

Alcoholic & Non Alcoholic Beverages

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1. EXECUTIVE SUMMARY

As India continues its trajectory of economic growth and urbanization, the alcoholic and non-alcoholic beverage industries are evolving rapidly, becoming integral to the country's economy and social fabric. However, both industries face unique challenges due to regulatory complexities, taxation structures, health-related perceptions, and the presence of counterfeit products. This position paper provides an in-depth analysis of these sectors, highlighting key trends, challenges, and recommendations to support their sustainable growth.

1.1 Alcoholic Beverage Sector: The Alco-Bev sector in India, often regarded as a “sunrise sector,” is marked by substantial growth potential and a diverse portfolio, including spirits, beer, and local specialties. Despite growth trajectories and increasing acceptance, the sector grapples with fragmented regulatory frameworks across states, inconsistent taxation policies, and challenges related to responsible consumption. The paper emphasizes the need for a **Central Regulatory Authority** to harmonize state policies, streamline pricing, and address public health concerns. Furthermore, trends like premiumization and craft beverage demand reflect a shift towards value-based consumption, suggesting that aligning policies to support high-quality, responsibly marketed products is crucial.

1.2 Non-Alcoholic Beverage Sector: The non-alcoholic beverage sector encompasses a broad spectrum of products, from carbonated soft drinks to health-oriented functional beverages. The sector is gaining traction as consumers seek healthier options, with an anticipated compound annual growth rate (CAGR) of 9% over the next decade. However, the sector is often perceived negatively due to health concerns surrounding sugar-sweetened beverages (SSBs). The paper advocates for differentiated taxation based on nutritional content, alongside initiatives to improve consumer awareness and promote healthier products. Implementing Front-of-Pack (FoP) labelling and reducing taxes on fruit-based and nutritious beverages can further align the sector with national health objectives.

Key Recommendations:

Centralized Regulation for Alcoholic Beverages:

Establish a Central Regulatory Authority to harmonize state-level regulations, ensuring uniform pricing, tackling smuggling, and promoting responsible consumption through targeted public health campaigns.

Rationalized Taxation for Non-Alcoholic Beverages: Adjust GST rates based on nutritional profiles to drive healthier consumption choices. Eliminate the additional “sin tax” on non-alcoholic beverages on all CSDs.

Counterfeit Prevention and Quality Assurance:

Strengthen enforcement against counterfeit products across both sectors, ensuring consumer safety and supporting legitimate businesses through moderate, uniform taxation.

Consumer Awareness and Health Promotion:

Encourage partnerships between the sector and government initiatives like FSSAI's “Eat Right Campaign” to improve public perception and promote healthier choices.

The paper underscores the importance of a collaborative approach between the government, sector stakeholders, and international bodies to address challenges, drive innovation, and ensure a balanced regulatory environment that supports growth and consumer welfare in India's dynamic beverage sector.

2. OVERVIEW OF THE ALCOHOLIC BEVERAGES SECTOR

This chapter provides an overview of the Alcoholic beverage sector in India, focusing on trends and developments. It presents the market size of the sectors and analyses the changes in consumption pattern across various categories and how we have done in trade with respect to this sector.

Alco-Beverage Sector

The liquor sector in India is regarded as a “sunrise sector” due to its substantial growth potential and increasing social acceptance. The market's size and diversity are defining attributes, encompassing a wide array of alcoholic beverages, including whiskey, rum, vodka, gin, beer, wine, and region-specific local spirits. This sector is experiencing positive growth driven by rapid urbanization, evolving lifestyles, and shifting cultural attitudes. Sales of alcoholic beverages in India are projected to grow at a 7% CAGR over the next decade.

According to estimates from the International Labour Organization (ILO), 30.7% of India's workforce is employed in the services sector. Moreover, India has over 600 million people between the ages of 18 and 35. This demographic dividend is anticipated to benefit the economy for at least 30 more years, peaking in 2041 when the working-age population (20–59 years) is expected to reach 59%.

