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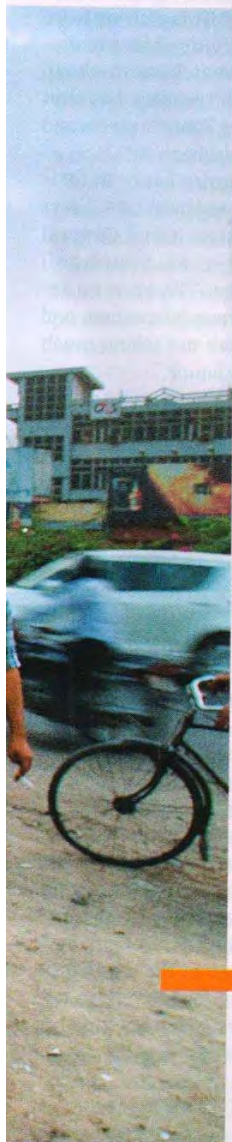
The Country Cousin Turns Hip

The growing country liquor industry is polishing its image.

By SUNNY SEN



PHOTOGRAPHS BY SHEKHAR GHOSH



Hooch has long been a recurring motif in Bollywood films such as *Tezaab*, which starred Anil Kapoor, and Amitabh Bachchan starrer *Amar Akbar Anthony*. The association of liquor with the bad guys is so powerful that some three decades ago, a liquor trader in Jamsheedpur, formerly in Bihar, could not convince his grandmother that he was in a legitimate business. Explaining that he had a government licence had no effect on the elderly lady's conviction that her grandson's enterprise resembled the mafia operations in the movies.

The grandmother may have a point – tax raids on Uttar Pradesh liquor baron Gurdeep Singh 'Ponty' Chadha made headlines recently – but Indian-Made Indian Liquor (IMIL, also known as 'country liquor') is a legitimate industry that is impossible to ignore. Revenues were ₹24,000 crore in 2011/12. IMIL accounts for some 42 per cent of an estimated 450 million cases sold in 2011/12, which does not include beer and wines. A case usually contains 12 to 42 bottles, depending on size.

As IMIL drinkers, like customers of other consumer products across India, get more prosperous, makers of 'country liquor', such as Globus Spirits, Radico Khaitan, Chandigarh Distilleries and GM Breweries, are slowly moving up the ladder, upgrading their technology even though a bottle typically sells for under ₹200.

"The IMIL business, unlike any other fast-moving consumer goods business, is state-centric," says Shekhar Swarup, Executive Director of Globus Spirits. "You need to have a brewery in the state where you want to sell, unlike foreign liquor." Swarup, 26, joined Globus – the family business – just three years ago, after getting his MBA from the University of Bradford in the UK. But he knows the

"We looked at Pepsi and Coke, and took packaging cues"

Shekhar Swarup, Executive Director, Globus Spirits



400 mn litres of Indian-Made Indian Liquor were produced in 2011/12

IMIL accounts for **35%** of the country's liquor trade

There are about **100** IMIL distilleries in India

The IMIL market is growing by **8%** a year

5 states have banned IMIL, which is being replaced with Indian-Made Foreign Liquor

business like the back of his hand. His company has IMIL businesses in Haryana, Rajasthan and Delhi.

Indian-Made Foreign Liquor (IMFL) – whisky, vodka and other spirits that do not have Indian heritage – account for another 35 per cent of liquor consumption. The remaining 30 per cent is beer and wine. An alcoholic beverage that does not qualify as IMFL is 'country liquor'. Today most IMFL is made from grain, but earlier, it was processed from molasses, a by-product of sugar. Country liquor is still made from molasses.

In 1993, Swarup's father started his IMIL business with a distillery in Panipat which can now process 45,000 litres of molasses a day. The company's Nimboo brand, launched more than a year ago, is today the market leader in Haryana.

Swarup took the FMCG approach. Rather than giving retailers discounts on bottles, he spent on brand-building and visibility campaigns. "We looked at Pepsi and Coke, and took packaging cues," says Swarup, who uses high-grade PET bottles instead of glass. Globus Spirits expects to make ₹260 crore this year from IMIL.

Radico Khaitan, which sells some three million cases in UP alone, makes its own PET bottles. "We use virgin quality resin," says K.P. Singh, Director - Operations. "The perception of country liquor should change." A Radico Khaitan executive points out that country liquor accounts for only around five per cent of his company's business.

While packaging can help alter perceptions of



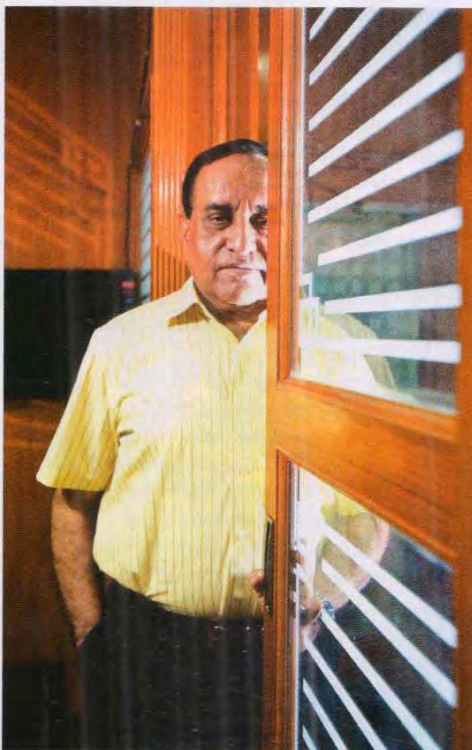
country liquor, processes are also being altered to make it safer. Instead of traditional rectified spirit, larger distilleries now use extra neutral alcohol, or ENA, which goes through a superior level of distillation and is purer.

Even so, there is a cloud on the horizon. While country liquor sales are growing at an average of eight per cent a year, IMFL is growing twice as fast. Many country liquor manufacturers are switching to cheap IMFL. Simbhaoli Distillery has shut down its country liquor business and moved to cheap IMFL.

"Country liquor in UP is as good as cheap IMFL," says R.K. Singh, Chief General Manager at Simbhaoli Distillery. "There is an income group bifurcation, and people are not taking much country liquor."

States such as Andhra Pradesh, Karnataka, Kerala and Tamil Nadu have banned IMIL. "This has reduced the illicit trade," says V.N. Raina, Director General of the All India Distillers' Association. In the last three to four years, the illicit liquor trade has declined by about 30 percentage points, he says. Industry experts say that in states with up to 25 IMIL distillers, the industry may consolidate down to three or four big players.

It is likely that companies such as Globus and Radico Khaitan will keep growing. The Jamshedpur trader's grandmother is no longer alive, but at the bar that he has run for more than two decades, sales are growing steadily. ♦



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V.N. Raina, Director General, All-India Distillers' Association

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