenders and Distillers	3
Radico Khaitan	4
John Distillers	5

Source: Technopak Analysis
Data derived from annual reports, investor presentation

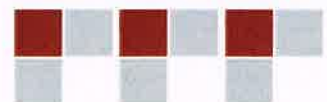


Exhibit 74: Key Players in Whisky category in India

Company	Brands
Allied Blenders and Distillers	Officer's Choice, , Officers' Choice Blue, Sterling Reserve Blend 7, Sterling Reserve Blend 10
United Spirits	McDowell's No. 1, Bagpiper, Royal Challenge, Signature, Antiquity, VAT 69, , Black Dog, Johnnie Walker
John Distilleries	Original Choice, Black Pelican, Paul John
Pernod Ricard India	Imperial Blue, Royal Stag, Blenders Pride ,100 Pipers, Chivas Regal, Ballantine's, Glenlivet
Radico Khaitan	8 PM, After Dark, Royal Ranthambore, Whytehall

Source: Industry reports, Technopak Analysis

Indian whisky brands dominate the list of top 30 whisky brands in the world

Indian whisky brands dominate the list of top selling whisky brands in the world. As per 'The Millionaires Club' by drinksint.com in the year 2020, top four highest selling whisky brands in the world are from India and sixteen out of the top thirty-three selling whisky brands in the world are from India. Indian whisky brands have historically dominated the list of top selling whisky brands with fifteen out of top thirty-one in the list in CY 2016. The top five whisky brands in India sold close to 110 million cases in CY 2020 which is close to 60% of the overall market in India. The top five whisky brands in India include one each from United Spirits, Allied Blenders and Distillers and John Distillers. Pernod Ricard has two whisky brands in top five whisky brands.

Exhibit 75: Top selling Indian Whisky brands by ranking and volume for CY

BRAND	World Ranking		India Ranking		Sales (million cases)	
	2016	2020	2016	2020	2016	2020
McDowell's No.1	2	1	2	1	26.6	25.7
Imperial Blue	3	2	3	2	18.0	21.3
Officer's Choice	1	3	1	3	32.9	20.8
Royal Stag	4	4	4	4	18.0	18.5
Original Choice	7	8	5	5	10.8	10.0
Haywards Fine	10	9	7	6	7.9	9.7
8PM	-	10	-	7	-	8.4
Blenders Pride	15	14	9	8	6.2	6.6
Bagpiper	11	15	8	9	7.2	5.3
Old Tavern	8	17	6	10	9.9	4.5
Royal Challenge	17	18	11	11	4.7	4.3
Bangalore Malt	26	20	12	12	2.1	3.5
Director's Special	16	24	10	13	5.0	3.1
Sterling Reserve Premium		27	-	14	-	2.8
Royal Green	31	30	14	15	0.6	2.5
White and Blue	30	33	13	16	1.4	2.1

Source: Technopak Analysis
Drinksinternational.com



New launches in Indian whisky market point to consolidation in popular segment and growing trend of premiumisation in the market

Indian whisky market is witnessing a strong trend towards premiumisation with new launches and brand relaunches in prestige and above segment. Premiumisation of whisky market in India has a strong bias towards up-trading from popular to prestige and similarly prestige to premium segment. Prestige segment is the new popular segment for alco-beverages companies in India as marketing spend is focussed on prestige and above segments. Top companies are launching new products which stand out in terms of the ingredients, flavours, packaging, and other distinctive properties of alcoholic beverages including smell, taste, and sight. Top companies are investing in premium space including Indian single malt. United Spirits entered premium craft whisky segment with the launch of Epitome Reserve, a limited first batch of 2,000 bottles which is made with rice.

Sterling Reserve Blend 7 and Blend 10 are two of the most successful launches in the Indian whisky market by selling more than a Million cases in the first year of launch becoming the fastest growing whisky in top 100 whisky brands in the world in CY 2019.

Popular segment has not seen any activity with a very established pecking order of brands. Officer's Choice whisky from Allied Blenders and Distillers has consistently been the market leader in this segment.

Exhibit 76: New Launches in IMFL Whisky Segment since 2016

Year	Brand	Company
2016	McDowell's Silk Honey	Diageo/ United Spirits
2018	Oakton Barrel Aged	Unibev Ltd.
	Black Bow Himalayan	Ginglani Distillers
	JW White Walker	Diageo/ United Spirits
	Governer's Reserve	Unibev Ltd.
2019	Singleton of Glendullan	Diageo/ United Spirits
	Woodburns	Fullarton Distilleries
	Sterling Reserve B7	Allied Blenders and Distilleries
	Sterling Reserve B10	Allied Blenders and Distilleries
2020	Ardbeg Wee Beastie	Ardbeg Distilleries
	Suntory Toki	Beam Suntory
	Copper Dog	Diageo/ United Spirits
2021	Oaken Glow	Pernod Ricard
	Epitome Reserve	Diageo/ United Spirits
	Royal Ranthambore	Radico Khaitan
	Jameson Black Barrel	Pernod Ricard
2022	Godawan Single Malt	Diageo/ United Spirits
	Indri	Piccadilly distilleries

Source: Technopak Analysis



4.2 Cost Structure of the Industry

States and union territories in India have adopted different approaches to taxing and regulating alco-beverages. Pricing of alcohol is strictly controlled by respective states. Each state has its own formula of deciding the prices of alco-beverage products. Price is determined by two key factors including 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. Taxes and margin are calculated as a percentage of EDP. Contribution of taxes progressively decreases as the EDP moves up as per the category of the product.

One of the key challenges in the Indian alco-beverage industry is revision of MRPs with increasing cost of production. MRP revisions need to be approved by the states as it is the prerogative of the respective excise departments. While the window to revise MRPs in many states is annual in nature, in some states like Kerala and Telangana revision of MRPS can take 3-4 years, even though price of raw material may increase or decrease through the year. There are exceptions like Maharashtra where MRPs can be revised through the year.

State excise departments 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 77: State wise cost structure of the Popular and Premium segment (in %)

State	Premium			Popular		
	Ex distillery	Excise	Sales Tax	Ex distillery	Excise	Sales Tax
Maharashtra	19%	37%	27%	16%	41%	27%
Andhra Pradesh	18%	7%	-	12%	10%	-
Telangana	18%	19%	-	10%	24%	-
Delhi	18%	-	-	20%	-	-
Haryana	20%	6%	4%	24%	15%	6%
West Bengal	18%	38%	-	11%	68%	-
Uttar Pradesh	18%	40%	-	12%	68%	-

Source: Technopak analysis
State excise websites

4.4 Factors driving premiumisation in whisky segment in India

Rising income and rapid urbanisation

Rise in disposable income is leading to consumers upgrading their preferences, resulting in up-trading in from country liquor to IMFL whisky and up-trading within categories of IMFL whisky including popular, prestige, premium, and luxury segments. Rapid urbanisation is also leading to spur in aspirational values of customers. The emergence of new consumers expecting more sophisticated experiences is driving the demand for premium quality whisky with up-trading in each segment.

Growing awareness and exposure to international trends

Indians travelling abroad is also leading to an upgrade towards Premium segments in the whisky category. The trend is further being amplified with the rising influence of social media on the millennials and their rising aspirations.



Changing Profile of customer seeking new experiences and high-quality products

The shift in trend of consumption of whisky towards drinking better quality products rather than focusing on the quantity is leading customers to choose premium brands in each segment. Higher disposable income with a greater need to explore new products and experiences serves the premiumisation of whisky in each segment.

Shift towards a healthier lifestyle

In last few years, there has been a shift in lifestyle with consumers choosing to live a healthier life. This trend has become stronger post Covid-19 pandemic. Customers are ready to pay a premium to move to a better quality product in each segment. This is going to help up-trading within each segment as well as up-trading from one segment to the other as higher priced products are perceived as healthier.

Emergence of technology and changes in ways of socialising

Technology boom and prevalence of western culture of social drinking is driving premiumisation in whisky category. Consumption of alcohol is socially more acceptable among millennials. There is a shift in the way people socialise from late night parties to pubs and lounges and informal food-related occasions at-home. This trend has significantly grown during COVID-19 which has led the companies to offer more products in the premium and luxury range.

Evolving Retail experience

Retailing of alco- beverages including whisky is going through transition in India. Multiple states through their excise policies have allowed for a better retail experience including larger stores, stores at high retail destinations, evolved merchandising, and product tastings. This is leading to a positive effect and up-trading of brands by the customer.

Covid-19 induced premiumisation with strong and sustainable growth in In-house consumption segment

Restrictions in the food services sector and hesitancy of people to go out in crowded areas due to Covid-19 pandemic has led to drinking at home becoming more acceptable. Off-trade Prices being lower than On-trade prices has led to consumers opting for more expensive premium drinks when drinking at home. Covid-19 has strengthened the In-home consumption trend with prominence of Do it yourself (DIY) trends.



5. Brandy Market in India

Brandy is the second largest IMFL segment in India

Brandy is the second largest segment of India IMFL market with sale of USD 3 Billion in FY 2021. It accounts for ~15 % of the total IMFL market by value. Brandy category witnessed a trend like whisky during COVID-19 and saw a de-growth of 16% by value but is further projected to grow at a CAGR of 10% over the period of FY 2021 to FY 2025. It accounted for 20% of total volume of IMFL market in FY 2021 witnessing a sharp decline of 13% by volume in FY 2021. It is projected to grow at a CAGR for 7.4% by volume from FY 2021 to FY 2025.