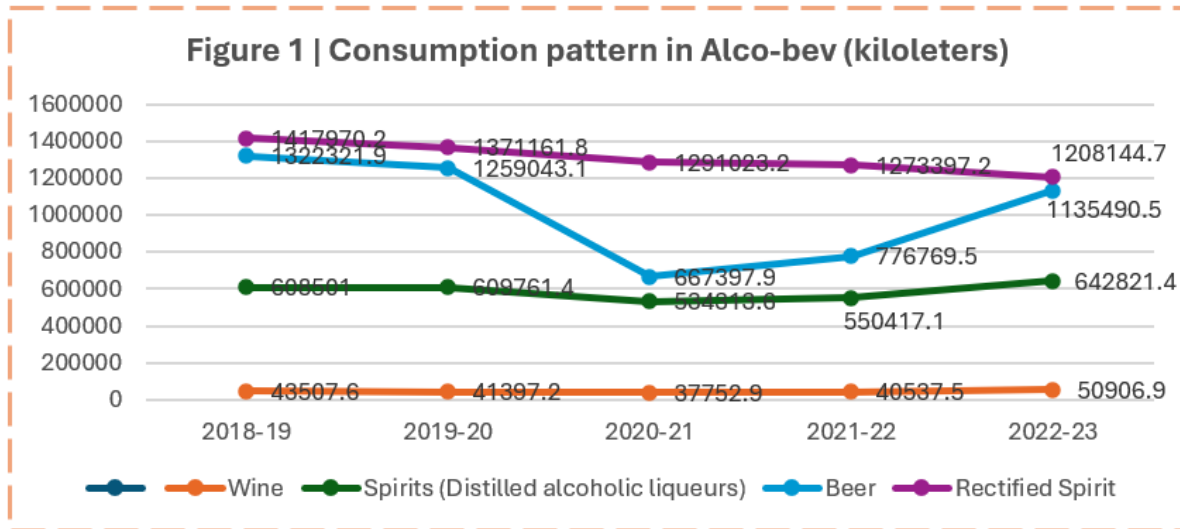
This demographic landscape presents a valuable opportunity for India, creating a favourable environment for the liquor market. Currently, about 33% of the population is of legal drinking age, further supporting growth in this sector.

2.1 Consumption Pattern

The states of Karnataka, Maharashtra, West Bengal, Odisha, Telangana, Delhi, Haryana, and Punjab

are among India's top liquor-consuming regions. According to CMIE data, out-of-home alcohol consumption experienced a strong recovery in FY23, marking the first year free from pandemic-related restrictions. Beer consumption more than doubled,

rising from 776,000 kiloliters in FY22 to 1,134,000 kiloliters in FY23. Likewise, spirits consumption saw a notable increase, growing from 550,000 kiloliters in FY22 to 644,000 kiloliters in FY23.



Source: CMIE Economic Outlook

2.2 Revenue share

In 2023, the size of the Alco-Bev market was about US\$ 55 billion in India against US\$ 52.4 billion in 2021. According to International Spirits and Wines Association of India (ISWAI) report, the Indian Alco-Bev sector is expected to reach US\$ 64 billion over the next five years.

