CIABC

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By Credible Media Voices Pvt Ltd (Ph. 98102 53698)

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Supreme Court Constitution bench rules by 8:1 majority: States can regulate industrial alcohol, overturns 1990 judgement

The Supreme Court's nine-judge Constitution bench rules that states can regulate industrial alcohol, overturning a 1990 decision that favoured the Centre.

Krishna Yadav, ***Varuni Khosla***

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A nine-judge Constitution bench of the Supreme Court on Wednesday upheld the authority of state governments to regulate industrial alcohol, clarifying that it falls under the category of “intoxicating liquor”.

In an 8:1 majority ruling, the bench asserted that industrial alcohol, despite not being intended for human consumption, is still considered an intoxicating substance, which states are allowed to tax those under Entry 8 of List II (State List) of the Seventh Schedule of the Constitution. The Seventh Schedule of the Indian Constitution divides powers between the Union and state governments into three lists, which define the areas on which each can regulate and legislate.

In the State List (List II), the term “intoxicating liquors” includes the production, manufacture, possession, transport, purchase, and sale of such substances, allowing states to formulate laws according to local conditions and requirements. The court highlighted a common thread among alcohol, opium, and drugs: Their potential misuse as harmful substances. It ruled that Parliament cannot usurp states' legislative powers regarding intoxicating liquors.

Chief Justice D.Y. Chandrachud, who authored the majority judgement, said "intoxicating" can also be understood as "poisonous", indicating that liquor not traditionally seen as alcohol could still be classified as "intoxicating liquor" under the Constitution.

The lone dissenting voice

While the majority—the CJI and Justices Hrishikesh Roy, A.S. Oka, J.B. Pardiwala, Ujjal Bhuyan, Manoj Misra, S.C. Sharma, and A.G. Masih—supported state powers, Justice B.V. Nagarathna dissented, arguing for parliamentary supremacy in regulating industrial alcohol.

She emphasized the importance of industrial alcohol in the Indian economy, particularly in its use for blending with petrol and manufacturing chemicals.

Justice Nagarathna cautioned that the ruling has significant implications for the federal principle of unity in diversity, and central control could undermine state authority.

The 1990 judgement overturned

With this ruling, the apex court has overruled a 1990 seven-judge bench decision in the Synthetics & Chemicals Ltd vs State of Uttar Pradesh case, which limited state regulation to potable alcohol and placed industrial alcohol under central authority. States like Kerala, Maharashtra, Punjab, and Uttar Pradesh voiced serious concerns about central control, as taxation powers over industrial alcohol are crucial for generating revenue, especially in the post-GST (goods and services tax) era. They also argued that centralizing control could hinder their ability to combat illegal consumption, stressing that they could not afford to remain passive until a tragedy occurred.

The Centre contended that industrial alcohol should be classified as an "industry" under its jurisdiction, based on parliamentary law to protect the public interest. This assertion was rooted in Entry 52 of the Union List of the Seventh Schedule of the Indian Constitution, which allows the Centre to regulate industries deemed to be in the public interest.

Moreover, the Centre claimed that trade, commerce, supply, and distribution of industrial alcohol fell under Entry 33(a) of the Concurrent List. According to experts, the judgement may prompt states to impose higher taxes on industrial alcohol. "After this judgement, states may attempt to impose similar levies on industrial alcohol, leading to new or increased duties, fees, or regulatory charges for industries that rely on it in their manufacturing processes," said SR Patnaik, Partner (Head - Taxation) at Cyril Amarchand Mangaldas. "This could result in a spike in operational costs for businesses across sectors like chemicals, pharmaceuticals, and automotive."

The ruling presents states with a critical revenue stream as GST does not cover alcohol for human consumption, he said. "Consequently, we may see pricing disparities across states, as each government sets its own regulations." Patnaik adds that this escalation may also lead to consumers complaining about rising operational costs, prompting industries to shift to states with comparatively lower levies.

According to experts, this ruling will also affect pending litigations.

"There are pending litigations against notices issued by state governments demanding protective taxes or special fees from the trade. In several cases, the high court has granted stays on such levies based on earlier judgements from the Hon'ble Supreme Court, which held that states do not have the authority to impose these taxes. Therefore, the latest judgment will have significant ramifications for the trade currently involved in this litigation," said Jitendra Motwani, Partner at Economic Laws Practices.

