



Dissertation Report

On

Retail Chain of Liquor Industry

Under the guidance of

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Declaration

TO WHOMSOEVER IT MAY CONCERN

This is to certify that the dissertation report on **“RETAIL CHAIN OF LIQUOR INDUSTRY”** completed and submitted to University of Petroleum and Energy Studies, Dehradun by **(MANIK TYAGI)** in partial fulfillment of the provisions and requirements for the award of degree of **MASTER OF BUSINESS ADMINISTRATION (LOGISTICS AND SUPPLY CHAIN MANAGEMENT), 2013-2015** is a bonafide work carried by the scholar under my supervision and guidance.

To the best of my knowledge and belief the work has been based on investigation made, data collected and analyzed by the scholar, and this work has not been submitted anywhere else for any other university or institution for the award of any degree/diploma.

Prof. R.K. Mandan
(UPES, Dehradun)

Dated.....

Acknowledgement

I would like to take this opportunity to express my great regards to **University of Petroleum and Energy Studies, Dehradun** for giving me this magnificent opportunity in learning various range of things which would be helping me throughout my career.

I owe my heartfelt gratitude to my guide **Prof. R.K. Mandan** for his exemplary guidance, monitoring and constant encouragement throughout the course of this project. The blessing, help and guidance given by them time to time shall carry me a long way in the journey of life on which I am about to embark.

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Executive Summary

Like the tobacco industry, the alcohol industry produces a legal, widely consumed drug; is influenced by relatively few producers; and utilizes a powerful combination of advertising, political collections, and strategy to create and maintain an environment favorable to its economic and political interests. Alcohol have been playing an increasingly important role in India's emerging economy, as the number of consumers of spirits and imported alcoholic brands is growing rapidly.

Alcohol consumption is decreasing in the developed countries but is increasing quite well in developing countries, including India. Although India's consumption of alcohol is still low compared to the rest of the world. The alcohol market has a very unique type of elasticity, the uniqueness lies in a way like if prices shoot up, then the demand doesn't reduce but the consumers shift to different cheaper product which ultimately neglect the fact of hike in prices. This study will cover all the challenges that the retailers face in the industry, what is the role of the government and their policies for backing up the industry.

Increasing disposable incomes is letting the people in the growth of alcohol consumption. It was estimated that in 2014 Indian alcohol industry would cross \$39 billion. Alcohol is also a state subject, and sometimes state policies aim directly to earn revenue from alcohol products. Most of the states in India like Tamil Nadu, Karnataka, Uttar Pradesh, etc. derive one-fifth of revenue from liquor taxation. This is the second largest source of income for the states after sales taxation.

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Chapter 1: Introduction

Like the tobacco industry, the alcohol industry produces a legal, widely consumed drug; is influenced by relatively few producers; and utilizes a powerful combination of advertising, political connections, and strategy to create and maintain an environment favorable to its economic and political interests. It requires the attraction of youth drinkers to maintain and build its customer base. It distances itself as far as possible from research findings that show alcohol is an addictive, albeit legal, drug that has harmful effects on mental, physical and community health.

The industry shows considerable information that reflects favorably upon its economic and social roles. The industry is highly visible as a producer, advertiser and many more. It has been barely visible as a powerful political complex with major policy and cultural influences on how we think about and manage alcohol problems.

The alcohol industry has effectively shaped the public image to always focus on the consumer and not on the sellers, producers and promoters of the product. As a chemical it creates problems for our bodies, it is a very powerful thing which results in more premature deaths and illnesses than all other type of drugs combined. Yet the industry has been shaping opinion of the people and forced the government so that they treat it not as a drug but something other, a legal commodity, more or less like a food. While always acting as a business it has obscured that role with constant information portraying it as a concerned citizen interested solely in the pleasure and safety of its customers. To encourage a more thoughtful debate and understanding of this industry, this examines its:

- ❖ Structure and diversity
- ❖ Production and distribution systems
- ❖ Marketing and promotion strategies
- ❖ Lobbying tactics and efforts to defeat regulation and restriction on its operation

1.1 Indian Liquor Industry

The Indian alcohol industry is the fastest known growing industry in the whole world and is on the 3rd position in comparison to the other countries.

The Indian alcohol industry produces a large amount of revenue for the government and has been estimated collection of excise and sales tax approximately of US\$5 billion per year of India. The major of which is received by the state government, from which some of the states' account for 10% of their total revenues from the alcohol industry. Other than the creation of revenues for the government, this industry is thought to create an approximately major amount in "black money" in the form of bribes, protection payments, and profits from illicit alcohol.

Government regulations have had a major impact on the Indian liquor industry but the structural complexities and other regulations related to licensing system, creation or expansion of brewing/distilling and bottling capacities, manufacturing and distribution and even on advertising. Other than that, every state has different regulation and tax rate apart from the above mentioned restrictions.

This industry have limited pricing flexibility because of high level of taxes and on the fact that companies have little control over the distribution system. Which ultimately, forces players to earn low profit margins. These players have entered into contract manufacturing and bottling agreements with local players of different states.

Alcohol have been playing an increasingly important role in India's emerging economy, as the number of consumers of spirits and imported alcoholic brands is growing rapidly. India is the controlling producer of alcohol (65%) in South East Asia region and contributes to about 7% of total alcohol beverage imports into the region. On an average it is seen that there is around 10% – 15% growth in this business year by year. The southern part of the country have a major contribution towards the growth.

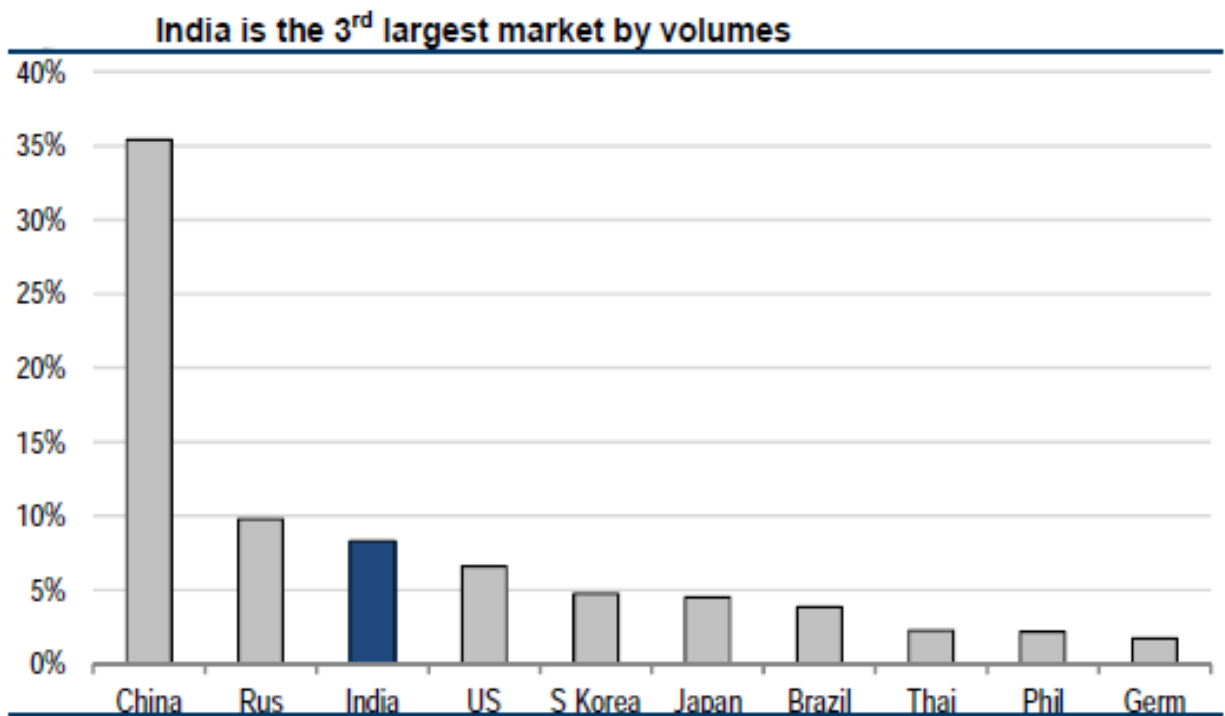
The per capita consumption of alcohol has gone up by 106.7% in India over the 15 years period from 1970-1996 making the country one of the key markets for the global spirits industry. This industry includes the producers of distilled spirits, beer, and wine, network of distributors, wholesalers, and even hotels, restaurants, bars, and advertisers. It is a legal product but there is a minimum legal drinking age limit that varies from state to state (from 18 -25 years).