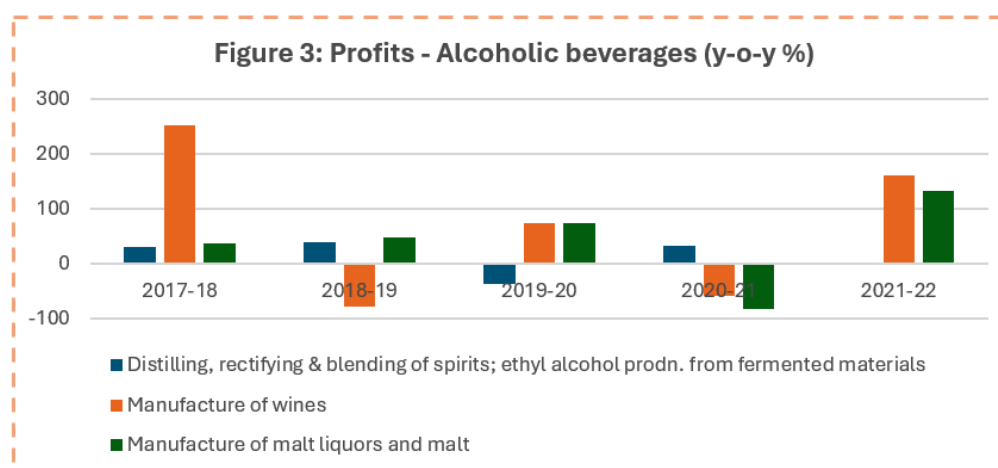
The Alco-Bev sector generates over INR 300,000 crores in taxes annually, directly supports the livelihood of 50 lakh farmers, and creates jobs for 20 lakh people in the manufacturing sector. It also fuels hundreds of ancillary industries with a combined annual turnover of INR 6000 – INR 7000 crores in the glass sector.

Y-o-Y % change: 2018-19 to 2022-23					
Year	Spirits (Distilled alcoholic liqueurs) - whisky, gin, rum, vodka, etc.	Today and other country liquors	Rectified Spirit	Wines	Beer & other undistilled and fermented alcoholic liqueurs other than wines
2018-19	-4.85	10.12	20.04	-7.1	5.65
2019-20	-1.37	-0.83	-11.2	-2.99	-5.02
2020-21	-7.34	2.67	-6.03	-8.59	-46.96
2021-22	-0.6	14.31	2.61	1.26	18.09
2022-23	9.45	-0.6	28.63	22.17	43.62

Source: CMIE economic outlook; CSO (MoSPI)

According to CMIE, the domestic revenue of India's Alco-Bev sector reached USD 50.3 billion in 2024, with an additional USD 6.23 billion generated from trade. Over the next decade, the sector is anticipated

to grow at a robust CAGR of 7%, aiming for a market valuation of USD 112 billion. In terms of volume, the domestic Alco-Bev market is expected to achieve a 4.5% growth rate by 2025.



2.3 Trade

India currently accounts for approximately 2.23% of global exports across all commodities, with government targets aiming to increase this share to 4-5% over the next five years. Alcohol imports into India surged by 54% during the first three quarters of FY23, marking the highest growth rate in a decade. This rise reflects strong economic performance, with increased disposable income leading to higher consumption of premium and imported products. Whisky imports alone grew by 55%, reaching USD 335 million, up from USD 218 million in FY20 before the pandemic.

3. EMERGING TRENDS IN THE ALCO-BEVERAGE SECTOR

3.1 Premiumization and Craft Beverages

Globally, consumers are increasingly favoring premium and craft spirits, driven by a demand for unique flavors and high-quality ingredients. Categories like whiskey, gin, and tequila have seen substantial growth, with the premium and above spirit segments projected to expand at a CAGR of 13% for blended Scotch between 2022 and 2027 (IWSR). This trend is particularly strong in India, where urban consumers are willing to pay more for high-end products. In FY23, spirits priced above ₹1,000 grew by 48%, compared to a 12% growth in the sub-₹500 category (CIABC).

3.2 Health-Conscious Consumption

Globally, there is rising demand for low- and no-alcohol beverages, especially in the U.S. and Europe, as health-conscious consumers seek moderation. The no- and low-alcohol market is expected to grow by over 30% by 2025 (IWSR). In India, the trend

is also gaining traction, particularly among young professionals in urban areas, with brands introducing lighter alcohol options to meet this demand.

3.3 Sustainability Initiatives

Sustainability is now a core focus, with companies investing in eco-friendly packaging, carbon neutrality, and water conservation. Diageo and AB InBev have taken the lead globally, setting targets to minimize environmental impact through sustainable sourcing and waste reduction. In India, consumers are increasingly mindful of sustainability, prompting brands to adopt recyclable packaging and water-saving processes.