However, industry bodies called the verdict beneficial. "At first glance, ruling by the 9-judge bench of the Supreme Court is very welcome, although one will need to look at the details and what specific aspects of Synthetics have been overruled by today's ruling," said Suresh Menon, secretary-general, ISWAI, a spirits association that represents the interests of international brands in India. "Given that all distilled alcohol is initially un-denatured, and hence capable of human consumption notwithstanding its strength, entrusting the states with the power to regulate the production and manufacture, until such time as it certifiably becomes incapable of human consumption through a process of denaturing, is welcome."

Anant S. Iyer, director general of Delhi-based spirits advocacy Confederation of Indian Alcoholic Beverage Companies (CIABC), said, "Prima facie this could be beneficial for the industry. While we have to wait for our lawyers to decipher the detailed judgment, we understand that now alcohol production and its regulatory controls is within the purview of the state, and not the centre. This decision means that the IMFL industry for which ENA is the base ingredient is now not sitting between two stools in so far as taxation matters vide ENA are concerned."

THE HINDU BusinessLine

https://www.thehindubusinessline.com/economy/indian-alcobev-sector-set-for-8-10-revenue-growth-in-fy25-festive-period-peak-season-to-drive-sales/article68775376.ece

Indian alcobev sector set for 8-10% revenue growth in FY25; festive period peak season to drive sales

Updated - October 20, 2024 at 04:27 PM.

According to ICRA, the spirits industry reported a 9 per cent YoY increase in revenues during Q1FY25 while the beer industry witnessed a revenue growth of 12 per cent

BY SANJANA B

Major Indian alcoholic beverages companies are likely to report revenue expansion of 8-10% in FY2025, led by steady demand for beer and increasing consumer preference for premium products, data indicates. With good monsoons, macroeconomic stability, and festive season this quarter, the alcobev sector is poised to show growth compared to the first six months and last year.

According to ICRA, during Q1FY25, the spirits industry reported around a 9 per cent YoY increase in revenues, supported by a 5-7 per cent improvement in realisations, while volumes grew by 2-4 per cent. The beer industry witnessed a higher revenue growth of 12 per cent in Q1FY25 owing to 3-5 per cent increase in volumes and around 7-9 per cent in realisations.

Its sample set of alcobev companies include Associated Alcohols & Breweries Limited (AABL), GM Breweries Limited, Mohan Meakin, Radico Khaitan, Som Distilleries & Breweries, Tilaknagar Industries, United Breweries Limited and United Spirits Limited.

Kinjal Shah, Senior Vice President and Co-Group Head – Corporate Ratings, ICRA, said, "the alcobev industry volume growth might improve to 5-6 per cent in FY2025 from around 4 per cent in FY2024. Spirits consumption had contracted by around 3 per cent YoY in FY2024 due to the rise in prices due to substantially higher taxes levied by some state governments, inflation, and increasing consumer preference towards premium products, which had impacted volumes to a certain extent. ICRA expects spirits volumes to grow at a moderate pace of 2-4 per cent in FY2025 supported by a limited increase in taxes anticipated for the year. Beer witnessed higher consumption growth than spirits in FY2024 with a YoY growth of around 8 per cent. This was supported by stable demand and higher increases in taxes on spirits in some states. ICRA expects moderate growth of 5-7 per cent for beer volumes in FY2025, on a high base".

According to the International Spirits and Wines Association of India (ISWAI), the Indian alcohol beverage sector is valued at $52.4 billion. In FY21, it accounted for nearly 2 per cent of the nation's GDP.

The sector is a critical economic driver, with an estimated domestic volume of 390 million cases of branded spirits and an excise revenue contribution of ₹3.4 lakh crores. From 2019 to 2023, while the total spirits industry grew at a CAGR of 2.6 per cent, the premium segment witnessed double-digit expansion, with the share of premium spirits rising from 42 per cent to 49 per cent.

The Indian Alcobev industry, directly and indirectly, employs over 7.9 million individuals, said ISWAI, whose members include Bacardi, Brown Forman, Campari Group, Diageo-United Spirits, John Distilleries, Moet Hennessy, Pernod Ricard, Suntory Global, and William Grant & Sons.

Sanjit Padhi, CEO of ISWAI, said, "The recent policy change in Andhra Pradesh, allowing private retail players to operate, marks a significant development in the industry's growth. This shift will expand brand choices to the consumer, offering both domestic and international quality alcoholic beverages. Additionally, the digitisation of payments will also ensure transparent revenue flow to the government."

He added that the alcobev industry plays a major role in the F&B sector with on-premise sales of alcoholic beverages through hotels, restaurants, bars, clubs, and other such establishments comprising a large share of the revenue generation for the industry. For restaurants alone, about 14 per cent to 19 per cent of the total revenues come from alcoholic beverages. Approximately 23-28 per cent of individuals employed in the organised F&B industry are from the Alcobev industry.