According to a report by "**Health Promotion Unit - Public Health Foundation of India (PHFI)**":

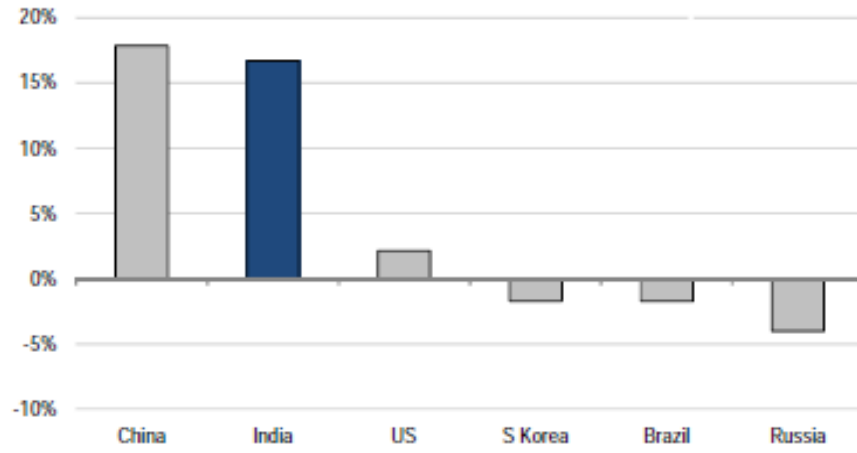
Alcohol consumption is decreasing in the developed countries but is increasing quite well in developing countries, including India. Although India's consumption of alcohol is still low compared to the rest of the world.

It was found that around **32% of Indians consume alcohol**, of which **4-13% were found to be daily consumers**. Around **30-35% of adult men** and **5% of adult women** consume alcohol on average. The average age of consumption of alcohol use was reduced from 28 years during the 1980s to 17 years in 2007.

According to the NFHS-3 (2005-06) data, **27% of men** and **0.5% of women** who are wealthy drink alcohol, while **41% of men and 6.2% of women** with lowest wealth index drink alcohol. If we talk about Urban and rural population, among which men consume alcohol almost equally (**30.9% and 32.5% respectively**). But among females the ratio is **0.6% and 3.0%**. Liquor usage is more in areas where the education is lacking, **42.8% men and 4.3% women** with no education v/s **24.8% men and 0.6% of women** with highest level education.



Source: IWSR 2010 (size by volume)



Source: IWSR 2005-2010 CAGR (growth by volume)

As shown above India is one of the fastest growing market after China. India is the 3rd biggest spirits market in the whole World by volume, after China and Russia - larger than both the United States and South Korea. It has been found that it is also one of the fastest growing over the last decade (+12% CAGR since 2001) and growth has even accelerated over the last five years.

Only China has shown improvement since 2005 (+18% CAGR) with both markets growing at three times the rate of the global spirits market (+5%) over the same period.

1.1.1 Types of market

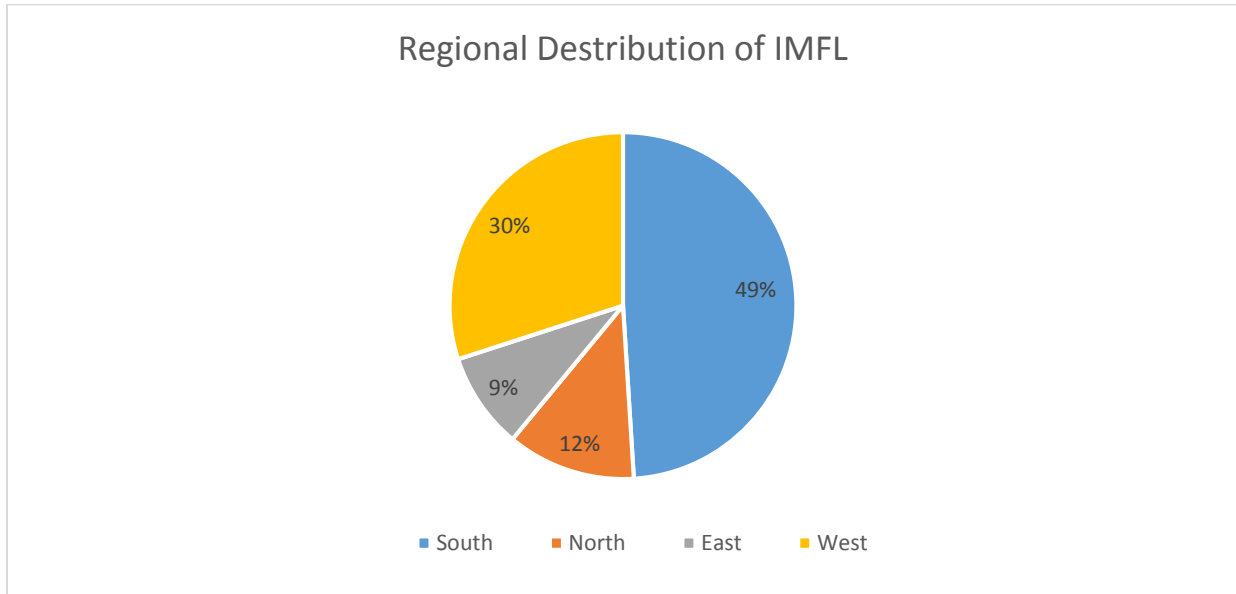
The Indian alcohol industry is further divided into following types of markets:

- ❖ **IMFL (Indian manufactured foreign liquor)**
- ❖ **BIO (foreign liquor bottled in origin)**
- ❖ **Beer**
- ❖ **Wine**
- ❖ **Country liquor which includes cheap and spiced indigenous liquor**

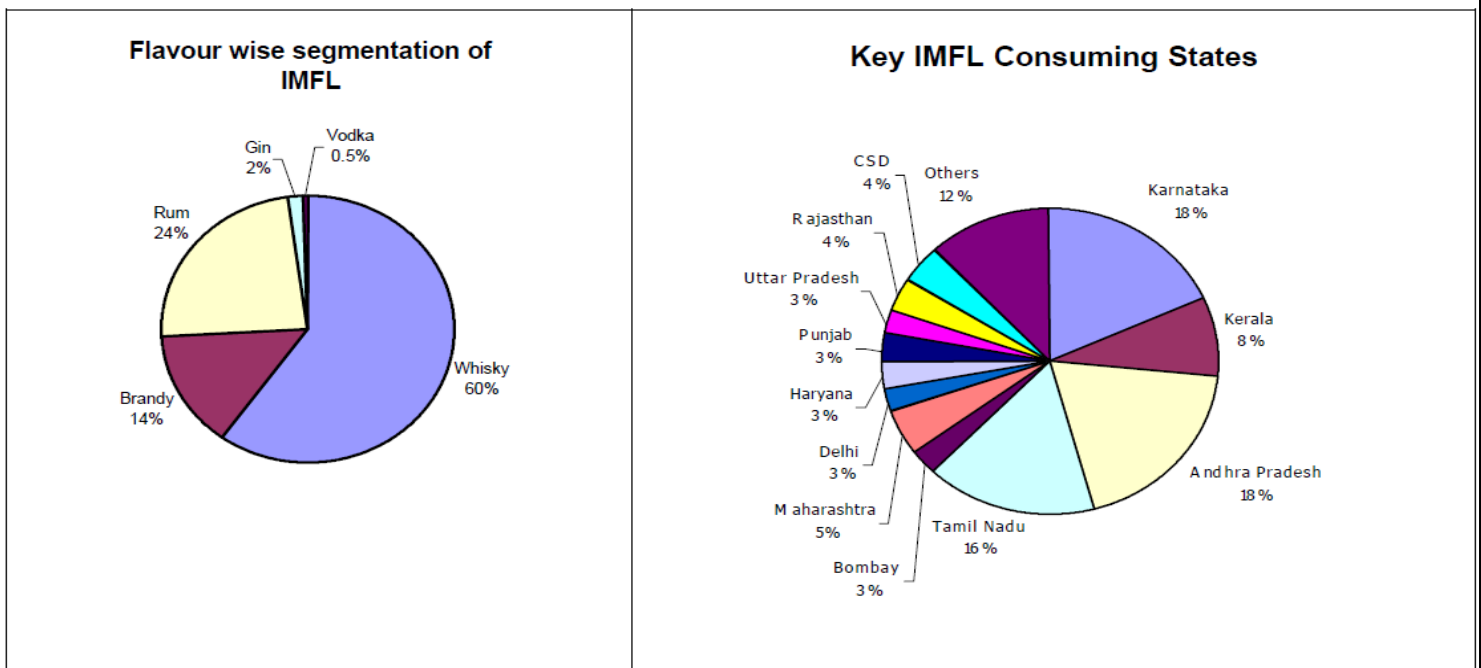
IMFL (Indian manufactured foreign liquor)

It includes hard liquor like whisky, rum, and brandy, and white spirits like gin, vodka, and white rum. Indians consumes largely this segment of liquor which is 95 percent consumption by volume of brown spirits and 5 percent consumption by volume of white spirits. Among all these whiskey is considered to be the most popular drink among all types of alcohol and accounts for about 60 percent of the market share of IMFL. The consumption of whiskey is considered to grow at around 8 – 8.5 percent annually.

