

THE WORLD OF LIQUOR SPIRITZ

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Visits to Nirvana and Ca...pari

Rajeev Samant on Sula's new frontiers

Moët's love affair with celebrations

Introducing: Mentor's Musings
& Booze Abroad

EXCISE POLICY

Goa
Punjab
Haryana
Rajasthan
Chandigarh
Maharashtra
Himachal Pradesh

Excise

Steamrolls

industry... again



Consumer the King? Forget it...

This is the time of the year when you plan your investments and make last-ditch efforts to save on some tax. Guess what, create an additional column in your expense list as that refreshing drink which you enjoy after a hard day at work will have some of its fizz missing from now on. The states are out with their excise policies and in an act of concert, liquor prices have zoomed to newer heights. While we sincerely hope this doesn't give a further fillip to liquor malpractices, the onus lies on the state governments not to treat the liquor sector as a milch cow as the consumer concern needs to be of paramount importance.

The figures are mind boggling when it comes to the Indian spirits industry. It is today pegged at around 240 million cases, generating sale value to the tune of approximately Rs 40,000 crore per year. The excise undoubtedly is the biggest revenue earner for the state governments but, sadly, the spirits industry does not command respect in the eyes of policy makers and executors. The governments love to squeeze as much as possible from the liquor makers and sellers but shy away from granting any relief in terms of taxes and duties.

The consumer is certainly not the king – at least in the eyes of excise departments. Kings are busy making money in elusive garbs.

According to the new excise policies declared till now, liquor is going to cost more in UP, Punjab and Maharashtra. The Uttar Pradesh government has decided to hike the rate of India-Made Foreign Liquor (IMFL) by around 20 per cent. In the IMFL category the hike would range between Rs 17 and Rs 67. The prices of beer would go up between Rs 5 and Rs 8 per bottle (650 ml) depending upon the strength.

In the IMFL category, the licence fee has gone up by 5 per cent in UP. The new policy, unfortunately, will hardly change the ground situation in the most populous state, which is fiercely monopolized, scaring some companies away. They have decided not to do business in Uttar Pradesh at all till the monopolistic policy continues.

The land of Patiala peg is also not behind. Both, country liquor

and IMFL, will cost substantially more in Punjab under the new excise policy for 2011-2012. The license fee on country liquor and IMFL has been increased by Rs 10 per bottle.

But it is Maharashtra that has given the biggest blow to the industry and the consumers. The soon-to-be unveiled retail price hike will be one of the biggest anywhere in the country in recent history. A combination of excise duty increase in maximum retail price, basic duty hike on proof litre, and a rejig of the value added tax collection will lead to a massive price spike within a week.

As per the new policy, beer and hard liquor will cost 40-60 per cent more in Mumbai and the rest of Maharashtra. Most popular beers like Kingfisher Premium will cost Rs 100 per bottle, while Scotch whisky brands like Johnnie Walker Black Label and Chivas Regal 12 Years-Old will hit a new high at over Rs 4,300 a quart (750 ml), costlier by almost Rs 900.

The price rise will be over 60 per cent for popular or regular priced brands. A nip (180 ml pack) of Bagpiper and Officer's Choice whisky will move up from Rs 65 to Rs 105, McDowell's No. 1 whisky is expected to see an at least 50 per cent hike with nips moving up from Rs 100 to Rs 150. A quart of Royal Stag whisky will jump from Rs 425 to Rs 615, while Blender's Pride will soar from Rs 650 to Rs 870.

Vijay Rekhi, President & MD of United Spirits Ltd, was quoted saying, "This is one of the biggest price hikes I have seen in my career." USL's Signature whisky

Custom Duty

When excise is fleeing the importers, can Customs be left behind?

As per rules, imported spirits and wines can be kept in the branded godown for a year. But Customs starts charging an interest to the tune of 15 per cent of the custom duty after just three months. "No importer, except those who bring fast moving stuff like Johnny Walker and few other brands, can sell his entire stock within three months period," explained an importer.