3.4 Digital and Direct-to-Consumer (D2C) Channels

The pandemic accelerated the growth of digital sales, with many brands adopting direct-to-consumer channels. E-commerce has enabled companies to offer personalized experiences and tap into a younger demographic, especially in markets where online alcohol sales laws have been relaxed. In India, states like Maharashtra and West Bengal allowed online alcohol sales, opening up new opportunities for digital distribution.

4. GOVERNMENT INITIATIVES IN INDIA

Alcohol Beverage sector

The Government of India has implemented several significant initiatives to support the growth, regulation, and sustainability of the alcoholic beverage sector. These measures aim to create a favourable trade environment, streamline taxation, and address regulatory and safety challenges within the sector.

<p>Trade and Economic Partnership Agreement (TEPA) with EFTA Countries</p>	<ul style="list-style-type: none"> ✓ In March 2024, India and the European Free Trade Association (EFTA) countries (Iceland, Liechtenstein, Norway, and Switzerland) signed the TEPA to facilitate trade and economic growth ✓ Under TEPA, wines priced between USD 5 and USD 15 will experience a 50% reduction in customs duty in the first year, with further reductions planned over time. Wines priced above USD 15 will see a 25% duty cut, which will gradually decline over the next decade ✓ This time-bound duty reduction positions India as an attractive market for European wines, supporting the growth of the domestic wine sector by fostering competition and expanding product offerings
<p>State-Level Variations in Alcohol Excise Duty</p>	<ul style="list-style-type: none"> ✓ <i>Revenue Generation from Excise Duties</i> Excise duty on alcohol is a crucial revenue source for states, leading to varied excise rates across India ✓ <i>Highest and Lowest Taxing States</i> Karnataka, Maharashtra, and Telangana impose some of the highest excise duties, at 83%, 71%, and 68%, respectively, while Goa and Haryana have lower rates, at 49% and 47% ✓ <i>Balancing Revenue with Consumption</i> These variations reflect each state's approach to balancing revenue generation with consumer affordability and access to alcoholic beverages
<p>Stricter Advertising Regulations by ASCI</p>	<ul style="list-style-type: none"> ✓ <i>Tightened Advertising Guidelines</i> In December 2023, the Advertising Standards Council of India (ASCI) strengthened its guidelines for liquor and tobacco advertising. ✓ <i>Ban on Surrogate Advertising</i> ASCI's revised rules restrict surrogate advertising practices, such as using water or soda bottles with liquor brand labels, to protect consumer rights and ensure ethical marketing standards
<p>0BGST Revisions on Alcohol Production Inputs</p>	<ul style="list-style-type: none"> ✓ <i>Molasses GST Reduction</i> In October 2023, the GST on molasses was reduced from 28% to 5%, while molasses-based extra neutral alcohol (ENA) was temporarily exempted from GST. This reduction supports the sugar and distillery industries, lowering production costs for alcoholic beverages ✓ <i>ENA Taxation under State VAT</i> The revised policy allows ENA to be taxed under state VAT instead of GST, resolving disputes between the Centre and states. Distillers benefit from the change by being able to claim input tax credit (ITC), promoting cost efficiency in liquor production.

5. KEY BARRIERS/CHALLENGES FACED BY ALCOHOLIC BEVERAGE SECTOR

Alcohol Beverage sector

5.1 Fragmented Regulatory Framework

- Alcoholic beverage regulation varies widely across states, with each state setting its own rules for production, distribution, and sale.
- Regulatory bodies in each state have the power to impose specific restrictions, making it challenging for companies to navigate multiple and often conflicting regulations.
- Inconsistent regulations lead to operational inefficiencies and increased compliance costs for businesses.

5.2 Complex Licensing and Operational Permits

- Obtaining necessary permits and licenses to manufacture, distribute, and sell alcoholic

beverages involves multiple regulatory approvals at both state and local levels.

- Companies must undergo extensive safety testing and secure permits for production facilities and distribution networks, leading to high entry barriers.
- Strict guidelines around packaging safety, including bottle standards, add to the regulatory burden.