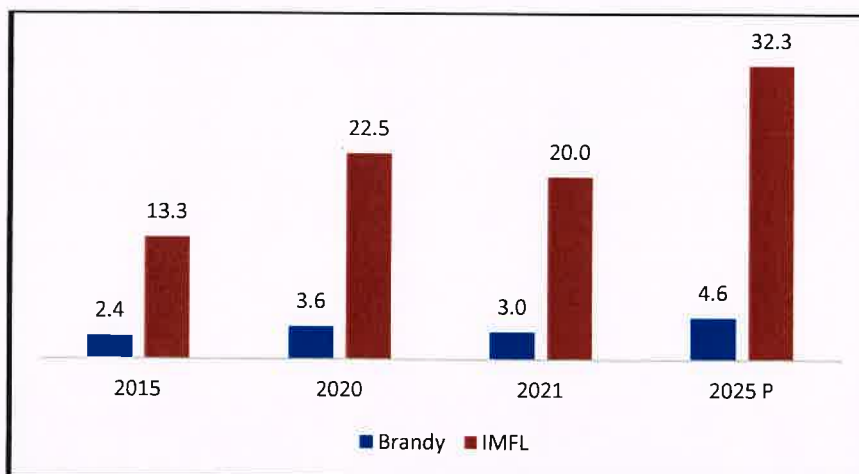
As per the Food Safety and Standards Authority of India (FSSAI)'s alcohol beverages regulations 2018, Brandy is a beverage made by distillation of wine. It may be aged or matured to possess aroma and taste of brandy. Unlike brandies from European and other western countries, Indian blended brandy is a mixture of minimum 2 percent of pure grape brandy with any other fruit or flower brandy as recommended by the Indian Law. Indian brandies are permitted to use extra neutral alcohol (ENA) from other sources of agricultural origin. It is convenient for the producers as it is very cheap compared to brandy made from distillation of 100% grapes. India's tropic and warm weather almost round the year does not make brandy a suitable drink for all seasons due to its warming effects on the body

Exhibit 78: Types of IMFL Brandy

Category	Ingredient
Grape Brandy	100% fermented juice of grapes
Blended Brandy	Mixture of minimum 2% of Grape Brandy with neutral spirit or rectified spirit of agricultural origin
Indian Brandy	Neutral spirit or rectified spirit of agricultural origin

Source: Technopak Analysis; FSSAI

Exhibit 79: IMFL Brandy Sales (in USD Billion) and CAGR for FY



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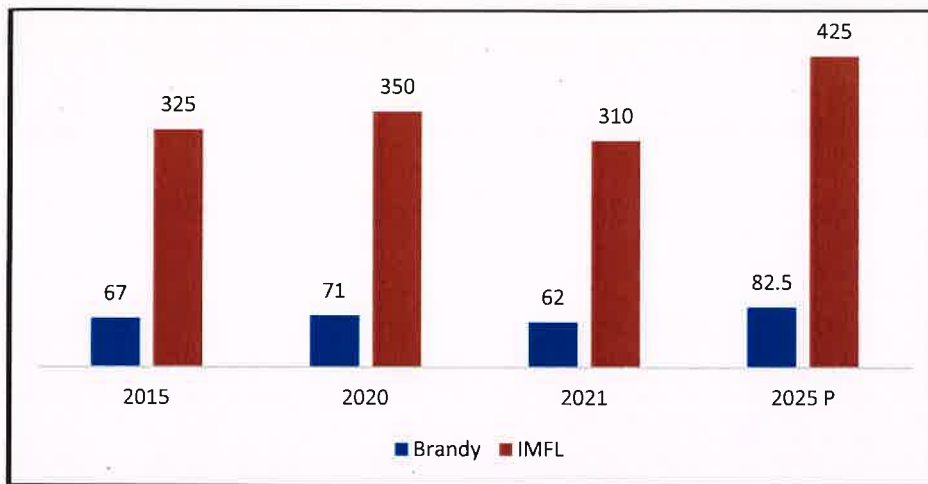
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CAGR	2015-20	2020-21	2021-25 P
Brandy	8%	-16%	11.2%
IMFL	11.1%	-11.2%	12.7%

Source: Technopak Analysis

Exhibit 80: IMFL Brandy Consumption Volume (in Million Cases) and CAGR for FY



CAGR	2015-20	2020-21	2021-25 P
Brandy	1.2%	-12.7%	7.4%
IMFL	1.5%	-11.2%	8.2%

Source: Technopak Analysis

4.2 Brandy Segments by Price/Product

Brandy consumers in India are price sensitive as maximum brandy brands are in the popular and prestige segments that fall under INR 850. However, IMFL brandy market is showing trends towards premiumisation as majority of new launches are in premium and luxury segments.

Exhibit 81: Category split by Price Range and Segments (in Rs)

Segment	Price Range (Rs)	Brands
Popular	Upto 450	Duchess VSOP, Mont Castle Grape, Officer's Choice, Old Admiral, White House VSOP
Prestige	450-800	Courier Napoleon, Mansion House, Imperial's, Aristocrat, McDowell's VSOP, Black and Gold
Premium	800-1,500	Morpheus XO, 1848 Premium, Kyron, Whytehall, Gold Reserve Premium, Roulette, Imperial Napoleon
Luxury	1,500 and above	Janus 100% Grape, Hennessy, Morpheus Blue, St. Remy

Source: Technopak Analysis

*Prices according to Telangana state



There is high degree of variation in price structure of brandy in different states.

Each state in India has independent cost structure with unique excise duties and other applicable taxes on alcoholic beverages which leads varying prices from state to state.

Exhibit 82: Brandy split by price range and segments (price in INR)

Segment	Brand	Telangana	Karnataka
Popular	Old Admiral	300	360
Prestige	Mansion House	450	910
	McDowell's VSOP	450	910
Premium	Kyron	810	1,750
	Morpheus XO	840	1,750
Luxury	Janus 100% Grape	2,340	3,340
	Hennessy VSOP Cognac	8,320	10,920

Source: Technopak Analysis and state excise dept.

*Latest prices according to excise dept

South Indian markets are the highest contributor to brandy sales in India

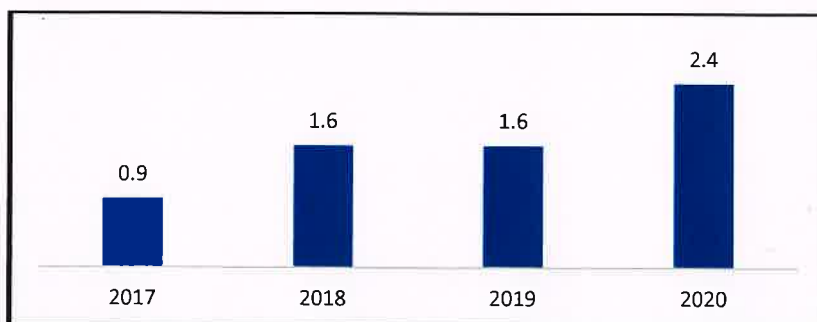
The South Indian states naming Tamil Nadu, Karnataka, Andhra Pradesh, Kerala, and Telangana account for almost 60% of the brandy sales in India. Brandy is the highest rated drink in Tamil Nadu with almost 80% consumers choosing brandy as their preferred drink. As per BEVCO, the public sector company owned by the State Government of Kerala 51% of the market share is captured by brandy sales.

5.2 Break-up of Import and Export

Singapore is the largest importer of IMFL brandy.

India exported ~2.4 Million litres (0.26 Million cases) of brandy to more than 24 countries in CY 2020 out of which Singapore was the largest importer of IMFL brandy. Singapore is also the second largest exporter of brandy to India. UAE imports ~25% of the brandy exported from India. UAE is also one of the highest importers of whiskies from India. Other key importers are Ghana, Haiti, Oman, etc.

Exhibit 83: Quantity of brandy exported by India for CY (in Million litres)

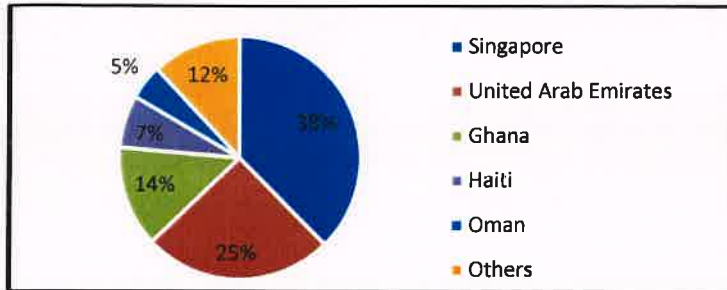


Source: www.trademap.org

Technopak Analysis



Exhibit 84: Country wise split of brandy exports from India (CY 2020)

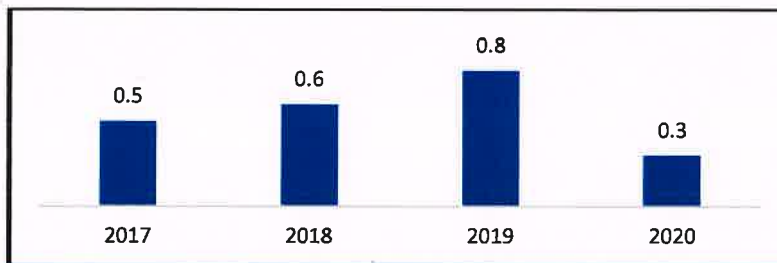


Source: www.trademap.org
Technopak Analysis

France is the largest exporter of brandy to India

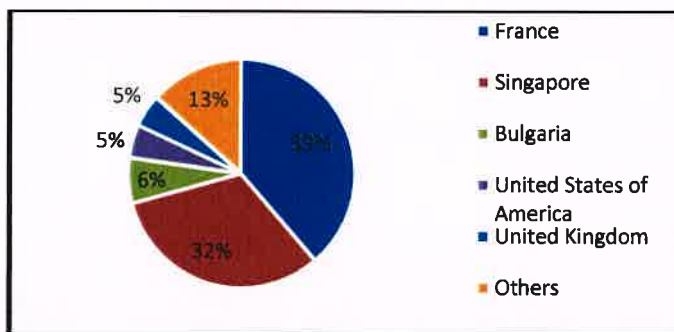
India imported 272 thousand litres (0.3 million litres) of brandy from 11 countries in CY 2020 out of which France holds the highest share of 39% followed by Singapore, Bulgaria, USA, UK, and other countries.

Exhibit 85: Brandy imports in India (in Million litres) (data for CY)



Source: www.trademap.org
Technopak Analysis

Exhibit 86: Country wise split of brandy import in India (in %) (CY 2020)



Source: www.trademap.org
Technopak Analysis

5.3. Key Players and Key Launches



The major players that dominate the brandy market are same as the whisky segment. United Spirits and Radico Khaitan followed by Allied Blenders, Tilaknagar Industries and John Distilleries are top producers of IMFL brandy in India. McDowell's, Honeybee and Old Admiral are the bestselling brandies in India.

