

Excise Duty on Wines in India

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Amid talks of economic slowdown in India, here is another brake on Indian Growth story. Indian wine industry is beginning to feel the pinch of high excise duty and is reporting slowdown in sales.

Even though Indian and foreign wine and liquor companies may have lined up an array of brands to woo consumers, but this has not increased the number of people sipping alcoholic drinks. On the contrary, most liquor companies have seen the growth of their sales growth slow down in recent times. This is because alcoholic drinks have become pricier; due to excise duty hikes in some states and a rise in price of molasses, the key raw material for liquor production.

Maharashtra applies 150% custom duty, 200% excise duty, 7% octroi, 25% supply chain margins and 20% value added tax. And this situation is not said to be good for the wine manufacturers.

Delhi has also increases the annual registration fee for License from Rs.2.0 lakhs to Rs.5.0 lakhs. The Delhi government is believed to have taken the decision to hike the excise duty on wine and beer to 25% of the MRP. Other states are also following suit making it all the more difficult for the wine manufacturers.

The increase will be uniform percentage increase, irrespective of the cost (assessable value) of wine. This is unlike Maharashtra where 200% duty is charged on the assessable value. The notification expected in a day or two will replace the existing fixed excise duty of Rs. 150 a bottle on all imported wines.

As the Scenario changes and Wineries are compelled to provide on this excise duty and licensing fee, many manufacturers are refusing to do so. At this point of time N D vineyards emerged as a winery, which came forward and stand with the government for this kind of law and fulfilled all the law recommended for this fiscal year.

Chairman of N D Vineyards says 'the existing duty structure in Maharashtra bloated the value of a Rs 100-imported wine bottle to over Rs 1,200 by the time it reached the consumer.'

Liquor and spirits will attract duties at the slab rates. A bottle with an MRP of up to Rs.3000 will attract a uniform duty of 30%. The medium ranged bottles costing Rs.3000-5000 will draw Rs. 900 +20% of the MRP whereas those costing above Rs.5000 as the Maximum Retail Price would bring in Rs.1300 and 10% to the excise department.

While the earlier duty told heavily on the price of a cheaper wine bottle costing around Rs.100 (\$2.5) CIF, the proposed structure will fall heavily on the premium wines making their prices higher by around 30% or more.

The excise duty might not change much for wines costing around Rs.120 a bottle. But if one

compares the duty structure of fine wines with Maharashtra, the proposed excise would result in an increase of over 140% for Delhi as compared to 200% in Mumbai.

Hotel Industry gets hit below the belt

Another category where life will become more difficult is the hotels that have been enjoying duty free wines at the low excise duties on fine wines. Unknown to many, they are already under the scanner for overcharging on their alcoholic beverages with the government having given them a final warning to bring the prices down or else. The increase in excise duties would make their job doubly difficult undoubtedly.

However, the proposed policy will bring cheers to the Haryana government, wholesalers and retailers. The 500-rupee bottle will still cost around Rs. 2000 in Gurgaon as they do not have any excise duty, apart from the annual L1/L2 license charges. A price difference of Rs.828 would mean that a lot of Delhi residents would shift to Gurgaon for their purchases.

N D Wines filled the forms for the states for excise duty and licensing structure and is only looking forward to their work not on the making any issue of this kind a situation.

Founder Chairman of N.D. wines Mr. Ashok Gaikwad believes, 'With growing popularity of wines in domestic market our vision is to be the leader in world market and be known as the quality wine producer from India. We are hoping to challenge the supremacy of winemaking countries in an effort to gain a foothold in the international wine market.' Indian consumers are not very aware of the pros and health benefits of wine which prompts entrepreneurs like **Mr. Gaikwad** to adopt unconventional ways of promoting wine 'We educate people about wine and its health benefits via wine festivals and other means to develop wine culture in India as well as to eradicate the misconceptions prevalent in Indian masses about wine.' N D wines is not fearing from the pressure and ready for all the laws. N D Wines moto is to gain superiority by being with the law, not by running from the law.

Interestingly, the central government may not have been able to check the possible under-invoicing through the customs duty policy, but making the excise dependent upon the MRP, would certainly make it more difficult to save taxes through that route anymore. With the premium wines getting beyond the reach of the vast majority, the growth of Indian wine market is all set to be dictated by cheap wines.

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ABOUT N.D. WINES PVT. LTD.

Within a short period, **N. D. Grapes** became the most favored brand in countries like Hong Kong, Singapore, Malaysia, Africa, and Europe etc. The brainchild of **Ashok Gaikwad**, the company initially began as a table-grape exporter under the brand N.D Wines in **1993**. In 2004 they entered into wine manufacturing as well as exporting. Before launching wine under the banner of N.D. Wines Pvt. Ltd. they have exported wine to **Sula** a brand name in Indian market. Now, they have entered into the competition and are all set rule the national as well as international market.

N. D Grapes, the first company to get the distinction of single largest exporter of India, is regular and sole supplier to **J. Sainbury, Tesco and Mark's & Spencer's**. **It supplies much of the grapes**

and wine to better-known producers. Today N.D. wines has a strong hold in major states across India like Maharashtra, Goa, Diu, Daman, Silvassa, Rajasthan, U. P, Chandigarh, Karnatka, M. P etc. It's served in best of hotels but even served in the prestigious and luxurious trains like The Deccan Odyssey: promoted by Maharashtra government and Palace on wheels promoted by Rajasthan government. Not only this growing wine culture in India has lead them to increase their productivity from 5.5 lacs of bottles to 8.75 lacs of bottles in coming year.

The mounting demand of wine in bourgeois society has escorted them to come up with an exclusive **Syrah, Galaxy, Chenin Blanc and Sauvignon Blanc.**

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You can also visit www.geniegroups.com for more information.