This charging of interest is in clear violation of the circular of the Ministry of Finance (10/2006-Customs) which has clearly spelt that duty cannot be charged "on the goods imported under OGL and warehoused for subsequent clearances against valid advance licences/import-export Pass Book Scheme or any similar scheme".

But this waiver of interest on custom duty is being flouted with impunity to fleece the importers.

swill vault from Rs 650 to well over Rs 850 per quart.

At retail, Smirnoff Vodka will now be at Rs 812 compared to Rs 650 at present. Absolut Vodka will zoom from Rs 1,500 to Rs 1,900 per quart.

Deepak Roy, vice chairman and CEO of Allied Blenders & Distillers told the media that the excise hikes will adversely impact volume sales and prompt cross border trafficking of liquor, which

is significantly cheaper in the neighbouring states.

Unfavourable Policies

In fact, every new excise policy makes it more difficult for the industry to survive. The tax burdens are increased every year and "Inspector Raj" continues to

policy which is being dubbed as "tilted" in favour of some big players.

For example, L1 A license fee in Punjab is pegged at Rs 20 lakh for up to 1 lakh cases and it is Rs 50 lakh for above 1 lakh cases. Industry watchers allege that this policy is a death knell for the medium size

the big players.

The Punjab Excise officials, however, justify L1 A license scheme on the ground that this will check the problem of counterfeit liquor coming in the state from neighbouring states. The industry experts have serious doubts about it.



arm twist people connected with the industry. The policies for this year announced by some state governments so far bring no joy to the industry. There is a hue and cry about Punjab government's

players – be it manufacturers or importers – simply because they can in no case sell one lakh cases. Hence, these players will keep out of lucrative Punjab market, giving a complete and total walkover to

No Level-playing Field

The hefty duties alone will not be able to check the most serious problem of cross border smuggling – that is prevalent at a mega scale in the larger part of the country.

The total consumption of liquor in Punjab is very high that if you calculate it on per capita basis. So much so, even a four-year-old seems to be drinking alcohol. Similarly, the consumption of liquor in Gurgaon is whopping seven times of the liquor consumed in Delhi. There must be something seriously wrong; either with these figures or the distribution of liquor. Gurgaon, which is just one tenth of Delhi's population, can no way drink seven times of Delhi's consumption. It does not need an expert to deduce that loads and loads of liquor must be being pushed into Delhi and other neighbouring markets.

The solution lies in bringing parity in excise duties by the states and unless this is done, such illegal activities will carry on unabated. "It is these governments that force liquor sellers to turn unscrupulous because unreasonably high duty structures hardly leave sustainable margins," cried one vendor in Gurgaon.

Importers Worst Hit

Haryana has no excise duty, but only Vat, while Delhi charges 20 per cent excise duty plus VAT. In Haryana, there are no label registration charges on wine, but Delhi charges Rs 20,000 per label. The importers of wines are worst hit by Delhi's unreasonable duties, because unlike brown and white spirits, wines sell in small volumes. The importer pays 160 per cent custom duty and then pays label registration charge, excise duty and VAT. "This simply makes BIO wines out of reach for the common people. A bottle of



According to the new excise policies declared till now, liquor is going to cost more in UP, Punjab and Maharashtra. The UP government has decided to hike the rate of IMFL by around 20 per cent. Maharashtra has given the biggest blow to the industry and the consumers. – beer and hard liquor will cost 40-60 per cent more in Maharashtra

wine that costs about Rs 100 in the country of its origin cannot be sold for less than Rs 1,000 in the Indian

market, thanks to these duties and overheads," said one BIO wine importer.

Delhi's neighbouring cities and states such as Chandigarh, Punjab and Himanchal Pradesh levy only 12.5 per cent excise duty while Punjab has no label registration charges for wines at all.

Several representations have been made to the respective state governments to rationalize duty structures for spirits and wines but nothing has been done so far. The mandatory requirement of getting brand a particular brand registered every year surely goes beyond comprehension. In US and other European countries, the brand is registered only once. "It is like getting a birth certificate for a new born. It is required just once in a lifetime. But in India, brand registration every year is nothing but an excuse to make extra money," lamented another importer. Sadly, there is no one to listen to such logic.