Exhibit 87: Key Players in Brandy segment in India

Company	Brands
Allied Blenders	Officer's Choice, Kyron
Bacardi	Good Man
United Spirits	McDowell's VSOP, Honeybee
John Distilleries	Roulette, Mont Castle
Radico Khaitan Limited	Morpheus, Whytehall, Old Admiral
Tilaknagar Industries	Mansion House

Source: Technopak Analysis

Premium Category is leading new launches in brandy segment in India

New launches of brandies are in the premium and luxury price segment appealing to the higher income group consumers.

Exhibit 88: New Launches in IMFL Brandy Segment since 2015

Year	Brand	MRP
2015	Janus	3,338
2018	L'affaire Napoleon Premium French	1,862
2019	Sparta VSOP	
	Hennessy Paradis	7,900
2021	Burlingtons VSOP	
	Courier Napoleon Green	
	Paul John XO	10,000
2022	Morpheus Blue XO	1,748
	Bacardi Good Man	

Source: Technopak Analysis

State excise dept, Karnataka

Note: Data based on availability

Prices for Karnataka for 750 ml pack

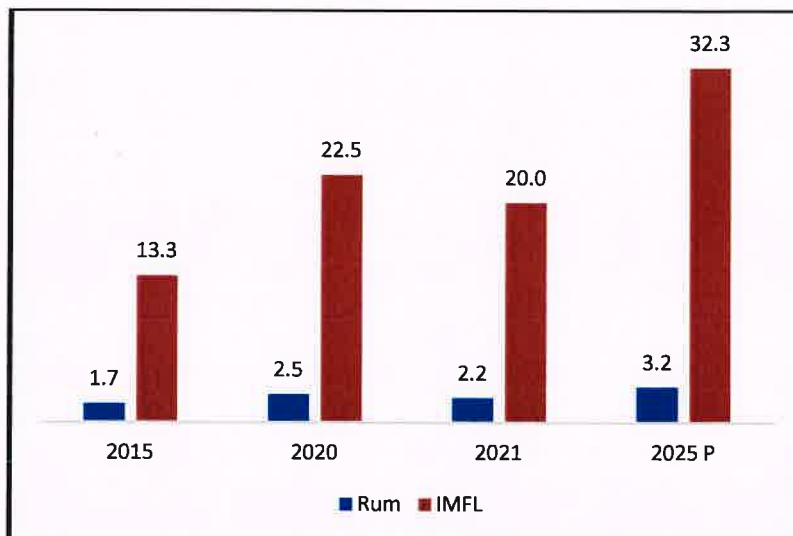


6. Rum Market in India

Rum is a liquor made by fermenting and then distilling sugarcane molasses or sugarcane juice. It is available in two types- dark rum and light rum. Dark rum is the more popular category which gets its distinctive characteristics from addition of caramel or by the maturation in oak containers. The sales of IMFL rum are driven by canteen stores department or army canteens. Rum is also the preferred alco-beverage drink in the southern and eastern states of India.

The IMFL Rum segment with a market size of USD 2.2 billion de-grew by 13 % by value in FY 2021 due to Covid-19. However, the projected CAGR from FY 2021 to FY 2025 is 12.5% by value to grow to USD 3.2 Billion in FY 2025. IMFL Rum volume was close 45 Million cases in FY 2021. It is projected to reach ~59 Million cases in FY 2025.

Exhibit 89: IMFL Rum Sales (in USD Billion) and CAGR



CAGR	2015-20	2020-21	2021-25 P
Rum	8.5%	-13.0%	9.9%
IMFL	11.1%	-11.2%	12.7%

Source: Technopak Analysis

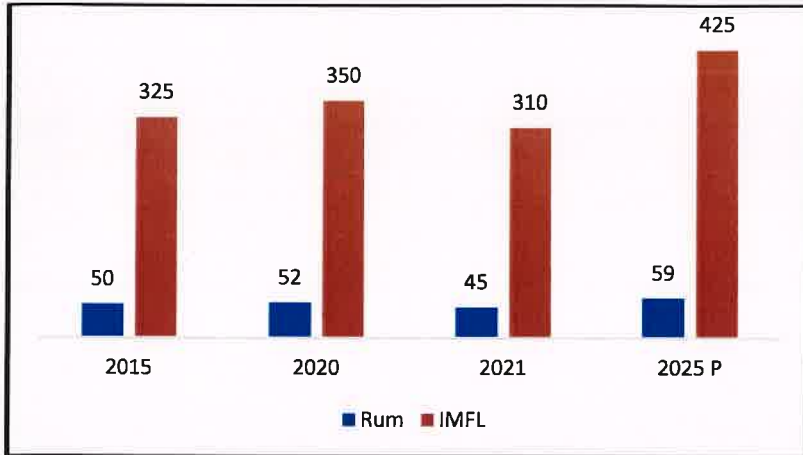


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Exhibit 90: IMFL Rum sale (in million Cases) and CAGR for FY



CAGR	2015-20	2020-21	2021-25P
Rum	1.0%	-13%	6.8%
IMFL	1.5%	-11.4%	8.2%

Source: Technopak Analysis

In the IMFL Rum segment, the top distilleries that control the major market share is Mohan Meakin, the makers of Old Monk Rum being the oldest brand present in the segment launched in 1954. Other brands including Contessa, McDowell's No. 1, Jolly Rogers, Hercules, Amrut's XXX have a strong presence in the market. McDowell's Celebration Rum took over the sales of Old Monk in 2005 as newer brands started establishing their presence.

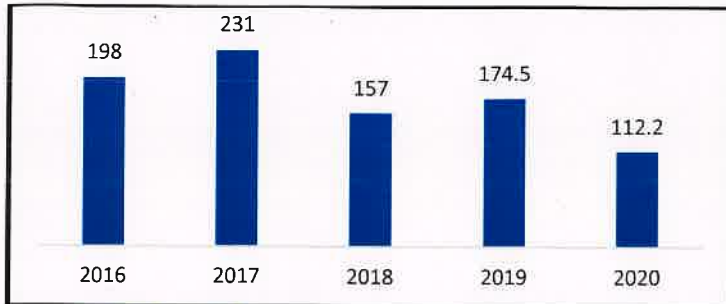
The premium category is being explored in Indian market by brands introducing new variants of their already existing rum. Bacardi Rum, Captain Morgan, Havana Club, Malibu Rum have a strong presence in the premium and above segments.

5.2. Break-up of Import and Export

A total of 14 countries exported rum to India in CY 2020. The total rum imported into India was ~112 thousand litres (12,400 cases) in CY 2020 which is a decline of 35 % from CY 2019. United Kingdom was the largest exporter of rum to India from FY 2017 till FY 2019 but was overtaken by Singapore in CY 2020 with 14% of the total share.

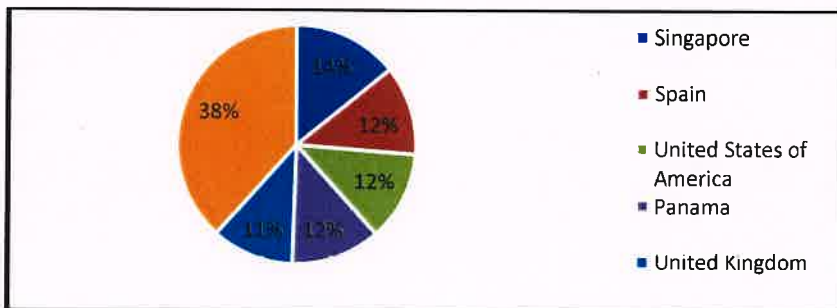


Exhibit 91: Quantity of Rum imported by India (in '000 litres) (for CY)



Source: www.trademap.org
Technopak Analysis

Exhibit 92: Country wise split of Rum imported by India by volume (in %)

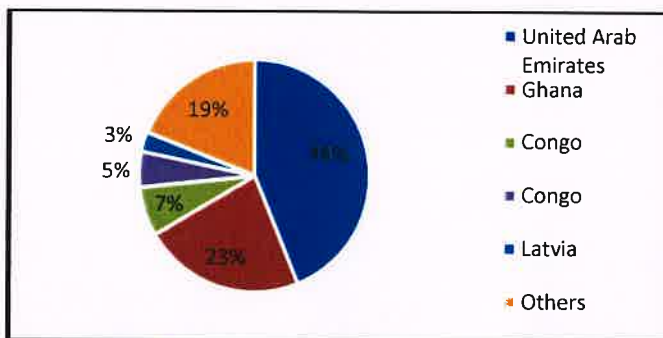


Source: www.trademap.org
Technopak Analysis

UAE and Ghana are top importers of Indian Rum

As in case of whisky and brandy segments, UAE and Ghana are the top importers and the fastest growing markets of IMFL rum with shares of 44% and 23% respectively in CY 2020 followed by Democratic Republic of Congo.

Exhibit 93: Country wise split of Rum export by India (in %) in CY



Source: www.trademap.org
Technopak Analysis



7. Wine Market in India

Wines as undistilled alco beverage contribute close to 13% to pure alcohol consumption globally but in India the contribution is approximately 0.1%

Consumption of wine in India is limited but it's one of the emerging alco- beverage category in India. Growing awareness of perceived health benefits of wines underpinned by income growth and changing profile of consumers is driving growth in wine category.

However, supply and demand side constraints have limited the growth of Indian wine market. India being a price conscious market and alco beverages sale primarily driven by consumption to get a high are demand side factors for low sale of wines in India.

Supply side constraints include weather conditions limiting production of wines and high tariff as well as treatment at par with other alco beverages with stringent regulatory norms. Non- Native markets in Asia including China, Japan and South Korea have developed into large markets for wines driven by imported wines. However, uniform tariff structure for all alco-beverages in India has limited the growth of imported wines in India.