If we talk about overall the IMFL market, it is showing a good growth of around 9 – 10 percent approximately annually. These type of spirits are made under the license of government. The maximum limit that is permissible for alcohol content in spirits is 42.8 percent v/v (volume to volume). The IMFL industry saw a major growth of 11.9 percent in the financial year 2011-2012.



Another catchable change is in the vodka segment which showed a huge growth and is also becoming one of the fastest growing market among all types of liquor. Though it only have 4 percent market share of the IMFL market but is growing at a rate of 44 percent over the past few years.



BIO (foreign liquor bottled in origin)

Imported liquor has a very small share of alcohol consumption in India. It is usually consumed by the rich and upper middle class people in metropolitan cities and is also popular among young professionals and entrepreneurs who migrate from local brands to international brands.

International exposure to imported liquor and developing a taste for it during international travel are also reasons for its increasing popularity. Apart from excise duties, it is also subjected to customs duty, making it much more expensive.

The imported spirits market in India is growing 25 percent yearly and it is estimated that Indian spirit imports will soar to five million cases (a case contains 12 bottles) by 2015.

Beer

During the last two decades the demand and consumption of beer has increased drastically. The reason for which is considered is entry of companies which began acquiring Indian breweries around the late 1990s.

The market of beer have been growing at a rate of 17 percent per year. It was found that Indians consume about 1.5 litres of beer annually as compared to the global rates of an average 27 litres. Beer is manufactured in licensed breweries issued by the government.

Over the time, strong beers (which contain 5.1 – 8 percent of alcohol v/v) have been gaining market over other categories, which have lower alcohol content. The growth in the beer market is found because of young consumers and professionals, as compared with traditional spirits. There is also a small demand for foreign beer in the upmarket urban areas. The highest levels of beer consumption in India are observed in the southern states.

Wine

Wine was not consumed in India at large before, Urbanization and globalization have led to a radical increase in the sale of wine, mainly in the bigger cities like Mumbai, New Delhi, and Bangalore.

The annual growth rates have been recorded at 20-25 percent and is further expected to increase. The major reasons for this increase in wine consumption are increase in the levels of disposable income, lifestyle changes, and exposure to international experiences.

Country liquor

Country liquor is the largest type of alcohol consumed in India which is about 50 percent of the market. It is growing at a rate of 6-8 percent per year, where north and east side states are showing major share. The average alcohol content in country liquor is 33 percent v/v. It is produced in local licensed distilleries and is made of cheap raw material, primarily rectified spirits of grains or molasses.

The raw materials used in the production of such alcohol may vary from state to state. In the northern states, the availability of molasses is high due to large sugarcane plantations, while in the southern states coconut and other palms are used as raw materials in the production of local liquor.

Each state may have a different name for country liquor, but it is mostly known as *arrack*, *desi sharaab*, *daru*, *tharra*, *toddy*, *fenny* and *tari*. As the production cost for country liquor is low, the excise duties are also lower than they are for other liquor. The idea behind country liquor was to provide cheap alcohol and thus check the illicit trade of alcohol.

Type of Industry	Market Share	Pricing	Geographical Consumption	Target Audience
IMFL	36%	Affordable and competitive	Mostly south India	Above 35
Country liquor	48%	Cheap prices, that is the driving factor	All over/ large scale in tribal belt	Above 35
Beer	13%	Expensive	Urban cities, AP	18-40 years
Illicit Liquor	NA	Extremely cheap/no duty levy	Small towns and villages	NA
Imported Liquor (BIO+ Wine)	3%	Luxury	Metropolitan cities	Women/35 and above

Source: Alcohol Marketing and Regulatory Policy Environment in India

Structure of alcohol industry in India

Illicit/Unregulated Alcohol

Such type of alcohol covers up the large part of alcohol consumed in India likely in villages and tribal areas. It was also found that Smuggling of alcohol across state borders is also widespread and has created a major problems for the retailers who are into this business. In states where alcohol is banned or are available at higher rates due to certain policies of the government such activities occur. However, it was also found that statistics are not available for such activity as it is extremely difficult to trace illicit sales.

Each state have its own excise policies to regulate alcohol so the implications of consuming and producing illicit alcohol vary across states. During the beginning phase of the year 2013, the Delhi government excise department found a big illicit consignment of alcohol. During that it was found that most of the times country liquor is produced in an illicit manner.

There have been several cases where government officials have seized smuggled alcohol and major of these cases occur at the border checking of the states, like at the border of Haryana and Chandigarh.

In 2012, Delhi officials seized 82,589 bottles of IMFL and 2,656 bottles of foreign liquor. These figures have increased than double as compared in the past years.

Chapter 2: Review of Literature

As alcohol is a matter of state government, so the state government takes the full responsibility of the production, distribution and sale of alcohol. Different states have different regulatory for the same. So likewise Ministry of finance and state excise department is responsible for the taxation for this type of business.

As stated in ((PHFI), 2013) ***there is no systematic coordination between these departments and, therefore, there is no comprehensive national data on the production and sale of alcohol. Only sporadic data through industry annual reports and market research is available.***

Alcohol taxes accounts to the second major source of revenue for the state government, first being sales tax. 90 percent of the state excise duties are just alcohol taxes. Is was also estimated that around US\$ 500,000 is collected every year from excise and sales tax. In the same report it was stated that, ((PHFI), 2013) ***this business generates huge sum of “black money” through bribes, protection payments, profits of illicit alcohol etc.*** because of which alcohol is treated as a revenue generating commodity and public health is ignored. Still the government have implemented various systems to control the business of alcohol, like in **Annexure 1**.

When it comes pricing, there is not much flexibility with respect to the companies because the major control lies with the state government. The companies can set the prices of their products only once a year when the state government determine the alcohol prices. Export duty and import duty is also imposed by the state government for sourcing or transporting the alcohol.

Other major features the state excise plays are as follows:

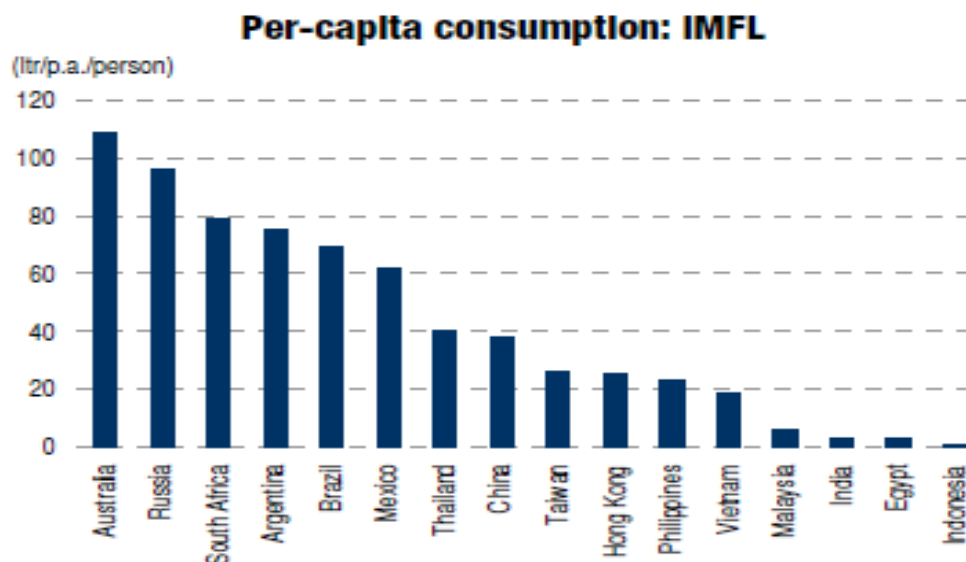
State Excise Policy	Features
Ban on sale and consumption of alcohol in public places	All the Indian states and UTs have implemented this ban, with penalties for violation varying from Rs. 200 to Rs. 50,000
Licensing of days and hours of sale	All states/UTs have provisions for closure of liquor shops generally on national holidays, election days, particular day(s) in week/month, and other occasions calling for special consideration - days of national solemnity, Public Order, homage to national figures, fairs, festivals, frenzied situations, or periods of tension.
Minimum sale price	17 states and UTs have fixed minimum sale price to ensure uniformity and quality, and to prevent illegal sale.
Restriction of outlet density	No license if the premises is located near an educational institution, place of worship, main bus

	stand, crematorium, burial ground, socio-economically backward colony, labor colony, market place, or established habitat. This guideline is observed by 14 states.
Quota for retail sale/personnel limit	Provisions for quotas vary based on the type of product - and also from state to state. Most states observe this policy measure that up to 2 litres of alcohol can be brought by a person into India from a foreign country per visit. Defence personnel up to the rank of Brigadier (or equivalent) are allowed up to 10 bottles of liquor every month and a larger amount of beer stock too.
Ban on advertising, promotion and sponsorship (including POS advertising)	Complete ban in nine states, with Delhi offering an exception to the foreign print media. POS advertising ban observed by 10 states