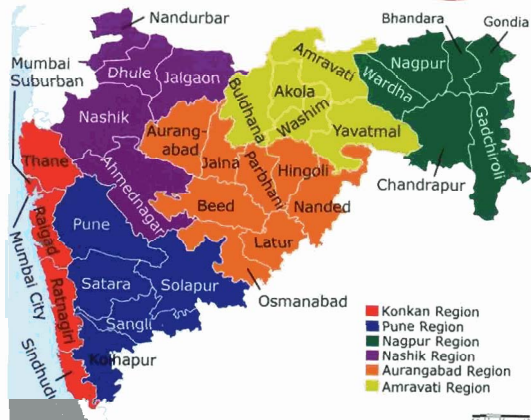
It is interesting that on one hand, Government of India's Ministry of Food Processing is trying every bit to encourage wine drinking in this whisky-obsessed nation, on the other hand excise duties are out to kill good wines coming into India.

There seems to be no common strategy and there is no hope for such possibility too because excise has its own objectives to achieve and it is absolutely unconcerned about societal impact of some of its policies.

How long will it go like this? We have no answer. Till then, the companies will keep getting fleeced and consumers forced to pay more for their favourite booze. 🍷

Maharashtra

1. The Excise duty on IMFL has been raised from Rs 180 per Proof Litre (PL) to Rs 240 per PL.
2. Sales Tax on liquor has been increased from 25 per cent to 30 per cent.
3. Due to increase in material costs and excise duties, all brands are set to become costlier by 15-20 per cent.
4. Prices of bottles have risen by 17 per cent in last one year while molasses has gone up by 10 per cent, thus affecting the prices for the end consumer.
5. The rise in excise duties in Maharashtra will impact other neighbouring states too.
6. The price of mild beer is expected to rise by 20 per cent while strong beer will witness a rise of 13-15 per cent.
7. Maharashtra's share to the Indian IMFL industry is expected to come down below 10 per cent.
8. The biggest hit is expected to be taken by UB Group as the state contributes 7-8 per cent to its final volumes. It has already announced price revision for the current financial year
9. ABD is expected to increase the case price of its flagship brand Officer's Choice by Rs 642, the highest among all states.



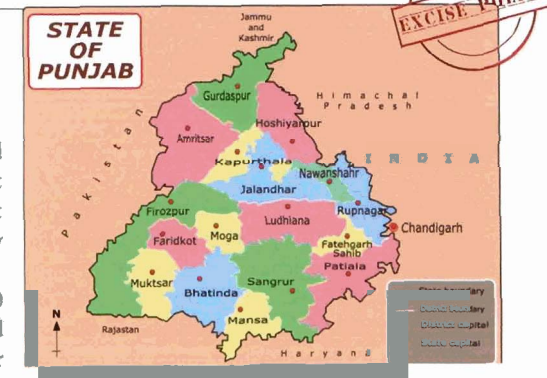
Goa

1. In order to further increase the revenue from excise, the government has revised the excise duty on Indian made foreign liquor (IMFL) and beer, both manufactured in Goa as well as imported ones.
2. For beer whose MRP is less than Rs 50, the excise duty has been increased from Rs 11 per bulk litre to Rs 12 per bulk litre. If the MRP is above Rs 50, then the excise duty will go up from Rs 14 to Rs 15 per bulk litre.
3. For IMFL whose MRP is up to Rs 125 per 750 ml, the excise duty will go up to Rs 40 per bulk litre from Rs 36.50 per bulk litre. If the price is up to Rs 225, the excise duty will be Rs 45 per bulk litre.
4. Similarly, if the MRP is up to Rs 350, the excise duty will be Rs 50 per bulk litre, while for a bottle costing up to Rs 500, the excise duty will be enhanced to Rs 55 per bulk litre. and for MRP of Rs 500 and above it is 155 per bulk litre.
5. The excise duty, however, has been reduced for country liquor manufacturers. As a measure to support the local industry that utilizes rectified spirit or extra-neutral alcohol as base material or for blending, the excise duty will be reduced to Rs 12 from Rs 15 per bulk litre.
6. To protect the local industry, the application fee for import of beer/IMFL/bottled wine/foreign liquor, will increase to Rs 5 from Rs 4 per bulk litre.
7. Even pharmaceutical units will have to pay more for importing alcohol from outside the country or from within the country, as the excise duty will go up to Rs 2 from Rs 1 per bulk litre.