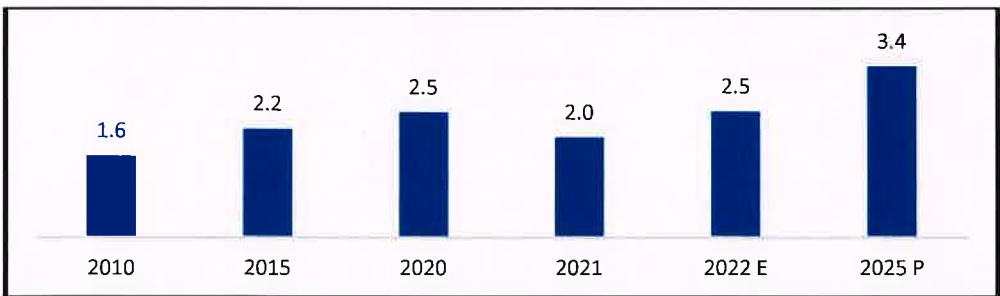
Domestic wine manufacturers have invested in the value chain including upstream and downstream operations to leverage growing acceptance of wines in the premium and luxury segment in metro cities in India. Mega and mini metros including Mumbai, Bangalore, Delhi-NCR, Hyderabad, and Pune are the major consumption centres for wines in India.

Indian Wine Market is projected 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 million cases in FY 2020 and is projected to grow to 3.4 million cases by FY 2025. Indian wines are now being noticed with increasing penetration both in Off-trade and On-trade channels. Favorable excise policies in select states is driving consumption of wines as higher consumption of wines supports the grape farmers.

Indian wine makers are based in Maharashtra and Karnataka. Indian wine market is a concentrated market with domestic players controlling the market. Domestic wine players have steadily increased their prominence in the Indian wine market. The top three players contribute close to 80% of the domestic 100% grape wine market.

Exhibit 94: Indian Wine Industry Market Size by Volume (In Million Cases) for FY



Source: Technopak Analysis
Data projected from OIV, USDA


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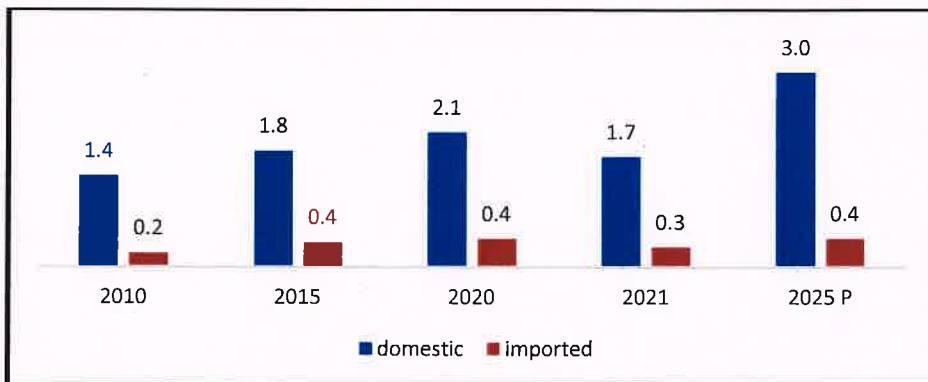
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Imported wines have played a critical role in development of nascent wine market in India

Imported wines played a key role in development of wine market in India. However, growth in imported wines has been mute. Its contribution to Indian wine market is projected to go down to 13% in FY 2025 against 17% in FY 2020. Imported wines are prominent in On -Trade segment. Lack of scale, complex regulatory environment and a price conscious market and prominence of domestic wine players are major factors leading to decrease in contribution of imported wines in Indian wine market.

Exhibit 95: Indian Wine Industry Domestic vs. Imported (In Million Cases) for FY

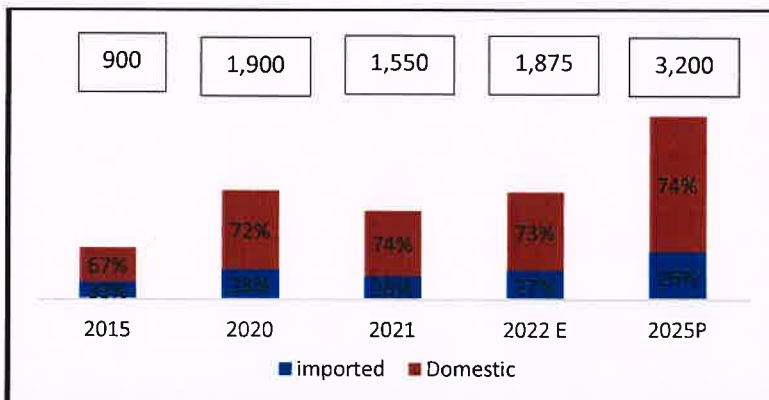


Source: Technopak Analysis
Data projected from OIV, USDA, DGFT

Indian Wine Market is projected to reach INR 3,200 Crore by FY 2025

The Indian wine market reached ~INR 1550 Crore by value in FY 2021. Market 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 to FY 2025 by value. Wine market 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 96: Indian Wine Industry Market Size by value for FY (In INR Crore)



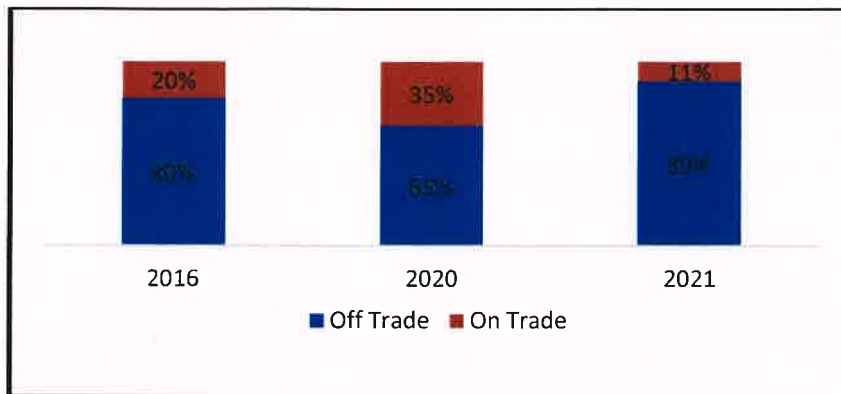
Source: Technopak Analysis



Prominence in On-Trade channel is driving growth in off-Trade channel

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.

Exhibit 97: On trade Vs Off Trade sales in wine category by Value for FY



Source: Primary Research, Technopak Analysis

Domestic wine players in India competing with international wines with growing range and improved quality of products and driving innovation

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

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

Product innovation include red-sparkling wine and canned wines. Canned wine in India has the potential to build a new wine on the go segment. India's first bottled mulled wine was launched by Grover Zampa in December 2020 also blended with Indian kadha spices.

Exhibit 98: Wine export from India in Value (USD Million) for CY

Year	USD Million	Growth
2015	4.34	-40.8%
2016	7.49	72.6%
2017	8.72	16.4%
2018	8.88	1.8%
2019	8.56	-3.6%
2020	4.77	-44.3%

Source: Trade map



Exhibit 99: Popular new launches in domestic wine market in India

Label	Company	Year of launch
DIA - White Can	Sula Vineyards	2020
DIA - Red Can	Sula Vineyards	2020
KADU Shiraz Rose	Sula Vineyards	2017
KADU Cabernet Sauvignon	Sula Vineyards	2017
Sula Late Harvest Chenin Blanc	Sula Vineyards	2017
Dindori. Res. Chardonnay	Sula Vineyards	2018
The Source Grenache Rose	Sula Vineyards	2017
The Source Cabernet Sauvignon	Sula Vineyards	2020
The Source Sauvignon Blanc Res.	Sula Vineyards	2018
Sula Sparkling Shiraz	Sula Vineyards	2018
RASA Zinfandel	Sula Vineyards	2018
Signet Spectrum	Grover Zampa	2021
Signet Shiraz	Grover Zampa	2021
Late harvest Chenin blanc	Grover Zampa	2021
La Réserve Chardonnay	Grover Zampa	2020
La Réserve Pinot Noir	Grover Zampa	2020
Grover Chêne Grande Reserve Chardonnay	Grover Zampa	2020
One Tree hill mulled Kadha wine	Grover Zampa	2020
NOIR canned wine	Fratelli Wines	2020
TILT canned wine	Fratelli Wines	2020

Exhibit 100: Indian wines winning international awards

Indian wine	Company	Award
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
M/S Rose	Fratelli Wines	Sommelier wine Awards 2019, UK

Source: Technopak Analysis

NOTE: The awards are not exhaustive



Indian Wine market is a concentrated market with top three players contributing close to 80% of the domestic 100% grapes wine market

Indian wine market is a concentrated market with top three players including Sula vineyards, Fratelli wines and Grover Zampa controlling close to 80% of the domestic 100% grapes market. 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. The players are also constantly upgrading their wine-making process by investing in new processes and viticulture technologies, as well as experimenting with newer grape varieties.



8. Beer Market in India

Beer is the largest category in undistilled alco beverage market contributing close to 34% to recorded pure alcohol consumption in the world

Beer is the second most consumed alco beverage in the world after spirits in terms of recorded pure alcohol consumption. Consumption of beer is higher than spirits in Europe and American continents. Beer contributes close to ~8% of recorded consumption of pure alcohol in India. A low per capita consumption as compared to developing and developed countries points to opportunity in beer category in India.

Exhibit 101: Per Capita consumption of Beer in pure alcohol form CY 2021 (Vol. in litres)

Country	Per Capita Consumption
Germany	5.5
USA	3.9
United Kingdom	3.5
France	2.5
China	1.6
India	0.2
World	1.7

Source: Technopak Analysis
Projected from WHO data

Indian beer market has high potential with overall contribution to world market at less than 2% in CY 2020

World beer market is estimated at close to 2 billion hecto litres in CY 2020. The contribution of Indian market to world beer market is less than 2%. The primacy of high alcohol content beverages in India has limited the size of beer market in India. However, a very low base underpinned by positive demographic trends and rising income and growing acceptance of alco-beverage is driving growth in beer category in India.

Exhibit 102: Key Beer Markets in world CY 2020 (value in Million hecto litres)

Country	Market Size (Million Hecto Litres)
China	375
USA	210
Germany	80
United Kingdom	40
India	33
France	28
World	1,900

Source: Technopak Analysis
Indian data for FY 2020
projected from WHO data

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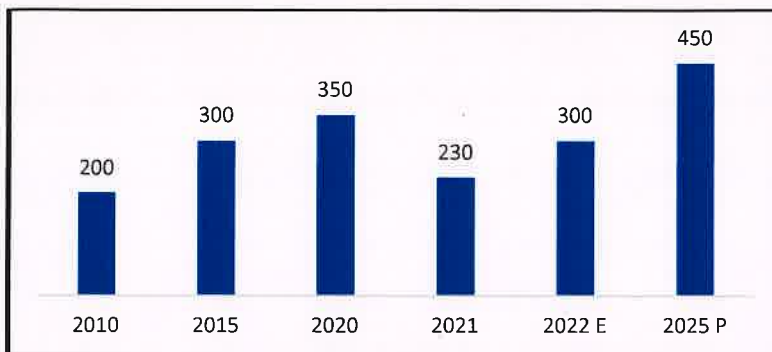
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Indian beer market is projected to reach 450 million cases by FY 2025

Indian beer market is projected to reach 450 Million cases by FY 2025 with a CAGR of 15% for the period between FY 2021 and FY 2025. Beer has become one of the most popular alcoholic beverages in the country over the past two decades.