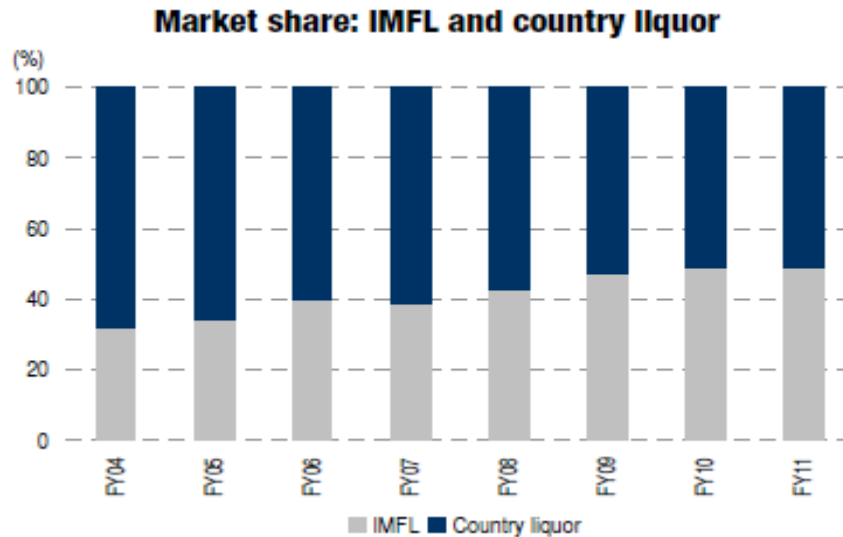
Source: ((PHFI), 2013)

The Indian alcohol industry is characterized by various important regulations, some of which says that separate licenses are required for distribution, production and bottling of the product which makes the system more complicated. As mentioned in, (Maneco, 2013) ***the Excise duty, the Value Added Tax, the Sales tax and various other type of duties impacts the overall pricing to a major extent. Now this has severe impact on price flexibility, which leads to financial profiles which are not strong and have been below margins. Even the Retail sector and sometimes distribution have a strict governmental control.***

There are also strong entry barriers and ample of taxes because of which the manufacturers and retailers face lower margins (Rathi, 2012).



Source: (Rathi, 2012)



Source: (Rathi, 2012)

Barriers regarding limited Stock Keeping Units, import duties on interstate transfer of alcohol, limited distribution networks, different licenses requirements and government control limits people to enter into or expand this business mentioned in (Rathi, 2012).

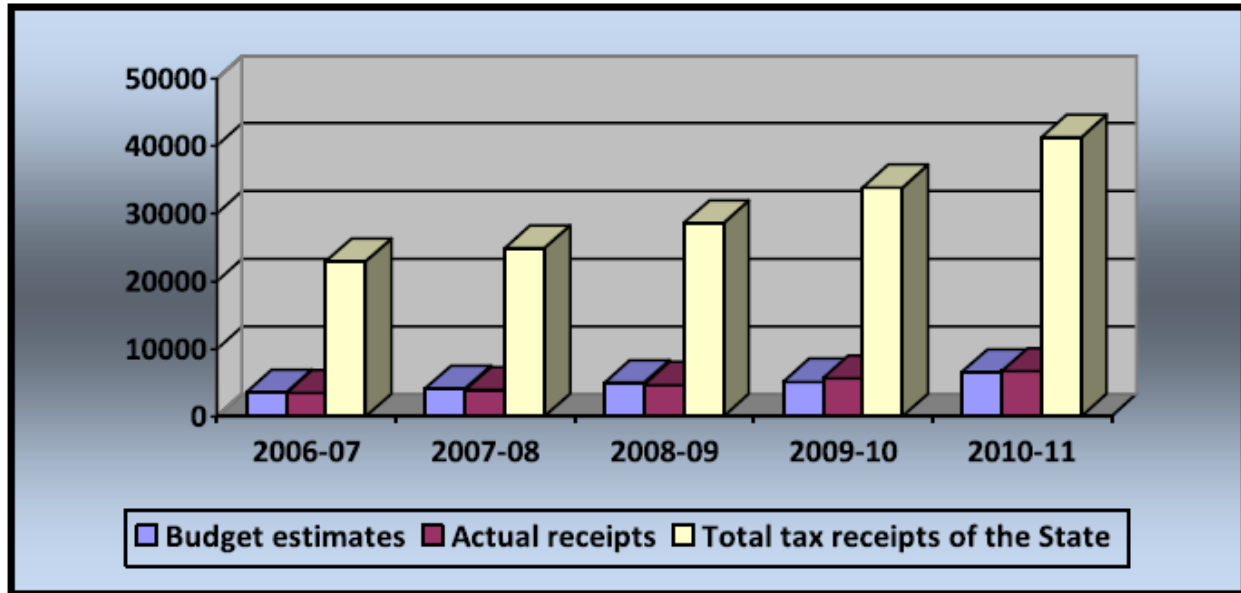
Prices are hiked once in a year only by the state government and these prices are not alterable. Each state have different distribution pattern, in some cases the distribution are controlled by the state government as a whole and in some cases partially. There are also limited SKU's, only five are allowed in liquor.

When different excise policies was analyzed, **it was found that the financial situation of Uttar Pradesh from the year 2006 – 07 to 2010 – 11 was like, as on 31st march 2011 the arrears of revenue was Rs56.72 crores out of which Rs51.56 crore were outstanding for a couple of years.**

(₹ in crore)						
Year	Budget estimates	Actual receipts	Variation excess (+) shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	3,650.00	3,551.25	(-) 98.75	(-) 2.71	22,997.97	15.44
2007-08	4,192.00	3,948.40	(-) 243.60	(-) 5.81	24,959.32	15.82
2008-09	5,040.00	4,720.01	(-) 319.99	(-) 6.35	28,658.97	16.47
2009-10	5,176.45	5,666.06	489.61	9.46	33,877.60	16.73
2010-11	6,763.23	6,723.49	(-) 39.74	(-) 0.59	41,355.00	16.26

Source: State Excise Department Chapter III (Uttar Pradesh)

The following figures shows audit report for the year ended 31st March 2011:



Source: State Excise Department Chapter III (Uttar Pradesh)

Year	(₹ in crore)			
	Opening balance of arrears	Addition during the year	Amount collected/written off during the year	Closing balance of arrears
2006-07	59.86	1.08	0.05	60.89
2007-08	60.89	0.56	0.06	61.39
2008-09	61.39	0.59	0.03	61.95
2009-10	61.95	1.35	0.07	63.23
2010-11	63.23	0.45	6.96	56.72

Source: State Excise Department Chapter III (Uttar Pradesh)

In the same report it was also found that **the license fee of model shops was increased to Rs22 lakhs and the department also suffered losses due to ceiling imposed.** An example of such can be seen in the following figure which shows the situation of three different areas in Uttar Pradesh.

(₹ in lakh)

Sl. No.	Name of Unit	Period	No. of shops	Actual licence fee realised	Total licence fee as per actual sale of these model shops	Percent higher than actual licence fee realised from model shops	Short realisation of licence fee
							When compared licence fee on actual sale of these model shops
1.	DEO, G.B. Nagar	2009-10	16	352.00	410.15	16.52	58.15
		2010-11	16	352.00	553.45	57.23	201.45
2.	DEO, Ghaziabad	2010-11	01	22.50	37.69	67.51	15.19
3.	DEO, Muzaffarnagar	2010-11	11	179.56	376.60	109.73	197.04
Total			44	906.06 or 9.06 crore	1377.89 or 13.78 crore	52.07	471.83 or 4.72 crore

Source: State Excise Department Chapter III (Uttar Pradesh)

The license fee of retail shops is based upon the basis of number of sales of bottle in the current year. It was found that the revenues were stable and slightly increase but the sector was still facing losses which was because of various internal aspect of the government.

Another important thing from the report was that, *in the year 2009 the government proposed to adjust the differences from the license fee of the retailers if they fail to lift atleast 80% of quota.*

The whole report said that if the government was to face any kind of losses then either they will increase the taxes or they will charge it from the security deposit of the license from the pockets of the retailer or from the distributors.