5.3 Restrictions on Sales and Distribution

- Many states enforce restrictions on alcohol sales during specific hours or days, as well as limit alcohol sales in proximity to schools, playgrounds, and other sensitive areas.
- These restrictions complicate distribution planning and reduce market access, particularly in states with strict time-based sales limitations.

5.4 Legal Restrictions and Penalties

- Nationwide legal restrictions prevent the sale of alcohol to underage individuals and those without a valid license.
- Violations of these restrictions result in severe penalties, including heavy fines and prison sentences, posing significant legal risks to businesses.
- Enforcement of these laws varies, adding to compliance challenges.

5.5 Increased Compliance and Quality Standards

- Companies must adhere to rigorous health and safety standards set by the Indian government to ensure product quality and consumer safety.
- Regular audits of vendors are required to ensure that raw materials, manufacturing processes, packaging, and distribution meet strict quality standards.
- Non-compliance with health and safety regulations can result in penalties and damage to brand reputation.

5.6 Operational Challenges Due to Varied Topography

- India's diverse geography, spanning urban and remote areas, creates logistical and distribution challenges for the alcohol sector.

- The need for localized distribution strategies increases operational costs, particularly in regions with difficult terrain or limited infrastructure.

5.7 Market Pressure from Evolving Consumer Trends

- With rising disposable incomes, a shift in lifestyles, and increased foreign brand presence, the sector faces constant pressure to adapt to new trends and consumer preferences.
- Demand for premium and craft beverages requires companies to continuously innovate and invest in new product lines.

6. RECOMMENDATIONS

Alcohol Bvg. Sector

The rapidly growing Alco-Bev sector in India faces numerous challenges due to the current decentralized regulatory framework, where each state controls its own excise policies. This lack of uniformity leads to several issues that hinder business operations and consumer experience.

Focus Area	Recommendations
6.1 Establishment of a National Regulator	
Need for Transparency and Accountability	The Alco-Bev sector in India remains highly fragmented and often faces issues related to corrupt practices and inefficiencies. A national regulatory body can help bring transparency and accountability to the sector, curbing malpractices, reducing revenue leaks, and generating additional revenues for state governments.
Centralized Control over Manufacturing and Distribution	National regulatory body focused on the manufacturing and distribution of alcoholic beverages will unify standards and create a streamlined regulatory framework across states. Currently, inter-state duties and diverse regulations force national players to establish separate manufacturing or contract setups in each state, with distribution tightly controlled at the state level.
Labelling and Consumer Awareness	The Food Safety and Standards (Alcoholic Beverages Standards) Regulation, 2018, which introduced standardized labelling for alcoholic beverages, was a positive step towards consumer protection. A national regulator can build on this by implementing consistent labelling and consumer information standards, fostering informed consumption.
6.2 FSSAI and Quality Assurance	
Streamlining NOC and Distribution Approvals	The requirement for a No Objection Certificate (NOC) before moving goods from Customs Bond to distributors often results in unnecessary delays. A more efficient NOC process, with standardized timelines, will reduce delays and improve the distribution flow.

Focus Area	Recommendations
Enhancing Laboratory Capacity and Consistency	FSSAI regulations apply to the Alco-Bev sector, but the limited capacity of accredited labs and inconsistencies in testing results create challenges. A national regulatory body, in coordination with FSSAI, should work towards expanding laboratory capacity and standardizing testing protocols to ensure reliable quality control.
6.3 Simplifying Customs and Import Duties	
Rationalize Duty Structure	India's current customs duty structure for alcoholic beverages is complex and subject to retrospective changes. A simplified, forward-looking duty structure will enhance transparency and support smoother import processes.
Uniform Taxation Framework Across States	India's states and seven union territories each have their own excise policies and tax structures, resulting in varied prices for alcoholic beverages across the country. A harmonized taxation framework, while respecting state autonomy, could promote a fairer and more transparent market.
6.4 Harmonized Legal Metrology and Product Labelling	
Uniform Labelling Standards Across States	The existence of varying state-specific regulations for labelling and pricing has led to duplicity issues and confusion over India-specific labels. A national regulatory framework should mandate uniform labelling standards for all alcoholic products, enabling consistency in pricing and better regulatory compliance across states.
Reducing Duplicity in Regulations	Almost every state has its own legislation regarding the manufacturing, sale, and distribution of alcohol. This has led to inconsistency and operational complexities. A national regulator can work to standardize and harmonize these laws, reducing duplicative efforts and streamlining operations.