Exhibit 103: Indian Beer Market trend in FY (vol. in Million cases)

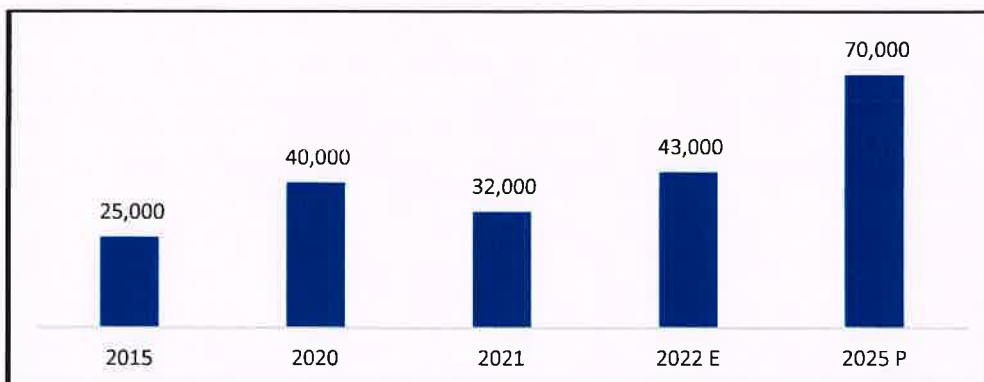


Source: Technopak Analysis
Data projected from annual reports, WHO report

Indian beer market size is projected to reach INR 70,000 Crore by FY 2025

Indian beer market is projected to reach INR 70,000 crore by FY 2025 with a CAGR of 22% for the period between FY 2021 to FY 2025. Beer market has suffered the maximum decline among all also beverage categories during COVID-19 as the complete shutdown wiped out a large part of the peak consumption sales for beer segment in the first quarter of FY 2021 with an overall decline by 34% by volume and 20% by value in FY 2021.

Exhibit 104: Indian Beer Market trend for FY (value in INR Crore)



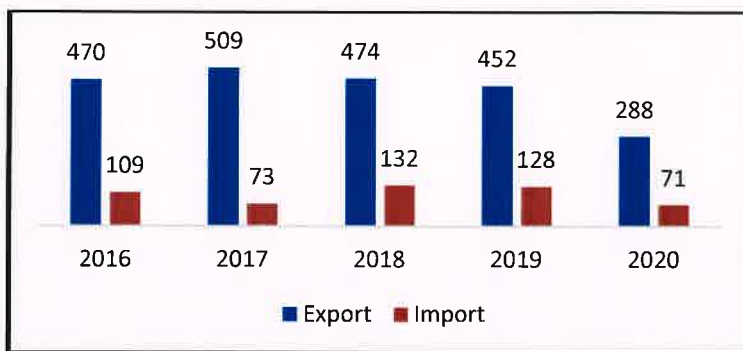
Source: Technopak Analysis
Data projected from annual reports, WHO report



Indian beer market is domestic led with limited contribution of import and export sectors

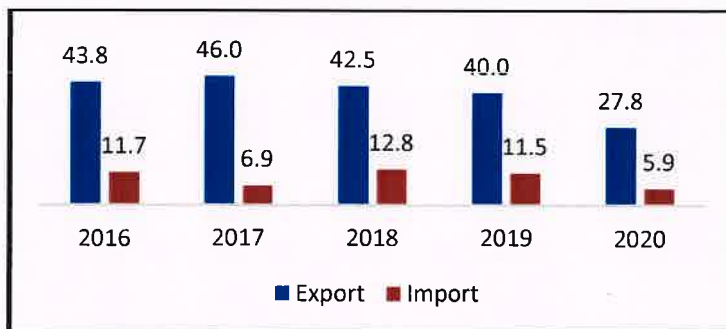
Export of Indian beer peaked to 509,000 hecto litre valued at USD 46 Million in year 2017. Indian beers are popular with Indian diaspora with highest export in middle east countries. Import of beer has been averaging around 100,000 hecto litre valued at close to USD 10 Million with major countries being Mexico and Belgium. However, import of malt and hops for preparation of beer is playing a key role in premiumisation and development of craft beer category in India. Indian beer market is today controlled by top three beer companies in the world which control more than 80% of the Indian market.

Exhibit 105: Beer import and export trend in India for CY (Value in '000 hecto litres)



Source: Technopak Analysis, Trademap

Exhibit 106: Beer import and export trend in India for CY (Value in USD Million)



Source: Technopak Analysis, Trade map

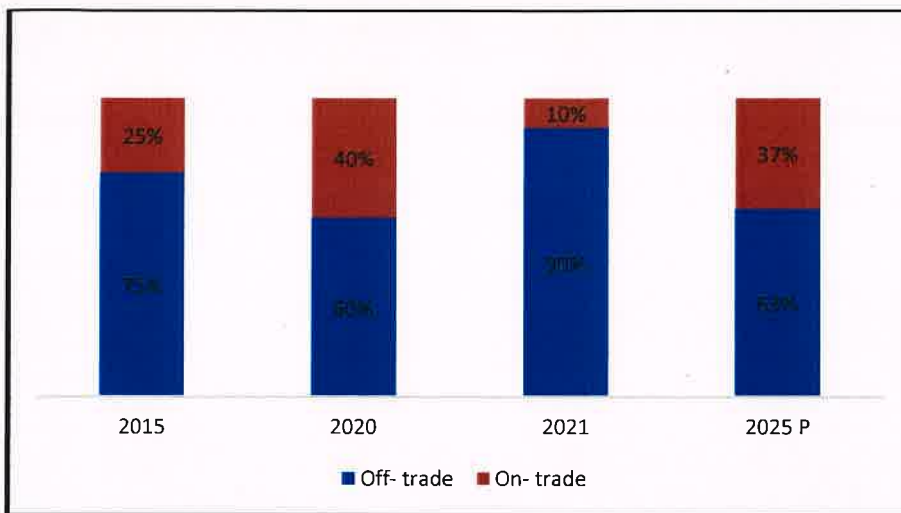
Critical role of On-trade sales in development and growth of beer market in India

Beer is often enjoyed in social settings which makes On-Trade sales key to growth of the category. Beer has the highest on trade contribution in overall sales across all alco-beverages. Greater preference for premium food and drink experiences in India and greater acceptance of alcoholic beverages in social circles is also driving On-trade sales. Growing prominence of pub and cocktail culture in large cities such as Bengaluru, Pune and Gurgaon over the last few years is one of the key drivers of On-trade sales. On-trade sales were hit badly during multiple lock downs



during Covid-19 resulting in huge loss to beer industry. Market was impacted by restrictions and lockdowns, which prevented consumers from engaging in social activities. On-Trade sales is also critical for the craft beer category which has been leading the industry growth on a small base. There is also a change in consumption pattern induced by COVID-19 with stronger trends of in-home consumption. This may lead to slower recovery in On -Trade Sales.

Exhibit 107: On trade Vs Off Trade sales in Beer category by Value for FY



Source: Primary Research, Technopak Analysis

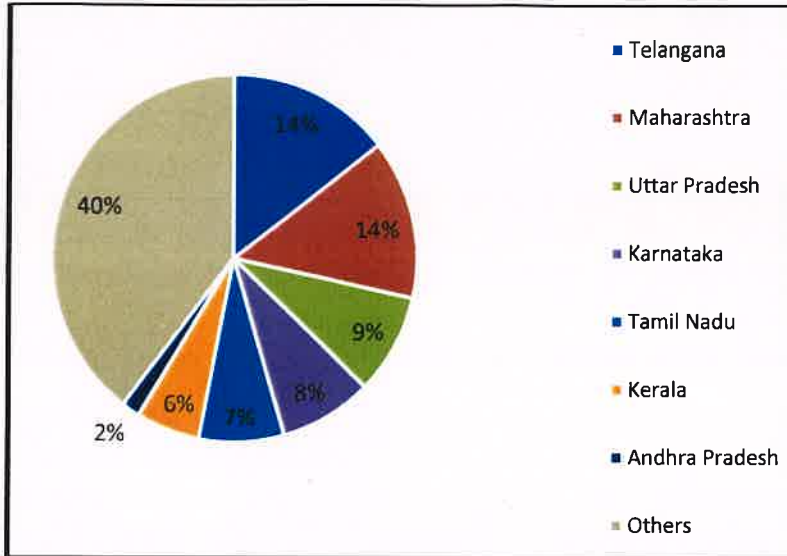
Southern States in India have highest contribution to beer sales in India

Southern states contribute close to 40% of overall beer consumption in India. This is in line with the overall also beverage market in India with southern states being the largest block. The changing regulatory environment with provisions for limited license for beer shops, incentives for setting up of microbreweries is also driving sales in select states.

Exhibit 108: Key States in Beer Market - FY 2020 (total volume 350 Million cases)

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Source: Technopak Analysis
Review of excise data of states

Beer market in India is evolving from manufacturing strong and lager beer to flavoured and variety beers

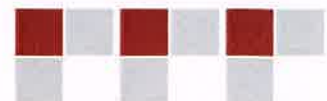
Beer market is driven by young consumer who consider beer as a trendy drink instead of a traditional alco beverage to get a high. Emergence of Brew pubs in large cities such as Bengaluru, Pune and Gurgaon over the last few years has helped the growth of craft beer category. Craft beer is helping shape consumption of wheat beer in India. The market has seen emergence of new players including Bira, Simba, White Owl, Kati Patang etc. Indian beer market today is controlled by top three beer companies in the world. These three companies including Heineken with majority stake in United Breweries along with AB InBev and Carlsberg control close to 80% of the Indian beer market. This is leading to launch of top international brands which cater to the premium segment of the market.