"The economic impact of alcohol-included tourism encompasses direct, indirect, and induced spending by tourists. The induced effect arises from the income generated by locals, including wages, salaries, profit, rent, and interest, which are linked to tourism. While direct alcohol tourism is still in its early stages and has the potential to boost local GDP by up to 20 per cent, certain states like Maharashtra, Karnataka, and Goa, have been able to leverage the industry for tourist influx," Padhi explained.

Alongside, the upcoming festive season will only contribute to this growth. ***Anant S Iyer, Director General of Confederation of Indian Alcoholic Beverage Companies (CIABC),*** said, "Typically, companies tend to have special festive packaging on offer during the festive period commencing from Diwali to New Year. This is the peak season for alcobev products. At the retail level, companies may take up special visibility drives within the ambit of excise guidelines on permitting the same. It differs from state to state."

He said that across the board, for all stakeholders -- state excise/ companies/ wholesalers/ retailers/ F&B outlets with bar licences - this is the peak three months to maximise sales and revenue. Alongside, companies tend to plan new launches and relaunches during this period with special or limited editions, especially in the higher price offerings across wines/spirits.

"One trend is the development of Premium Outlets which gives the consumer a look and feel of duty-free shopping at airports. These self-service and walk-through outlets are already in metros/key tier-I towns in states such as Haryana, Punjab, Karnataka, Maharashtra, Telangana, Odisha, Uttar Pradesh, West Bengal, Goa, Chandigarh. Another key trend is the offerings in the premium and above categories in wines and spirits from domestically owned Indian companies. Prices of such offerings range from ₹1,500 to ₹15,000 per bottle," Iyer said.

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https://www.outlookbusiness.com/economy-and-policy/expecting-15-20-per-cent-exports-growth-in-alcoholic-beverages-this-year-official

Expecting 15-20 Per cent Exports Growth in Alcoholic Beverages This Year: Official

Commerce Secretary Sunil Barthwal said that India is promoting exports of value-added products in food as well as marine sectors.

PTI; *Updated on: 16 October 2024 5:42 pm*

India's alcoholic beverages exports are growing in double digits and this year are expected to log about 15-20 per cent rise, a senior government official said on Wednesday.

Additional Secretary in the Department of Commerce Rajesh Agrawal said that it is a USD 135 billion market across the world and India is just at USD 350 million.

"So there is a lot of scope and headroom available for India to grow in this sector. In this sector, we are clocking double digit growth year after year. Last year we did 20 per cent and this year also we are hopeful to have a growth of around 15-20 per cent," he told reporters here. He added that the Indian industry is now gearing up to the global demand.

Commerce Secretary Sunil Barthwal said that India is promoting exports of value-added products in food as well as marine sectors. The country is looking at USD 1 billion worth of these exports in the coming years. In 2023-24, the exports stood at USD 389 million.

The commerce ministry's arm APEDA (Agricultural & Processed Food Products Export Development Authority) has earlier said that India currently ranks 40th in the world for alcoholic beverage exports. The major export destinations include UAE, Singapore, Netherlands, Tanzania, Angola, Kenya and Rwanda.

Confederation of Indian Alcoholic Beverage Companies (CIABC) Director General Anant S Iyer has recently stated that support from the Centre and state governments will help the country to achieve USD 1 billion target.

Vinod Giri, Director General, the Brewers Association of India has also said that huge potential is there in the different countries for Indian products.

Giri has suggested the government to urge states to include the element of export promotion in state excise policies.

The government is taking steps to promote these exports by encouraging the industry to participate in global fairs and seeking greater market access in other markets.

https://economictimes.indiatimes.com/industry/cons-products/liquor/expecting-15-20-pc-exports-growth-in-alcoholic-beverages-this-yr-official/articleshow/114283707.cms?from=mdr

Expecting 15-20 pc exports growth in alcoholic beverages this yr: Official

PTI • Last Updated: Oct 16, 2024, 04:40:00 PM IST

Synopsis

India's alcoholic beverages exports are growing rapidly. This year, growth is expected to be 15-20 per cent. The market is valued at USD 135 billion globally, with India's share at USD 350 million. Major export destinations include UAE, Singapore, and Kenya. The government is promoting these exports through participation in global fairs and market access initiatives.

Representative image

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Expecting 15-20 pc exports growth in alcoholic beverages this yr: Official

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PTI
Updated On Oct 16, 2024 at 05:21 PM IST

Representative image

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