Punjab

1. The excise policy of the state for the year 2011-12 was approved with an increase of Rs 728 crores over the last year. As a result of this, the excise revenues will touch Rs 3,190.49 crores at the end of March 2012, giving an increase of approximately 30 per cent over 2010-11.
2. The licence fee on PML and IMFL has been increased by Rs 10 per bottle. The quota for the current year has been increased approximately by 10 per cent over the last year. For the year 2011-12, the total quota will be 1,290 lakh proof litres, out of which 884 lakh proof litres will be of PML and rest of IMFL. This amounts to approximately 60 lakh cases of IMFL and 1.77 crore cases of PML. The ratio of open/fixd quota of PML will remain at 50:50 as fixed for the year 2010-11.
3. In order to contain the menace of smuggling, it has been decided to introduce security labels from this year. All the PML and IMFL bottles to be sold in the state should be affixed with the intaglio printed security labels with holograms.
4. Similarly, stricter penalties, including revocation of licence, will be imposed on retailers if they sell the liquor below the MRP prescribed by the department.
5. The limit of the additional quota to be given to licensees during the year 2011-12 has also been enhanced by 25 per cent of their basic quota. The license fee on additional quota will be at a concessional levy of Rs 8 per Proof Litre.
6. The procedure for the grant and renewal of the Hard Bars and Beer Bars has been simplified as licenses will now be granted by the Collector-cum-Deputy Excise and Taxation Commissioners, in charge of the divisions with prior approval of the Excise and Taxation Commissioner.
7. It has been decided to abolish wholesale license of denatured spirit namely L-17A license, which was only increasing the retail price of the spirit. However, keeping in view the demand of denatured spirit, new L-17 licenses, which were frozen some years back, would be granted in the district of Ludhiana, Jalandhar and Amritsar (three each) and two each in other districts of the state.
8. As in the previous years, the draw of lots for allotment of vends will be conducted in the presence of applicants, public and the Deputy Commissioners of the districts.
9. To give boost to the sports in the state, out of the application money received for allotment of vends, Rs 25 crores will be given to the sports department for creation and strengthening of sports infrastructure.



Rajasthan

1. The new excise policy would fetch the state government Rs 3,000 crore per annum or Rs 9 crore per day.
2. The government is set to issue fresh licenses through the lottery system in every district and charge hefty premium from the new licensees. The government would also increase its sales target for these shops.
3. The state's income from liquor sale has gone up by 50 per cent in last 3 years.