Other than the policy of **Uttar Pradesh**, policies of famous major states like of **New Delhi, Chandigarh and Bhubaneswar** was compiled and altogether compared. The following differences was found:

- ✓ The policies were more or less same, but majorly the license fee and the excise duty was not kept constant over a couple of years. It fluctuated in each state, the major impact was on the license fee. The license fee increases year by year which varies from state to state. The maximum increase was faced by **Uttar Pradesh** followed by **New Delhi** and **Chandigarh**
- ✓ The increase in the sudden fee structure affected the retailers badly
- ✓ In **Uttar Pradesh** the government issues licenses for both, retailers also and for the distribution part also while it varies from the policy of **New Delhi** where there is a semi-governmental ruling system, in which the government have hold on the distribution and retail system in some specifies areas

Further the details can be referred in the **Annexure 2**.

In these it can be clearly checked that each state have different set of policies which not only have different structuring regarding the percentages of the taxes to be levied upon but also different hike system.

Each of them also varies from the perspective of ownership, total hold, semi-governmental, etc.

Chapter 3: Research gap

After analyzing all the data collected which included various articles and various governmental reports, it was found that each and every report provided an outline to the whole situation. The current scenario and the previous trends have been discussed but they provide no solution to the major problem of profitability and the problem of barriers into this business.

It was also observed that there have been greater irregularities when it comes to the tax collection system, may it be excise duty or license fee. The government have full control over the prices and these prices change year by year based upon various assumptions and trends.

So ultimately it is difficult to control these policies and the governmental regulations which have a major role in the profitability and barriers into this business.

Chapter 4: Research Objectives

It can be inferred from the review of literature that there is not much flexibility and liberty that is given to the distributors and retailers. Even in some cases it is the government who is handling the whole distribution system. But in a scenario where there is “lottery” system under which a person have to apply for different shops, the owner of the business have to undergo various challenges.

So after analyzing all the aspects the following are the objectives of the research.

The major objectives in the reached is as follows:

- I. To understand, analyze and compare the excise policies of different states’
- II. To find out a potential way or method for seeking stability in the taxes and duties
- III. To understand how the whole retail chain of liquor business works
- IV. To come out with a solution so that retailers earn increasing profits

Chapter 5: Research Methodology

5.1 Type of Research Design: Empirical Research

Since the whole research is based upon knowledge of this whole business of liquor, especially into the retail part, and based upon observation of this whole trend makes it an empirical type of research.

5.2 Data Collection:

Primary Sources: Various information was collected from industry experts, government authorities and retailers who are into this business from quite a long time.

Secondary Sources: Other information sources was reports from excise departments, articles, journals and information available on internet

5.3 Limitations

The major limitation which will be faced is alteration into the government policies. These policies once establish takes years to alter. And they are not even flexible enough to take sudden changes into the system sportingly.

5.4 Scope of study

The scope of the study is limited to the liquor industry only because the whole research is based upon the retail sector of the alcohol industry.

Chapter 6: Data Analysis

The alcohol market has a very unique type of elasticity, the uniqueness lies in a way like if prices shoot up, then the demand doesn't reduce but the consumers shift to different cheaper product which ultimately neglect the fact of hike in prices.

As a whole the Indian market can be divided under two categories:

- ❖ **Organized**
- ❖ **Unorganized**

The **Organized sector** include the main business, where there are retailers, distributors, manufacturers licensed under the state government authority which can be either working under the government authorities or private parties under the license provided by the government. The revenue earned by the state government is through this sector only.

Other than the organized sector, another sector prevails which works under illegal activities. This sector is **unorganized sector**. State government and private owners have to face huge losses just because of illegal activities into this. Activities like manufacturing of alcohol which is not permitted, mixing of alcohol, inter-state smuggling, etc. comes under this category. Due to smuggling and availability and illicit alcohol at a cheaper price the retail people have to face the circumstances.

This industry in India involves high risk, which originates from high level of duties and taxation imposed by the government. This have resulted affecting the pricing flexibility and low financial profiles and low incomes.

Increasing disposable incomes is letting the people in the growth of alcohol consumption. It was estimated that in 2014 Indian alcohol industry would cross \$39 billion. According to (India, 2014) the market grew at 12 percent CAGR, which was between the year 2004 to 2009.

Alcohol is also a state subject, ((PHFI), 2013) states that sometimes state policies aim directly to earn revenue from alcohol products. Most of the states in India like Tamil Nadu, Karnataka, Uttar Pradesh, etc. derive one-fifth of revenue from liquor taxation. This is the second largest source of income for the states after sales taxation. There is also no national policy which set standards for the state authorities to regulate its production, consumption and distribution.

The retail business can be done by two ways:

1. **Lottery**
2. **Syndicate**

Under the **lottery system** an individual owns individual shop. Or he/she may own couple of individual shop at different places in a state. Even at the time of application one can apply of any number of shops he/she is interested in. For instance, Uttar Pradesh is divided into 2 different parts i.e. Western U.P. and Eastern U.P., now west U.P. is divided into 22 zones from which 17 zones are working under Syndicate system and 5 under lottery system.

Syndicate system is a system in which the shops are allocated on the basis of zones. All the shops that comes under these zones falls under the ownership of that person who holds to that zone. It depends upon the government that how does they manipulate to give one zone to party or more than one zone. Like as mentioned the example of west U.P. where 17 zones fall under one person who runs shops of all those zone.

Coming on to operations of how does this liquor business work and currently what is the situation of this from the perspective of a retailer.

The retailers are facing great challenges in terms of finances, various barriers, policies abiding to restrictions, etc. currently strong barriers and taxes are preventing the owners to expand their business as well as from earning more profits. The confusable norms for distribution and the restricted number of SKU stock-keeping-units are other policies which makes it more rigid. There are restrictions on the introduction of different SKU's also and creates difficulty in the distribution system.

There is also a fact that the states in which the government owns the distribution system network accounts for around 70 percent of alcohol consumption in India. Distribution has also become a key entry barrier to the system. As mentioned before liquor distribution varies from state to state. In states like New Delhi, Tamil Nadu and Kerala, the government itself handles distribution and markets through its own shops.

But in states like Uttar Pradesh, Karnataka, Andhra Pradesh this distribution is a semi-governmental types where government can act as a distributor and retail in not controlled by them.

There are only five types of SKU's allowed in liquor, which have resulted in slower distribution.

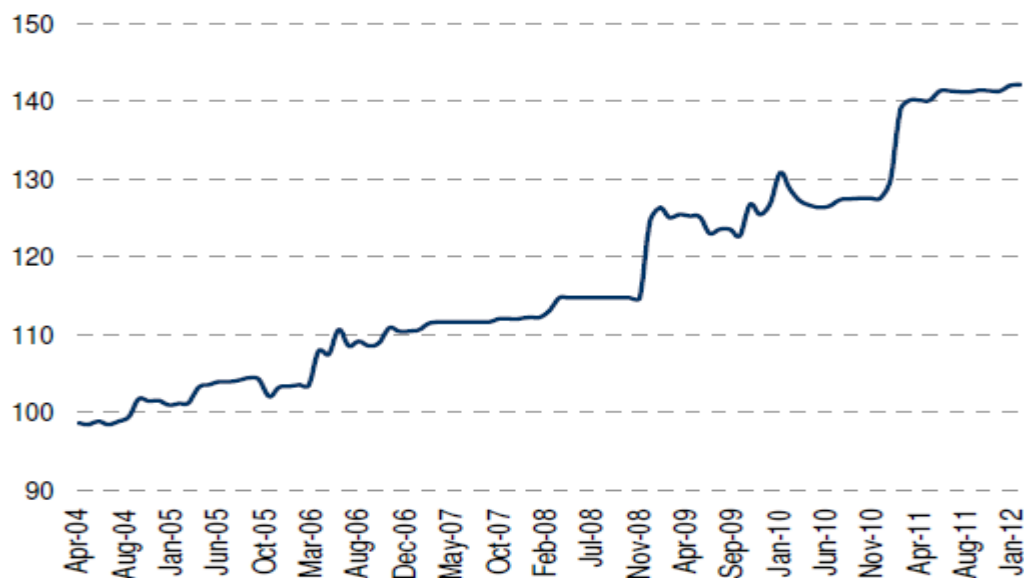
1000ml	Fourth-largest SKU
750ml	Highest selling SKU
375ml	Second-largest SKU
180ml	Third-selling SKU
90ml	Market creation – unsuccessful

Source: (Rathi, 2012)

There are various other factors which weakens the profitability of these retailers, the following points explains them all:

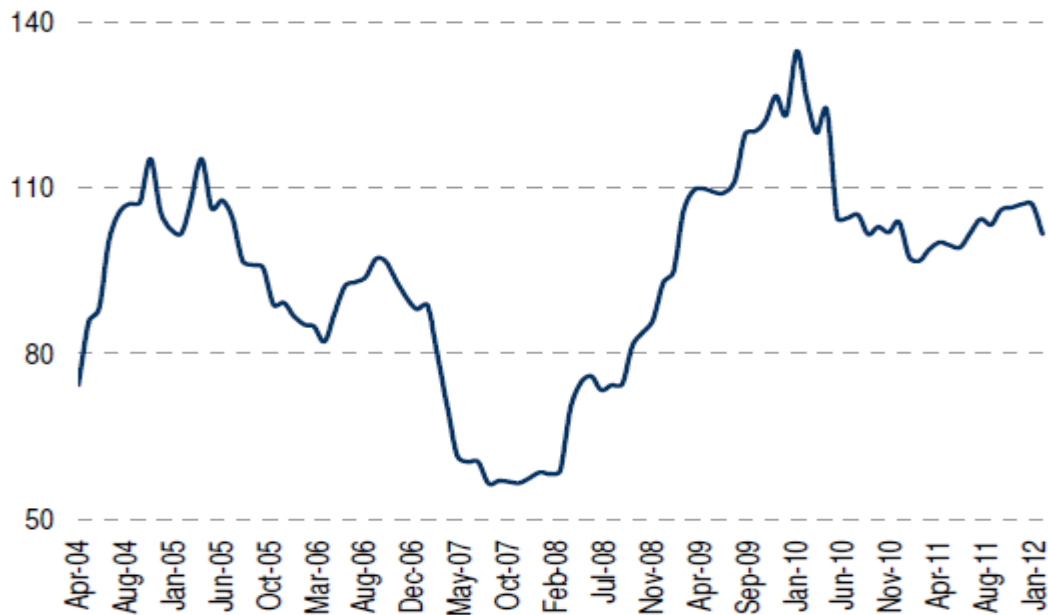
1. **Changes in prices by the state government every year** – The state government has the power to change the prices of the alcohol products one in a year, and most of the times it is seen is that every year the prices of the products changes
2. **Increased taxes results in higher prices** – Liquor companies face problems when the taxes are high because high the taxes are more would be the prices of the products
3. **Fluctuating prices of the raw materials** – The prices of the two major raw material i.e. glass and molasses are not stable. Molasses depends on the sugarcane crop

WPI of glass bottles



Source: (Rathi, 2012)

WPI of molasses



Source: (Rathi, 2012)

4. **Requirement of higher working capital** – since the license fee increases year by year and the excise duty increases year by year so the working capital that is required is also high which cannot be afforded by everyone

Government has been working very hard to stop the interstate smuggling of alcohol. They had developed various methods which they thought could stop the problem but it did not. The problem was not that their methods failed but the problem was that easy availability illicit methods through which smuggling happens.

The reason for this was because of different excise duties at different states. For example, prices of alcohol in Haryana and Chandigarh is very low and even have difference in 20 to 25 percent in the rates as compared to other states like U.P., so high network of smuggling can be found between different states in the northern part of India, initiating from these two states.

Such a situation can be only handled if the central government issues a standard policy or procedure for the manufacturing and distribution of liquor across the country. This policy would lay emphasis on the rates of excise duty and license fee. If such a policy is introduced there will be negligible differences in the prices of liquor between two different states and then the problem of smuggling would be dissolved.

Annexure 3 represents rules for the liquor transit for Uttar Pradesh (second amendment). There is whole process of excise duties, now here the duty is segmented as per different categories which is categorized by the government. The policy for the same in U.P. can be analyzed in **Annexure 4**.

In Chandigarh the policy is slightly different, the retail sale price of country liquor and IMFL are as follows.

Size	Country Liquor (50 Degree)	IMFL (60 Degree)
Quart (750 ML)	105	115
Pint (375 ml)	55	65
Nip (180 ml)	30	35

Source: Excise policy Chandigarh (2013-14)

Chapter 7: Conclusion

The existing alcohol policies that prevail in India have been harming the consumers and are even full of corruption. The excise duty and the prices of liquor have evidently affected the consumers of alcohol as well as the retailers. Heavy taxes and inconsistent policies of the state government have already turned this business of liquor into 'cash cow' for the state governments.

Full time government intervention in the liquor market have created a serious problem in the market economy. The government also have been doing various systems like an article reported that from 23 march, 2015 the Odisha government is looking forward to do auction online so that there can be more of transparency in the system. It is a good start but it is expected that this system would fail. The reason may be infrastructure, monitoring or may be education. There is full proof need of national standard excise policy so the major problem of smuggling can be handled.

Other than that if a central policy for excise is made then the retailers would also be in an advantageous situation. The reason behind that is if the policy is made central then the license fee which is calculated on the basis of particular shops or zone will decrease because now we are looking to a policy that would be made for the country as a whole.

The alcohol market always have in a turmoil, the day by day increase in taxes have created problems. The consumption is increasing due to increase in disposable income of the people which ultimately is also affecting the health of the people. The government cannot stop this because after sales tax, excise duty provides the state government which is 2nd largest in accounting terms after sales tax. But in special cases like in Kerala the government was planning to convert it into a dry zone, and Kerala one of the largest area in the country where alcohol consumption is high.

Based on the data gathered and knowledge, next will be discussed the findings and recommendations.

7.1 Findings and Recommendations

Findings

It is evident that because of the state governments differential policies and increasing tax rates year by year as well as control over the prices of the alcohol products the market of the liquor industry have been facing various ups and downs in the business.

It was also found that having the liberty of control over the prices the companies increased their prices year by year, giving the reason of increased tax rates. The license fee for a particular shop increases by around 10 to 15 percent every year. This license fee is calculated on the basis of past records of sale in that particular area or of that particular shop, the overall sales plus the increased percentage is calculated and then presented as the new license fee.

Now for the excise duty it all depends on the overall performance of that state of which the excise duty have to be set. If the state is doing exceptionally well and is earning ample amount of profits from the excise duty then it is expected that there would be a higher hike in the excise duty. The two main reason that the government officials give for the increase in the excise duty is that, one this does a major job in the state revenue structure and secondly on the verge of reducing the consumption from the perspective of health.

The same officials then accepted that the health aspect is not appropriate. It's because if a person who has been drinking for years comes to know that the prices of his brand has increased then rather than stopping to drink he would switch to some lower grade brand or even lower grade alcohol, which ultimately is of lower quality adding more health problems to the person.

In one of the policy it said that every shop is allocated with some percentage of quota (amount of stock) for a year which is further divided into different percentages for every month. In the end of financial year if the some quota is left then the retailer have to pay extra charges at the time of renewal of licenses. And extra excise duty is applied over the left over quota of the previous year. The quota can also be increased on an extra charge if a person is confident enough to sell it without any leftovers.

The only liberty left with the retailer is of only selling the product, he cannot market as per the rules, change prices or manipulate with the system. The policies are so rigid that it creates a rigid kind of atmosphere to be work in. But this is not with the case of wholesalers, they have the liberty to negotiate over the prices with the distilleries. The rules does not say that, but these distilleries allow some discounts or offer schemes to these wholesalers in the exchange of buying high quota from them.

The average percentage of profits that is expected is around 15 – 20 percent. But due to all kinds of illicit activities like bribes, overrate, commission, etc. asked by the government officials this percentage is reduced to mere 10 – 12 percent, which may or may not include the expenses of the business.

Another activity that affects the profitability of these retailers is interstate smuggling of alcohol, from the states where it is cheaper to the states where it is costly. For example, alcohol from Haryana and Chandigarh is smuggled in various states of which Uttar Pradesh is the biggest states into which it is smuggled. The problem is that doing this activity involves buying alcohol from a different state and from a different quota. This most of the times creates dead inventory of the allotted quota and in the end fine have to paid of it. And secondly being it an illegal activity it doesn't gets added to the actual profits.

It was also analyzed that if a person wants to expand its business at any point of time then he cannot do it unless and until the government asks for applications for new shops or for model shops. So even the expansion is also limited.

Recommendations

Based on the analysis and findings following are the recommendations for increased profitability and reduced barrier to entry:

- 1. Establishment of a nationalized excise policy** – If on a national level excise policy is introduced then it will reduce various challenges faced by the businessmen. The first and the foremost advantage it will create is the abolishment of smuggling of liquor across states.

When the excise policy is uniform across the country then the prices set by the government would also be uniform across the country or would be a negligible difference. So if the prices across the states are same then obviously the smuggling would stop and the state would be left with its own sale. It is also predicted by experts that if this step is taken then states like Uttar Pradesh, Tamil Nadu and Karnataka would be having the highest consumption and high sales as compared to other states. The sales of states like Chandigarh or Haryana is high only because of the availability of liquor at a cheaper rate, but when it comes to consumption these three states have been at the top.

Second benefit it will create is that now since the policy is nationalized so the prices will be uniform and so will be the profitability pattern. It will be so because this policy comprises of other type of charges and taxes which would be established keeping in mind the country as a whole. The bribes, commission would also reduce and then then profit percentage would remain intact i.e. of around 15 – 20 percent.

- 2. Increased allocation of shops sector wise** – To increase the operations of the business the allocation of shops at the time of renewal should be increased so that a person can apply for more shops and expand its business.