Exhibit 109: Popular new launches in domestic beer market in India

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

Source: Technopak Analysis

*Note: Molson Coors business in India acquired by Inbrew in 2021



Indian beer market continues to grow leveraging premium and super premium categories

Strong lager beers, with alcohol content between 6% and 8%, dominate the market accounting for over 80% of the total beer consumed in India. But the trend has been shifting over the last few years as discerning urban Indians flock to breweries, pubs, and bars and look for more choices across beverages they consume.

The changing profile of Indian consumer is driving premiumisation trend in beer category in India. Rapid increase in urban population, sizable middle-class population with rising spending power, and a growing economy are driving premiumisation of beer category in India. There is growing class of young, urban millennials Indians who love beer and are conscious of what they consume. They are quite willing to trade up for better quality and passionately brewed craft beers.

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. People are no longer satisfied with mass-produced commercial beer. They are looking for artisanal brews, locally made and sourced with fresh local ingredients. This change has been remarkable and has paved the way for the growth of craft beer in the country.

The current generation of consumers believe beer means flavour and craft beer, usually made by small local breweries, has been rising in popularity for over a decade in India's metro cities. Due to the extra focus on experimentation, unique flavours, and quality, craft beer is increasingly being bottled and retailed across India. Craft beers especially have helped shape consumption of wheat beer in the country. India's market for wheat beers has expanded with the entry of new brands such as Bira, Simba, White Owl I as young drinkers seek newer varieties of beer. Premiumisation in beer is leveraging perception of positive health benefits.



9. Competitive Landscape

Indian alco beverage is a concentrated market with strong players across segments

India alco-beverage market is dominated by strong players across different segment including IMFL, beer and Wine segments. Indian western spirits market including IMFL and imported spirits market has top three players including United Spirits, Pernod Ricard India and Allied Blenders and Distillers controlling more than 49% of the market by volume in FY 2021.

Exhibit 110: Summary

Particulars	Allied Blenders and Distilleries	United Spirits	Pernod Ricard	Radico Khaitan	Tilaknagar Industries	John Distilleries	Jagatjit Industries
Volume - FY 21 (Million Cases)	25.5	70.7	55	22.3	5.4	17.8	1.7
Volume CAGR (2015-21)	-3.50%	-4.60%	11.90%	2.30%	-6.70%	5.40%	-26.70%
Segment Presence	Popular - Prestige Premium	Popular Prestige Premium Luxury	Prestige Premium Luxury	Popular Prestige Premium Luxury	Popular Prestige Premium	Popular Premium Luxury	Popular Premium
% Contribution Popular/Prestige & Above	65.10%	47.40%	0.00%	70.90%	92.60%	95.50%	88.90%
Whisky as % Sales	98.00%	70.00%	90.00%	51.00%	2.00%	90.00%	90.00%
Key Brands	Officer's Choice, Officer's Choice Blue, Sterling Reserve Blend 10, Sterling Reserve Blend 7, Kyron	McDowell's No 1, Bagpiper Signature, Royal Challenge, Johnnie Walker	Royal Stag, Blender's Pride Imperial Blue, Ballantine's Chivas Regal	8 PM, Magic Moments Vodka, Rampur	Mansion House, Courier Napoleon	Original Choice Whisky, Roulette Whisky	Aristocrat
Millionaire Brands	Officer's Choice, Officer's Choice Blue, Sterling Reserve Blend 7	McDowell's No. 1 Whisky, McDowell's No. 1 Celebration Rum, Royal Challenge Whisky,	Royal Stag Whisky, Blender's Pride Whisky, Imperial Blue Whisky	8 PM Whisky, 8 PM Premium Whisky, Old Admiral Brandy,	Mansion House Brandy	Original Choice Whisky, Bangalore Malt Whisky	NA

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		Director's Special Whisky, Old Tavern Whisky, Haywards Fine Whisky, Signature Whisky, Bagpiper Whisky		Contessa Rum			
Distillery / Bottling Units	Distillery :1 Bottling : 37	Distillery :47 Bottling : NA	Distillery :2 Bottling : 32	Distillery :5 Bottling : 33	Distillery :16 Bottling : 1	Distillery :8 Bottling : NA	Distillery :16 Bottling : NA

Allied Blenders and Distillers is the largest Indian and independent company in the Spirits Industry in India unlike United Spirits and Pernod Ricard India that are subsidiary of Diageo plc and Pernod Ricard SA respectively. It has over the years established market leadership in the alcoholic beverages market in India with a market share of 8.2% in IMFL market by sales volumes in FY 2021. There is a similar trend across beer and wine segments where top three players control more than 50% of the market.

Indian alco beverage companies have been able to build market share across states by investing in both upstream and downstream activities. The complex nature of market with each state as a unique market gives incumbents with scale across states an advantage over new and upcoming brands in the market.

Exhibit 111: Top players in Indian Alco -beverage market FY 2021 by volume

Segment	Rank	Company
IMFL	1	United Spirits Ltd
	2	Pernod Ricard India
	3	Allied Blenders and Distillers
Beer	1	United Breweries Ltd
	2	Anheuser- Busch InBev India
	3	Carlsberg
Wine	1	Sula Vineyards
	2	Fratelli Wines
	3	Grover Zampa Vineyards

Source: Annual reports, Technopak Analysis



Exhibit 112: Key players and their presence across categories

Company	Year of Establishment	Whisky	Rum	Brandy	Vodka	Gin	Beer	Wine
Allied Blender and Distillers	1988	✓	✓	✓	✓			
Jagatjit Industries	1944	✓	✓	✓	✓			
John Distilleries,	1992	✓	✓	✓		✓		✓
Pernod Ricard India	1993	✓	✓	✓	✓	✓		✓
Radico Khaitan	1943	✓	✓	✓	✓	✓		
Tilaknagar Industries	1933	✓	✓	✓		✓		✓
United Spirits	1826	✓	✓	✓	✓	✓		

Source: Annual reports, Technopak Analysis

Exhibit 113: Key players and their volume trends (in Million cases) (in FY)

Company	2015	2019	2021	CAGR (2015-2021)
United Spirits	94	81.6	70.7	-4.6%
Pernod Ricard India	28	57.95	55	11.9%
Allied Blender and Distillers	31.69	37.32	25.52	-3.5%
Radico Khaitan	19.5	21.61	22.3	2.3%
John Distilleries	13	21	17.8	5.4%
Tilaknagar Industries	8.2	6.6	5.4	-6.7%
Jagatjit Industries	11	7.2	1.7	-26.7%

Source: Annual reports, Technopak Analysis

Indian alco-beverages market has traditionally been a price sensitive market but recent trends show growing influence of premiumisation across price segments

Indian alco-beverage market has traditionally been very price sensitive. Market can be divided in two broad categories including 'Popular,' and 'Prestige and Above' which is further categorised into Prestige, Premium and luxury price segments. Even though Popular category continues to play a key role, Indian market is steadily moving towards premiumisation with increase in share of Prestige and above category.

It is critical to have products across price segments and distribution reach across states in the Indian alco-beverage market as top companies drive sales using scale and operational leverage over players with limited scale or limited range across price segments. Allied Blenders and Distillers has leveraged its leadership position in popular segment to drive business in prestige and premium category with very successful launches in respective categories.



Exhibit 114: Key players and whisky presence across segments

Company	Popular	Prestige	Premium	Luxury
Allied Blender and Distillers	✓	✓	✓	
Jagatjit Industries	✓	-	✓	-
John Distilleries	✓	-	✓	✓
Pernod Ricard India		✓	✓	✓
Radico Khaitan	✓	✓	✓	✓
Tilaknagar Industries	✓	✓	✓	
United Spirits	✓	✓	✓	✓

Source: Annual reports, Technopak Analysis

Exhibit 115: Key players and volume across segments for FY 2021 (in Million cases)

Company	Volume in Million cases		% Contribution	
	Popular	Prestige and above	Popular	Prestige and above
United Spirits	33.5	37.2	47.4%	52.6%
Pernod Ricard India	0	55	0.0%	100.0%
Allied Blender and Distillers	16.5	9.1	64.51%	35.5%
Radico Khaitan	15.8	6.5	70.9%	29.1%
John Distilleries	17	0.8	95.5%	4.5%
Tilaknagar Industries	5	0.4	92.6%	7.4%
Jagatjit Industries	1.6	0.2	88.9%	11.1%

Source: Annual reports, Technopak Analysis

Indian made Foreign Liquor Market (IMFL) in India is dominated by popular and Prestige segment

Indian Made Foreign Liquor Market (IMFL) is unique with high contribution of popular and prestige segments. However, category growth is led by premium segment. Top also beverage companies leverage their presence in popular and prestige segment to drive their portfolio in premium and luxury segment.

United Spirits has the largest portfolio of brands across all the four segments. It has reduced contribution of popular segment by volume from 64% in FY 2015 to 47% in FY 2021 by franchising many of the brands in the Popular segment. In its latest agreement with Inbrew Beverages Pvt. Ltd, United Spirits has sold off 32 brands including Haywards, Old Tavern, White Mischief, Honeybee and Romanov. It has also entered into franchise agreement for another 11 brands including Bagpiper. It is driving growth of prestige and above segment through portfolio rationalisation, brand relaunches and leveraging imported range from its parent company, Diageo.

Pernod Ricard India has no presence in popular segment. It has concentrated on driving value through its range of Indian whisky in prestige segment and the imported range in premium and luxury segment.

Allied Blenders and Distillers has built its business by growth in sales of its flagship brand Officer's Choice whisky. Officer's Choice has established itself over the years as one of the biggest brands in Indian and Global whisky market. Officer's Choice is the largest selling whisky in India in popular or mass premium price segment. The company has successfully extended its Officer's Choice franchisee into the Prestige and Above segments with Officer's Choice Blue premium whisky. Company has successfully leveraged the growing prominence of prestige category. The company



has further extended its portfolio in whisky category with launch of Sterling Reserve Blend 7 and Blend 10 in the premium category. Alongside whisky, the premium brandy, Kyron and rum, Jolly Roger have also contributed to the growth of in sales of the company.