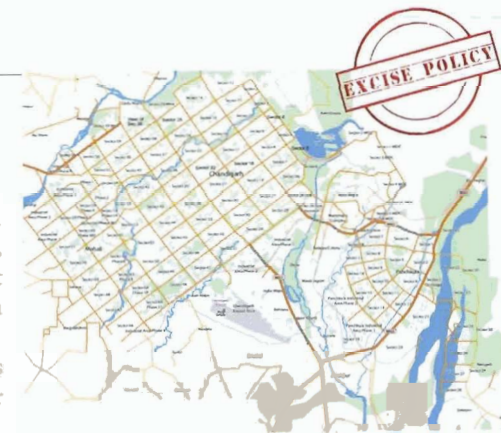
Haryana

- The state government expects to mop up Rs 2,500 crore in this financial year, up from Rs 2,250 crore last year.
- Beer and IMFL will see a marginal increase of Rs 2 per litre while Scotch will be costlier by Rs 12 to Rs 22 depending upon the price of the bottle.
- The price of country liquor would go up by Rs 11 per litre
- The total number of vends will be 3,500, out of which 2,265 will be for country liquor while rest for IMFL.
- The quota of country liquor will be 900 lakh proof litre and of IMFL 500 lakh proof litre, same as last year.
- To give boost to sports in the state, 50 paise from the sale of each bottle will be earmarked for sports infrastructure.
- Pub licenses will be given in the cities of Gurgaon, Panchkula and Faridabad, and all the licensed bars will be permitted to purchase draught beer in kegs from wholesale depot (L-1B1) itself.
- To facilitate greater consumer choice for quality liquor and to regulate distribution of foreign liquor imported from outside the country, a wholesale license in the form of L-1BF for such liquor has been introduced. The licensee will be authorized to import IFL including beer from other countries.
- Another licence to facilitate sale of wine has been introduced which will be given to departmental stores located in shopping malls having minimum carpet area of 500 sq feet.
- In order to avoid smuggling and also to promote healthy drinking habits, the sale of beer has been allowed at country liquor vends only in rural areas
- The allotment of vends, as per the policy, will be done by inviting sealed tenders for all the vends individually and separately. There will be reservation of 10 per cent and 5 per cent for Scheduled Caste and Backward Class (A) categories respectively.
- For the prospective licensees, there would be no increase in the Ex-Distillery Issue Price (EDP) of country liquor and wholesale license of country liquor (L-13) will be granted to retail licensees as in the case of wholesale license of IMFL (L-1).
- To improve transparency and fair play, CCTV cameras will be installed in all the distilleries and breweries and sampling process will be recorded.
- In order to safeguard against spurious and adulterated liquor, the manufacturers of country liquor and IMFL are required to affix a hologram approved by the Department of Excise and Taxation.



Chandigarh

- Adopting the Haryana model, liquor vends in the city will be allotted only through tender-system for the year 2011-12, beginning from May 1, as the Union Territory's policy got delayed by a month this year due to various modalities which needed to be worked out.
- This is expected to bring down cases of smuggling as the rates in Chandigarh shall be somewhat at par with rates of liquor in Haryana.
- The minimum retail price of beer has been enhanced by Rs 5 per bottle of 650 ml and the minimum retail sale price of IMFL by Rs 5 to Rs 20 per bottle and for country liquor the minimum retail sale prices have been increased by Rs 5 to Rs 7 per bottle.
- Also, the registration fee for all types of liquor brands has been enhanced by 33 per cent. There has been no change in the possession limit of liquor for the citizens of the city.
- Under the new policy, the maximum permissible number of liquor vends which is 217 has not been changed.
- The maximum permissible number of retail sale country liquor (L-14A) and foreign liquor (L-2) licences has also been kept unchanged at 65 and 152, respectively.
- Annual quota of country liquor has been kept unchanged at 27 lakh proof litre. The annual quota of IMFL for L-2 licences has been fixed at 2 crore proof litre.
- Annual quota of country liquor and IMFL to be distributed equally amongst the maximum permissible number of retail sale licences of respective type.
- The administration will grant all the retail sale country liquor (L-14A) and foreign liquor (L-2) licences by inviting tenders and the assessment fee for the same has been enhanced by 10 per cent.



Himachal Pradesh

- The state government expects to bag extra excise revenue of Rs 171 crore, which also means net income of Rs 720 crore in the current fiscal.
- The licence fee on country-made liquor has also been boosted from Rs 113 to Rs 120 per PL and on IMFL from Rs 157 to Rs 190.
- This move also signifies that the price rate of country-made liquor will go up by 6 per cent and that of IMFL by 21 per cent.
- The policy aims to achieve a uniform rate of levies on par with the neighbouring states to achieve reasonable price of liquor to discourage smuggling.
- In a step towards making the hill state plastic-free, the government has decided to do away with plastic liquor bottles and promote glass ones.
- To boost tourism in the state, the new policy has reduced the bar licence fees of the hotels and restaurants and extended their bar timings.