- 3. Conversion of existing license into another** – This would give liberty to the existing business owners to convert their existing license into another form. For example, if I own a license of a foreign liquor shop currently and if I am interested to convert the same shop into a modal shop or into a beer shop or even a country liquor shop then that would be possible through this process.

For this the government have to reschedule their allocation of licenses as per different product segments. If such a policy is introduced the biggest advantage that the retailers would get is that they can change their course of services by avoiding extra establishment costs of a new shop or a new license. Obviously this would also incur some cost but as compared to establishment of a totally new shop with an existing one, this method seems more viable.

GOVERNMENT OF ODISHA
EXCISE DEPARTMENT

No. 2011 / Ex., Dated, Bhubaneswar, 31st March, 2014
I Ex-35/2013

From
Shri S.P. Thakur, IAS
Principal Secretary to Government

To
The Excise Commissioner,
Odisha, Cuttack

Sub: EXCISE DUTY, FEE STRUCTURE AND GUIDELINES FOR THE YEAR 2014-15.

Sir,

I am directed to invite a reference to your letter No.6299 dated 04.12.2013 on the above subject and to say that Government after careful consideration have been pleased to decide to adopt the Excise Duty, Fee Structure and Guidelines for settlement of Excise Shops and establishments for the year 2014-15 in the following manner:-

1. LICENCE FEE FOR BREWERIES.

Licence may be renewed for the year 2014-15 on payment of licence fees as follows.

Sl. No.	Production capacity (in Bulk Liters)	Annual Licence Fee (₹ in Lakhs)
1.	Up to 1,20,00,000	₹ 72.00
2.	1,20,00,001 to 1,80,00,000	₹ 96.00
3.	1,80,00,001 to 4,00,00,000	₹ 132.00
4.	4,00,00,001 and above	₹ 156.00

2) BOTTLING FEES (FORM NO.F.L. 14)

- i. @ ₹ 7.00 per BL of BEER manufactured
- ii. @ ₹ 8.00 per BL of Beer manufactured of brands other than the own brand.

3) LICENCE FEE FOR DISTILLERIES & BOTTLING UNITS.

COMPOUNDING AND BLENDING (ONE OR MORE OPERATIONS).

Licence may be renewed for the year 2014-15 on payment of license fees as follows:

S.P. Thakur
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(a) License fee for Distilleries

Sl. No.	Production capacity (In Proof Liters)	Annual Licence Fee (₹. In lakhs)
1.	Upto 10,00,000	₹ 18.00
2.	10,00,001 to 30,00,000	₹ 40.00
3.	30,00,001 to 60,00,000	₹ 54.00
4.	60,00,001 to 1 Crore	₹ 68.00
5.	1 Crore one and above	₹ 90.00

(b) License fee for Bottling Units (Compounding and Blending)

Sl. No.	Production capacity (In Proof Liters)	Annual Licence Fee (₹. In lakhs)
1.	Upto 10,00,000	₹ 18.00
2.	10,00,001 to 30,00,000	₹ 40.00
3.	30,00,001 to 60,00,000	₹ 54.00
4.	60,00,001 to 1 Crore	₹ 68.00
5.	1 Crore one and above	₹ 90.00

4) BOTTLING FEES FOR IMFL.

1	Bottling fee in respect of own brand.	₹.8.00 per LPL of IMFL manufactured.
2	Bottling fee in respect of brands other than own brand	₹ 13.00 per LPL of IMFL manufactured.

5) ANNUAL LICENCE FEE FOR E.N.A. COLUMNS - ₹ 7.20 lakh

6) ANNUAL LICENCE FEE FOR WINE PRODUCING UNITS - ₹ 2.40 lakh

7) APPLICATION FEE (NON-REFUNDABLE) FOR GRANT OF LICENCE FOR BREWERY, WINERY, BOTTLING UNITS, DISTILLERY ETC. - ₹ 90,000/-

8) a. Application fee (non-refundable) for renewal of licence of Brewery Distillery, Bottling Units etc. - ₹ 36,000/-

b. Application fee (non-refundable) for grant of NOC/ Extension of NOC for establishment of new Distilleries/ Bottling Unit. - ₹ 36,000/-

9) The MGQ for lifting and use of molasses by the Distilleries shall be fixed at the formula at par with last year. In case of short lifting, the unit has to pay utilization fee as fixed by the Govt. from time to time.

S. Shrivastava
a) Licence fees for Trading on Molasses - ₹ 3,60,000/-
31/3/14

- b) Units using molasses for other than Distilleries i.e. for industrial purposes will pay an Annual Licence Fee of ₹ 1,20,000/-.
- c) Units using molasses for cattle feed purposes will pay an Annual Licence Fee of ₹ 24,000/-.
- d) License fee for trading of molasses for Industrial purpose of ₹ 6,00,000/-.
- e) The application fee (Non-refundable) in respect of licenses for the above purpose shall be ₹ 12,000/- except for Trading for which the application fee shall be ₹ 24,000/-.
- f) "Gudakhu" and similar small scale purpose, arrival license fees will be ₹ 36,000/-.

10) EXCISE DUTY ON IMFL AND BEER.

1)	BEER	STRENGTH	EXCISE DUTY
a)	Beer made in India	Up to 5% v/v Above 5% v/v	₹ 30/- Per BL ₹ 30/- per BL
b)	Beer Imported from Foreign Countries		₹ 30/- Per BL
c)	Draught Beer	Up to 5% v/v Above 5%v/v	₹ 30/- Per BL ₹ 30/- Per BL
d)	Diet Beer	Up to 5% v/v Above 5%v/v	₹ 30/- Per BL ₹ 30/- Per BL
e)	Canned Beer	Up to 5% v/v Above 5%v/v	₹ 30/- Per BL ₹ 30/- Per BL
f)	Breezer/ Low Alcoholic Beverage	Up to 5% v/v	₹ 30/- Per BL

Chhakar
3/7/14

2)	IMFL	Strength	Excise Duty
a)	India made Whisky, Gin, Rum, Brandy and Vodka (Landing cost at Odisha State Beverages Corporation less than ₹ 850/- per case)	75 ⁰	₹ 204/- per LPL
b)	India made Whisky, Gin, Rum, Brandy and Vodka(Landing Cost at Odisha State Beverages Corporation between ₹851/- to 1500/- per case)	75 ⁰	₹ 240/- per LPL
c)	India made Whisky, Gin, Rum, Brandy and Vodka(Landing Cost at Odisha State Beverages Corporation between ₹.1501/- to 2500/- per case)	75 ⁰	₹ 270/- per LPL
d)	India made Whisky, Gin, Rum, Brandy and Vodka (Landing cost at OSBC at ₹.2501/- or more per case.	75 ⁰	₹ 300/- per LPL

e)	Whisky, Rum, Brandy, Gin and Vodka imported in bulk and bottled in India.	70° – 80°	₹ 420/- per LPL
f)	Liquor, Cordial imported in bulk and bottled in India.	60°	₹ 270/- per LPL
g)	Wine imported in bulk and bottled in India.	12° – 36°	₹ 198/- per LPL
h)	India made wine.	40° & below	₹ 66/- per LPL
i)	Canned IMFL	40° and below	₹ 330/- per LPL

11) FEES FOR LABEL REGISTRATION, IMPORT AND EXPORT OF IMFL/ BEER, RECTIFIED SPIRIT AND DENATURED SPIRIT, FRANCHISE FEE FOR IMFL AND VEND FEE ETC.

A) Application fee for Label Regd.: Beer per Brand ₹ 24,000.00

B) -do- : IMFL Per Brand Pack Size ₹ 18,000.00

12) LABEL REGISTRATION FEE:-

- i) Foreign Liquor (Imported from beyond Custom barrier)- label per annum. ₹ 60,000/- per
- ii) Foreign Liquor imported in bulk and bottled in India. – label per annum. ₹ 60,000/-per

**A) IMFL / BEER supplied to OSBC per annum
(January to December of preceding year)**

Chhakar
31/3/14

i) Upto 10000 cases per annum	-	₹ 60,000/- per label per annum
ii) From 10001 to 20000 cases per annum	-	₹ 72,000/- per label per annum
iii) From 20001 to 40000 cases per annum	-	₹ 95,000/- per label per annum
iv) From 40001 to 70000 cases per annum	-	₹ 1,44,000/-per label per annum.
v) From 70001 to 1,00,000 cases per annum	-	₹ 1,92,000/-per label per annum.
vi) From 1,00,001 and above	-	₹ 2,64,000/-per label per annum