Exhibit 116: Segment wise popular brands and price range (as per Karnataka)

Segment	Company	Brands	Price range (INR)
Popular	Allied Blender and Distillers	Officer's Choice Whisky, Officer's Choice Brandy, Officer's Choice Rum	< 500
	Jagatjit Industries	Aristocrat	
	John Distilleries,	Original Choice, Black Pelican Whisky	
	Radico Khaitan,	Old Admiral Brandy	
	Tilaknagar Industries	Mansion House Brandy	
	United spirits	Bagpiper, Director's Special, McDowell's Brandy, Bagpiper Rum, Old Tavern	
Prestige	Allied Blender and Distillers	Officer's Choice Blue Whisky	500-1,000
	Jagatjit Industries	NA	
	John Distilleries,	NA	
	Pernod Ricard India,	Imperial Blue, Royal Stag	
	Radico Khaitan,	8PM, Whytehall brandy	
	Tilaknagar Industries	Mansion House Whisky	
	United spirits	McDowell's No.1, , Honeybee Brandy	
Premium	Allied Blender and Distillers	Sterling Reserve Blend 10, Sterling Reserve Blend 7, Officer's Choice Black, Kyron, Jolly Roger	1,000-2,000
	Jagatjit Industries	NA	
	John Distilleries,	Roulette Brandy, Roulette Whisky	
	Pernod Ricard India,	Blender's Pride	
	Radico Khaitan,	Magic Moments Vodka, After Dark Whisky, Morpheus Brandy	
	Tilaknagar Industries	Courrier Napoleon	
	United spirits	Signature, Royal Challenge, VAT 69, Black Dog, Captain Morgan	
Luxury	Allied Blender and Distillers	NA	> 2,000
	Jagatjit Industries	NA	
	John Distilleries,	Paul John Single Malt, Kanya Single Malt	
	Pernod Ricard India,	Glenlivet, Ballantine's	
	Radico Khaitan,	Royal Ranthambore, Jaisalmer, Rampur	
	Tilaknagar Industries	NA	
	United spirits	Johnnie Walker, Singleton, Glenfiddich, Talisker, Tanqueray	

Source: Annual reports, Technopak Analysis, Karnataka excise dept.



Indian alco beverage market is dominated by whisky

India has traditionally been a high alcohol content alco- beverage market with more than 90% of recorded pure alcohol consumption in the form of spirits. Whisky is the largest category with a share of ~59% by volume in the total Indian Made Foreign Liquor in FY 2021. The share of whisky in the total IMFL market has been constant over the years and is expected to grow to ~60% by volume in FY 2025. Top alco beverage companies derive more than half of their sale volumes through whisky.

India is the largest whisky market in the world by volume. Whisky consumption in FY 2021 was 183 million cases which is estimated to recover to close to 210 million cases making it one of the strongest categories that led to the recovery of the alco-beverage market in India after the impact from COVID-19. Brandy and Rum are important categories after Whisky in the dark spirit's market.

Exhibit 117: Volume split in IMFL market FY 2021 (in Million cases)

Company	Whisky	Others
Allied Blender and Distillers	98%	2%
Jagatjit Industries	90%	10%
John Distilleries	90%	10%
Pernod Ricard India	90%	10%
Radico Khaitan	51%	49%
Tilaknagar Industries	2%	98%
United spirits	70%	30%

Source: Annual reports, Technopak Analysis

Indian whiskies dominate the millionaire brands list with four brands from the top 10 selling dark spirits in the world in calendar year 2020

Indian Whisky brands have traditionally dominated the coveted millionaire brands list for spirits in the world. There has also been change in the Indian brands in the list with higher participation for brands from prestige segment.

Exhibit 118: Millionaire brands from India CY 2019 (volume in Million cases)

Company	Millionaire brand	Sale (Million cases)
Allied Blender and Distillers	Officer's Choice Whisky	20.3
	Officer's Choice Blue Whisky	8.5
	Sterling Reserve Blend 7 Whisky	2.7
John Distilleries	Bangalore Malt Whisky	4.2
	Original Choice Whisky	12.7
Pernod Ricard India	Imperial Blue Whisky	26.3
	Blender's Pride Whisky	7.6
	100 pipers Whisky	1.6
	Royal Stag Whisky	22

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Radico Khaitan	8PM Whisky	8.6
	8PM Premium Whisky	0.6
	Contessa Rum	1.4
	Old Admiral Brandy	3.8
United spirits	McDowell's No. 1 Whisky	30.7
	McDowell's No. 1 Celebration Rum	10.8
	Royal Challenge Whisky	5.5
	Director's Special Whisky	4.2
	Old Tavern Whisky	5.3
	Haywards Fine Whisky	9.6
	Signature Whisky	2.3
	Bagpiper Whisky	6.1

Source: Annual reports, Technopak Analysis
Drinks International/ The Millionaire club 2021

Indian alco-beverage market is witnessing product launches in premium and luxury price segment

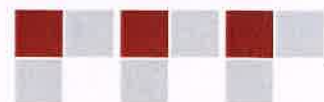
Premiumisation is one of the strongest trends in the Indian alco-beverage market. Growing trend of premiumisation in Indian alco-beverage market is evident from the list of recent launches by all the major players in the market. Allied Blenders and Distillers have successfully launched Sterling Reserve Blend 7 and 10 in the premium segment with sale of more than a Million cases in the first year of its launch in FY 2017.

Another trend is that there are no new launches in the popular or mass premium segment which shows that incumbents are well entrenched and entry and success in this segment is limited. Officer's choice whisky from Allied Blenders and Distillers is the leader in this segment.

Exhibit 119: New Launches in Indian alco-beverage market

Company	Brand	Segment
Allied Blender and Distillers	Sterling Reserve Premium	Premium
John Distilleries	Paul John XO	Luxury
Pernod Ricard India	Oaken Glow	Premium
	Jameson Black Barrel	Premium
Radico Khaitan	Royal Ranthambore	Luxury
	Morpheus Blue XO	Premium
	Pluton Bay Exotic	Premium
Tilaknagar Industries	Courier Napoleon Green	Premium
Piccadilly Distilleries	Indri	Luxury
United spirits	Copper Dog	Luxury
	Epitome Reserve	Luxury
	Singleton of Glendullan	Luxury
	JW White Walker	Luxury

Source: Annual reports, Technopak Analysis



Complex regulatory environment in Indian alco-beverage industry makes a state level distillery and bottling infrastructure a precondition for sizable market share

Each state in India is a unique market for Indian alco-beverage companies. Every company must invest in distillery and bottling units in multiple states as movement of alco -beverage from one state to the other may lead to additional duties and charges. Key players have a wide network of distilleries and bottling units which are either owned or contracted units.

Exhibit 120: Key players and their Distillery and Bottling Units

Company	No. of distillery	No. of Bottling Units
Allied Blender and Distillers	1	37
Jagatjit Industries	16	0
John Distilleries	8	NA
Pernod Ricard India	2	32
Radico Khaitan	5	33
Tilaknagar Industries	16	1
United spirits	47	0

Source: Annual reports, Technopak Analysis

Alco-beverages retailing is limited to exclusive outlets directly controlled or regulated by state excise policies in India.

~70% of the Distribution of alcoholic beverages in India is controlled by state through state owned or state-controlled wholesale or retailing entities popularly known as corporations. Select states have set up corporations which control distribution of alcohol both at wholesaling and retailing whereas quite a few states control only the wholesale distribution and retail is private. In select states distribution is completely private for 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.

The universe of retail outlets for alco-beverage industry in FY 2021 is estimated at close to 73,000 stores. Distribution of alco- beverage through supermarkets or through home delivery is at a very nascent stage in India. The entry of new players can be challenging due to regulation across states and strong relations between the current players and the retail outlets which may include exclusive arrangements.

Allied Blenders and Distillers has built a strong pan India route to market network capable of covering all channels in all alcohol permitted states / union territories which gives it a competitive advantage. It has access to a Pan-India multi-channel distribution network and are one of only four spirits companies in India with a Pan-India sales and distribution footprint. It has presence in 25 states and union territories.

Allied Blenders and Distillers with extensive operations across India, presence in multiple states and current capacity ensures that it is able to effectively address these regulatory issues which has allowed it to garner a significant share of the popular segment also known as mass premium segment and noticeable and growing market share for its



products in prestige and premium segment. This highly efficient network is ready to support volume growth of current and emerging portfolio additions.

Exhibit 121: Retail penetration (Nos of outlets) (FY 2021)

Company	Retail outlets (Nos)
Allied Blender and Distillers	64,101
Jagatjit Industries	~10,000
John Distilleries	~25,000
Pernod Ricard India	~60,000
Radico Khaitan	70,000+
Tilaknagar Industries	NA
United Spirits	70,000+

Source: Annual reports, company website Technopak Analysis,
Note: As per available data

Alco-beverages companies are innovating to drive marketing activity through point-of-sale activations and digital marketing medium

Alco- beverages operate in media-dark in India as mass media advertising has been banned in India as per the Cable Television Network (Regulation) Amendment Bill, which came into effect on 8 September 2000. Point of sale activation at food services segment including bars and cafes and retail outlets become the primary media for marketing. Marketing is also 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. 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. Marketing yield is the percentage spending done by a company to promote its products and brand extensions in proportion to the total revenue from operations.

Marketing spend is spread across Above the Line and Below the Line activities with a bias towards Below the Line activities given the media dark nature of the industry and importance of marketing activations at point of sale and collaboration with On- Trade outlets. However popular Above the Line activations include association with sports event and music events.



Exhibit 122: Marketing spend as percentage of Net sales for FY 2021

Company	Marketing Spend
Allied Blender and Distillers	3.8%
Jagatjit Industries	8.5%
John Distilleries	5.4%
Pernod Ricard India	5.8%
Radico Khaitan	5.8%
Tilaknagar Industries	14.9%
United Spirits	7.0%

Source: Annual Reports, Technopak Analysis



10. Financial Landscape

Financial landscape compares leading companies of Indian Made Foreign Liquor (IMFL) against key financial indicators including revenue and profitability metrics and key financial ratios to arrive at an overall view of the IMFL companies in India.

