

● **INTERVIEW: VINOD GIRI**, director general, CIABC **‘Recovering lost sales first aim of liquor industry’**

Sales of Indian made foreign liquor (IMFL) declined by 12% year-on-year during FY21 due to the pandemic-induced lockdown and increase in taxes, according to the Confederation of Indian Alcoholic Beverage Companies (CIABC). CIABC director general Vinod Giri speaks to FE's Rajesh Ravi about the industry outlook.

India was one of the fastest-growing markets for liquor until the pandemic and consumption fell 12%. What is your outlook for FY22?

Actually, a lot depends on how the Covid and resultant lockdowns play out. Experience has shown that Covid had limited impact on the demand side, but supply depends on intensity and duration of lockdowns. There are also indications that sales growth in the June quarter has been positive. Unlike last year, many state Governments this year have evolved ways and mechanisms of ensuring some if not full supply of liquor during lockdown. Another factor to consider will be upcoming elec-

tions in important states like Uttar Pradesh, Punjab and Uttarakhand early next year and how the state politics plays out on regulation. In the scenario, the first milestone to achieve for the industry is to recover lost sales.

Some states are talking about home delivery of IMFL.

There is a cost to delivery of liquor at home and unless the pricing structure is rejigged to accommodate it, consumer will end up paying more than the MRP. E-commerce system has evolved around lower consumer prices due to elimination of intermediaries. States permitted home delivery as a crisis response to the shutdown of shops due to pandemic. To keep it going, the Governments need to refine it to a proper e-com model – a product sourcing and supply structure with reasonable in-laid margins for all service providers.

What has been observed about the relation to income given that people are losing



jobs and wages are on the lower side for those employed?

There is sufficient data to establish higher prices lead to lower sales of liquor. People have limited incomes and with price increases they have to rejig their consumption basket by reducing consumption of less affordable products. In our understanding, in such a situation of rising alcohol prices, consumption behaviour undergoes two changes. One, the occasions of consumption are reduced which leads directly to decline in sales, and two, people down-trade to cheaper products,

which following domino effect, leads to rise in sales of cheaper alternatives such as country liquor or to even dangerous alternatives such as spurious liquor or illicit drugs.

There are also some reports suggesting that states which hiked tax may lower it due to a fall in overall revenue?

Data are there for everyone to see – the government that did not impose high Covid taxes have regained sales and tax revenues. The governments which did, continue to struggle in a big way. If they want their tax revenues to come back, they have to do away with excessive taxation.

What is the status of exports during FY21 and the outlook for FY22?

Exports were frozen in the beginning of FY21 due to shutdown of global supply systems. Slowly, things opened up July onwards and thereafter it has generally sustained. Export data for FY21 is still being finalized by the DGFT, but there are indications that

exports of alcoholic beverages have grown by 15-20%. We expect it to sustain at around 20%.

What is the understanding of capacity utilisation of Indian distilleries and do you have any idea about new big-ticket investments in the sector?

There are over 500 distilleries with 950 crore litre of installed capacity. Of these, little over 700 crore litre may be of the potable quality. The demand for the alcobev industry is less than 200 crore litre, so it seems sufficient, at least on the surface. However, the real issue lies in the price and availability of Extra Neutral Alcohol (ENA), the primary ingredient of liquor. Distilleries can produce both ethanol and ENA. Due to blending of ethanol with bio-fuels, the demand for ethanol has been rising. OMCs fix price for ethanol in their tender which obviously affects prices of ENA, both coming from the same source of production. Their offer price has been increasing every year thus pushing up the cost of ENA.