B) LABEL REGISTRATION FOR MILITARY CANTEENS. ₹ 12,000/- per Label

C) LABEL REGISTRATION FOR WINE (manufactured in India) ₹ 12,000/- per Label

D) Import fee on R.S / ENA ₹ 6.00 per BL

E) Export Fee on Rectified Spirit/ENA ₹ 4.00 per BL

- F) Import fee on Ethanol/Power spirit for blending in petrol ₹ 0.30 per BL
- G) Transport Fee on Rectified Spirit/ ENA for preparation of IMFL or CS. ₹ 5.00 per BL
- H) Transport Fee on Rectified Spirit/ENA for purposes other than preparation of IMFL or C.S. ₹ 7.00 per BL
- I) Import, Export & Transport fee on Denatured Spirit. ₹ 6.00 per BL
- J) Import, Export & Transport fee on Methanol for Industrial use. ₹ 4.00 per BL

K) ANNUAL LICENCE FEE ON DENATURED SPIRIT / METHANOL

a)	D.S.-I	₹ 24,000/-per annum
b)	D.S.-II	₹ 18,000/-per annum
c)	D.S.-III (Carpentry)	₹ 14,400/- per annum
d)	D.S.-III (Industrial use)	₹ 24,000/- per annum
e)	Excise Duty on D.S supplied to agencies other than Government organization within the State.	₹ 5.00/- per BL

L)

a)	Import fee on Beer	₹ 12/- per BL
b)	Import fee on IMFL	₹ 24/- per LPL
c)	i) Vend fee on foreign liquor imported into India from outside the Country (Not bottled in India)	₹ 360/- per LPL
	ii) Vend fee on Beer imported into India from outside the country	₹ 18/- per BL
	iii) Vend fee on wine imported into India from outside the Country	₹ 12/- per BL

CP Shrivastava
21/7/14

13) LICENCE FEE.

- (a) All the Depots established by the OSBC will pay an amount of ₹ 15 lakhs each per annum towards annual Depot licence fee for storage of IMFL/ Beer.. The Collector of concerned districts will issue depot licences. OSBC will open at least 12 more Depots.

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Uttar Pradesh Shasan
Abkari Anubhag-2

The Governor is pleased to order the publication of the following English translation of notification no. 845 E-2/XIII-2010-25/2010 dated April 8, 2010 for general information:

NOTIFICATION

No. 845 E-2/XIII-2010-25/2010
Lucknow: dated April, 8, 2010

In exercise of powers under section 15 and 40 of the United Provinces Excise Act, 1910 (U.P. Act no. IV of 1910) read with section 21 of the Uttar Pradesh General Clauses Act, 1904 (U.P. Act. no. 1 of 1904), the Governor is pleased to make the following rules with a view to amending the Uttar Pradesh Excise (Liquor Transit) Rules, 2003

UTTAR PRADESH EXCISE (LIQUOR TRANSIT) (SECOND AMENDMENT) RULES, 2010

1- Short Title and Commencement-

- (1) These rules may be called the Uttar Pradesh Excise (Liquor Transit) (Second Amendment) Rules, 2010.
- (2) They shall come into force 01 April, 2010.

2- Amendment of Schedule

In the Uttar Pradesh Excise (Liquor Transit) Rules, 2003, for Schedule set out in Column-I below the Schedule as set out in Column-II shall be substituted namely:-

Column-I Existing Schedule		Column-II Schedule as hereby substituted	
Kind of Intoxicants	Quantity	Kind of Intoxicants	Quantity
Country Liquor (Spiced)	1.5 Litres of each prescribed strength	Country Liquor (Spiced)	One open bottle of any one of the intoxicants
Country Liquor (Plain)	1.5 Litres of prescribed strength	Country Liquor (Plain)	
Foreign Liquor	3 Litres of prescribed strength	Foreign Liquor	
Beer	6 Litres of prescribed strength	Beer	
Wine	3 Litres	Wine	

This restrictions shall not prevail upon the persons of following categories entering the State:-

- 1- International passengers carrying imported foreign liquor (BIO) as per Central Excise and Custom Act. and Rule.

Uttar Pradesh

DUTIES AND FEES

28. Duty on excisable articles - ²[(1)[An excise duty or a countervailing duty, as the case may be]³ at such rate or rates as the [State Government]⁴ shall direct⁵ may be imposed, either generally or for any specified local area, on any excisable article-

- (a) imported in accordance with the provisions of section 12(1); or
- (b) exported in accordance with the provisions of section 13; or
- (c) transported; or
- (d) manufactured, cultivated or collected under any license granted under section 17; or
- (e) manufactured in any distillery established, or any distillery or brewery licensed, under section 18;

Provided as follows-

(i) duty, shall not be so imposed on any article which has been imported [***]¹ India and was liable on such importation to duty under the Indian Tariff Act, 1894², or the Sea Customs Act, 1878.

(ii) [***]³

Explanation- Duty may be imported under this section at different rates according to the places to which any excisable article in to be removed for consumption, or according to the varying strength and quality of such article,

⁴

[(2) The State Government shall, in imposing an excise duty or a countervailing duty as aforesaid and in fixing its rate, be guided by the directive principles specified in Article 47 of the Constitution of India.

(3) Such duty shall not exceed the maximum as provided hereinafter:-

(a) Countervailing duty on excisable articles imported in accordance with provisions of section 12(1)-

Item No.	Description of excisable articles	Maximum rate of duty
		Rs.
1.	Country liquor (excepting tari)	20 per litre
2.	Liquor manufactured in India and sophisticated or coloured so as to resemble in flavour or colour liquor	

	imported into India; and rectified spirit-	
	(a) Ale, beer, porter, cider and other fermented liquors	¹ [5 per litre]
	(b) Perfumed spirit (other than medicinal and toilet preparations)	15 per litre
	(c) Wines	8 per litre
	(d) Liquors, cordials, mixtures and other	70 per litre
	preparations containing spirit not otherwise specified (other than drugs and medicines)	
	(e) Brandy, gin, whisky, rums, rectified spirit and other sorts of spirit not otherwise specified	60 per litre of alcohol
3.	Ganja	300 per Kg.
4.	Bhang	14 per Kg.

1. In sub-section (3) in clause (a)

- (i) For the figure and words "2 per litre" the figure and words "4 per litre" subs. by Sec. 2 of U.P. Act 13 of 1979 retrospectively w.e.f. 30-11-1978.
- (ii) For the figure and words "4 per litre" the figure and words "5 per litre" subs. by Sec. 2 of U.P. Act 5 of 1989.
- (iii) "5 per litre" deemed effective from June 4, 1975 by Sec. 2 of U.P. Act 1 of 1990. (c) Excise or countervailing duty on excisable articles transported-

Item No.	Description of excisable articles	Maximum rate of duty
		Rs.
1.	Country liquor (excepting tari)	20 per litre
2.	Liquor manufactured in India and sophisticated or coloured so as to resemble in flavour or colour liquor imported into India; and rectified spirit-	
	(a) Ale, beer, porter, cider and other fermented liquors	¹ [5 per litre]
	(b) Perfumed spirit (other than medicinal and toilet preparations)	15 per litre

	(c) Wines	8 per litre
	(d) Liquors, cordials, mixtures and other preparations containing spirit not otherwise specified (other than drugs and medicines)	70 per litre
	(e) Brandy, gin, whisky, rums, rectified spirit and other sorts of spirit not otherwise specified	² [60 per litre] of alcohol
3.	Ganja	300 per Kg.
4.	Bhang	14 per Kg.

Sub-section (3) of Sec. 28- Clause (b)

(1) Amended by section 2 of U.P. Act No. 18 of 1974 as under: Item 1 - duty raised from 70 paise to Rs. 2.00

" 2 - Ditto - 70 paise to Rs. 2.00

" 3 - Ditto - 70 paise to Rs. 2.00

(2) Amended by section of U.P. Act 23 of 1983 as under:-

Item 1 - For figure and words "2 per litre of alcohol" figure and words "5 per litre of alcohol" substituted.

Item 2 - Ditto -

(3) Sub-section (3) of Sec. 28 - Clause (c)

(I) Amended by Sec. 2 of U.P. Act No. 5 of 1986 as under:-

Item 2 (a) - For figure and words "2 per litre" the figure and words "5 per litre" substituted. (d) Excise duty on excisable articles manufactured, cultivated or collected under any license granted under section 17.

Item No.	Description of excisable articles	Maximum rate of duty
		Rs.
1.	Country liquor (excepting tari)	20 per litre
2.	Liquor manufactured in India and sophisticated or coloured so as to resemble in flavour or colour liquor imported into India; and rectified spirit-	
	(a) Ale, beer, porter, cider and other fermented liquors	¹ [5 per litre]
	(b) Perfumed spirit (other than medicinal and toilet preparations)	15 per litre

	(c) Wines	8 per litre
	(d) Liquors, cordials, mixtures and other preparations containing spirit not otherwise specified (other than drugs and medicines)	70 per litre
	(e) Brandy, gin, whisky, rums, rectified spirit and other sorts of spirit not otherwise specified	60 per litre of alcohol
3.	Ganja	300 per Kg.
4.	Bhang	14 per Kg.

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