Exhibit 123: Summary of Financials

Particulars	Allied Blenders and Distilleries	United Spirits	Pernod Ricard	Radico Khaitan	Tilaknagar Industries	John Distilleries	Jagatjit Industries
Net Sales (FY 21) (INR Cr)	2348	8131	8045	2418	549	840	398
Net Sales CAGR (FY 2019-21) (%)	-12.5%	-6.7%	-3.1%	7.4%	-8.9%	-3.7%	33.2%
EBITDA Margin (Avg. FY 2019-21) (%)	8.3%	14.9%	22.2%	15.6%	3.5%	9.1%	-15.2%
PAT Margin (Avg. FY 2019-21) (%)	0.3%	6.1%	15.4%	9.8%	3.4%	2.6%	-16.8%
Working Capital Days (FY 2021)	46	76	14	66	-244	142	-22
ROCE (Avg. FY 2019-21) (%)	30.2%	28.3%	62.1%	20.1%	14.4%	18.1%	4.1%
ROE - (Avg. FY19-21) (%)	3.1%	16.0%	42.5%	14.6%	Na	9.1%	-58.1%
Net Debt/EBITDA (Avg. FY 2019-21)	4.5	1.4	-0.4	0.8	7.9	3.1	2.4

Source: Annual Reports, Technopak Analysis

Revenue and 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.

Exhibit 124: Gross Sales (in INR Cr) for Private and Public Listed Players

Gross Sales	FY2019	FY2020	FY2021	CAGR FY 2019-21
United Spirits	28,873	28,824	27,419	-2.6%
Pernod Ricard India	20,271	21,424	19,423	-2.1%
Radico Khaitan	8,058	9,418	10,367	13.4%
Jagatjit Industries	249	225	421	29.9%
John Distilleries	3,919	4,292	4,626	8.7%
Allied Blenders & Distillers	8,935	8,119	6,379	-15.5%
Tilaknagar Industries	1,525	1,483	1,418	-3.6%

Source: Annual Reports, Secondary Research, Technopak Analysis



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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.

Exhibit 125: Net Sales (in INR Cr)

Net Sales	FY2019	FY2020	FY2021	CAGR FY 2019-21
United Spirits	9,341	9,325	8,131	-6.7%
Pernod Ricard India	8,572	9,044	8,045	-3.1%
Radico Khaitan	2,097	2,427	2,418	7.4%
Jagatjit Industries	224	221	398	33.2%
John Distilleries	906	939	840	-3.7%
Allied Blenders & Distillers	3,067	2,996	2,348	-12.5%
Tilaknagar Industries	661	653	549	-8.9%

Source: Annual Reports, Secondary Research, Technopak Analysis

3) Excise as a percentage of Revenue

Excise collected from sale of alco-beverages is one of the major sources of revenue for states. States often use alco beverage industry to bridge any immediate revenue gap.

Exhibit 126: Excise as percent of total revenue

Excise as % of total sales	FY2019	FY2020	FY2021	CAGR FY 2019-21
United Spirits	68%	68%	70%	1.97%
Pernod Ricard India	58%	58%	59%	0.75%
Radico Khaitan	74%	74%	77%	1.81%
Jagatjit Industries	10%	2%	5%	-26.23%
John Distilleries	77%	78%	82%	3.17%
Allied Blenders & Distillers	66%	63%	63%	-1.91%
Tilaknagar Industries	57%	56%	61%	4.03%

Source: Annual Reports, Secondary Research, Technopak Analysis

4) Margins

a. Net Sales Margin

Alco-beverage companies in India are unique as almost 60% of gross revenue is directly collected by state governments as excise duty. It is important that alco-beverage companies are benchmarked basis net sales which is gross sales net of excise. 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.



Exhibit 127: Net Sales Margins (value in %)

Net Sales Margin	FY2019	FY2020	FY2021
United Spirits	50.7%	46.1%	45.2%
Pernod Ricard India	51.3%	48.9%	48.0%
Radico Khaitan	51.6%	48.6%	50.3%
Jagatjit Industries	60.4%	58.5%	49.1%
John Distilleries	38.2%	30.1%	33.5%
Allied Blenders & Distillers	41.0%	37.7%	39.5%
Tilaknagar Industries	51.7%	46.0%	49.5%

Source: Annual Reports, Secondary Research, Technopak Analysis
 Net Sales Margin = (Net Sales-COGS)/Net Sales

b. **EBITDA**

EBITDA is largely used to compare companies against one another. It can also be used to standardize business performance against industry averages. When comparing the profitability of one business to another, EBITDA helps to calculate a business's cash flow. When a company's EBITDA is negative, it has poor cash flow.

Exhibit 128: EBITDA (Value in INR crore)

Company	FY2019		FY2020		FY2021		CAGR FY 2019-21
	EBITDA	Margin	EBITDA	Margin	EBITDA	Margin	
United Spirits	1,392	14.9%	1,569	16.8%	1,051	12.9%	-13.1%
Pernod Ricard India	2,081	24.3%	2,073	22.9%	1,560	19.4%	-13.4%
Radico Khaitan	350	16.7%	323	13.3%	409	16.9%	8.0%
Jagatjit Industries	-42	-18.5%	-66	-29.9%	11	2.8%	n.a.
John Distilleries	100	11.1%	52	5.5%	89	10.6%	-5.6%
Allied Blenders & Distillers	269	8.8%	233	7.8%	194	8.3%	-15.2%
Tilaknagar Industries	56	8.5%	-52	-8.0%	54	9.9%	-1.8%

Source: Annual Reports, Secondary Research, Technopak Analysis
 n.a. (1) – not applicable due to negative denominator or numerator or both.
 CAGR shown on basis of EBITDA value.

c. **PAT Margin**

PAT margin can be used to assess if a company's management is generating enough profit from its sales and whether operating costs and overhead costs are being contained. PAT margin is under pressure across all players.



Exhibit 129: PAT Margins (Value in Crores and %)

Company	FY2019		FY2020		FY2021	
	PAT	Margin	PAT	Margin	PAT	Margin
United Spirits	684	7.3%	621	6.7%	362	4.5%
Pernod Ricard India	1304	15.2%	1612	17.8%	1070	13.3%
Radico Khaitan	188	9.0%	228	9.4%	271	11.2%
Jagatjit Industries	-65	-28.9%	-49	-22.1%	2	0.5%
John Distilleries	15	1.7%	9	1.0%	44	5.2%
Allied Blenders & Distillers	15	0.5%	13	0.4%	3	0.1%
Tilaknagar Industries	-160	-24.1%	270	41.3%	-38	-7.0%

Source: Annual Reports, Secondary Research, Technopak Analysis
 PAT Margin = PAT/Net Revenue

5) Key Financial Ratios

a. Return on Equity

Return on equity is a function of profit after tax and shareholder's equity. A sustainable and increasing ROE over time can mean a company is good at generating shareholder value

Exhibit 130: Return on Equity

Return on Equity	FY2019	FY2020	FY2021
United Spirits	22.1%	16.8%	8.9%
Pernod Ricard India	48.8%	46.1%	32.5%
Radico Khaitan	14.1%	14.7%	15.1%
Jagatjit Industries	-70.1%	-108.3%	4.2%
John Distilleries	6.6%	3.8%	17.0%
Allied Blenders & Distillers	5.2%	3.4%	0.7%
Tilaknagar Industries	n.a(1)	n.a(1)	n.a(1)

Source: Annual Reports, Secondary Research, Technopak Analysis
 ROE = PAT/Shareholder's Equity; n.a. (1) – not applicable due to negative Equity

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. ROCE is a better gauge for the performance or profitability of the company over long periods.



Exhibit 131: Return on capital employed

Return on Capital Employed	FY2019	FY2020	FY2021
United Spirits	31.9%	35.6%	17.3%
Pernod Ricard India	77.5%	64.3%	44.6%
Radico Khaitan	21.8%	18.6%	19.8%
Jagatjit Industries	1.7%	0.2%	10.3%
John Distilleries	23.6%	9.6%	21.0%
Allied Blenders & Distillers	37.8%	27.7%	25.2%
Tilaknagar Industries	-17.4%	55.2%	5.2%

Source: Annual Reports, Secondary Research, Technopak Analysis
 $ROCE = EBIT / (Total Assets - Current Liabilities)$

c. Working Capital Days

Days working capital describes how many days it takes for a company to convert its working capital into revenue. The more days a company has of working capital, the more time it takes to convert that working capital into sales. The higher the days working capital number the less efficient a company.

Exhibit 132: Working capital days

Working capital days	FY2019	FY2020	FY2021
United Spirits	73	82	76
Pernod Ricard India	0	8	14
Radico Khaitan	62	62	66
Jagatjit Industries	-47	-61	-22
John Distilleries	140	141	142
Allied Blenders & Distillers	39	33	46
Tilaknagar Industries	-502	-144	-244

Source: Annual Reports, Secondary Research, Technopak Analysis
 $Working\ Capital\ Days = Inventory\ Days + Days\ Payable - Days\ Receivables$

d. Net Debt by Equity

The debt-to-equity ratio is a financial leverage ratio, which is frequently calculated and analysed, that compares a company's total liabilities to its shareholder equity.



Exhibit 133: Net debt by Equity

Net Debt by Equity	FY2019	FY2020	FY2021
United Spirits	0.9	0.6	0.2
Pernod Ricard India	-0.1	-0.2	-0.3
Radico Khaitan	0.2	0.3	0.1
Jagatjit Industries	2.2	4.4	4.1
John Distilleries	1.2	1.0	0.7
Allied Blenders & Distillers	4.5	2.5	2.4
Tilaknagar Industries	-2.7	-28.9	-8.4

Source: primary Research, company website, Technopak Analysis

e. Net Debt by EBIDTA

The net debt-to-EBITDA ratio is a measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. The net debt-to-EBITDA ratio is a debt ratio that shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant. However, if a company has more cash than debt, the ratio can be negative.

Exhibit 134: Net Debt by EBIDTA

Net Debt by EBIDTA	FY2019	FY2020	FY2021
United Spirits	1.9	1.4	0.8
Pernod Ricard India	-0.2	-0.3	-0.6
Radico Khaitan	0.9	1.1	0.4
Jagatjit Industries	-5.5	-5.3	18.0
John Distilleries	2.7	4.5	2.1
Allied Blenders & Distillers	4.6	4.1	4.7
Tilaknagar Industries	13.6	1.2	8.7

Source: Annual Reports, Technopak Analysis.



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