7. OVERVIEW OF THE NON-ALCOHOLIC BEVERAGES SECTOR

This chapter provides an overview of the non-alcoholic beverage sector in India, focusing on trends and developments. It presents the market size of the sectors and analyses the changes in consumption patterns across various categories and how we have done in trade with respect to these two sectors.

Non-Alcoholic Beverages

Non-alcoholic beverages are a vital segment within the food processing sector, encompassing a wide range of alcohol-free drinks, including carbonated soft drinks (CSDs), carbonated fruit drinks (CFDs), fruit and vegetable juices, tea, coffee, sports drinks, energy drinks, and mineral water. The global non-alcoholic beverage market is substantial, making up nearly 40% of the overall beverage sector, with participation from numerous multinationals, regional, and domestic players¹.

The global non-alcoholic beverage market was worth USD1180 billion in 2020 and is projected to reach

USD 2175 billion in 2026, with a CAGR of 7.3% (2013 to 2026). Over 60% of the global market was accounted for by carbonated soft drinks (CSDs), ready-to-drink (RTD) tea/coffee, energy drinks and sports drinks. Both globally and in India, CSDs is the largest segment, but per capita consumption of CSDs is lower in India compared to many countries.

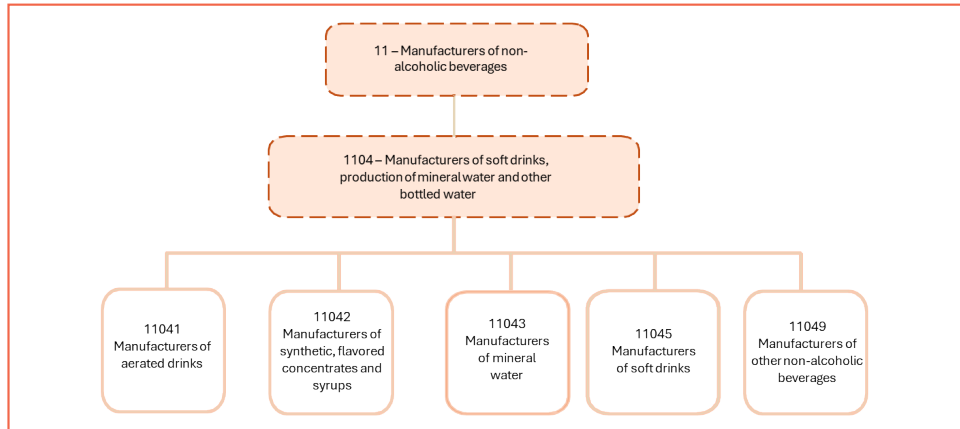
Mineral water (packaged drinking water/natural mineral water) has the highest growth projection in Asia, with India being one of the largest markets. Globally, and in India there is an increase in health awareness and companies are innovating new products to cater to such need, leading to a proliferation of nutritious products.

The market's growth trajectory is propelled by the rise in disposable incomes and the shift toward healthier lifestyle choices, positioning it as a sector with substantial growth potential. Non-alcoholic beverage sales in India are projected to grow at a CAGR of 9% over the next decade^{1F2}.

1. Source: <https://tradestat.commerce.gov.in/eidb/ecom.asp>

2. Indian Beverage Association (in-beverage.org)

Classification of the Non-Alcoholic Beverage Sector as per National Industrial Classification (NIC), 2008



7.1 Consumption Pattern

The consumption pattern of non-alcoholic beverages in India has seen dynamic growth and diversification over the past decade. This change is largely due to evolving consumer preferences, increased urbanization, rising health consciousness, and the influence of global trends.

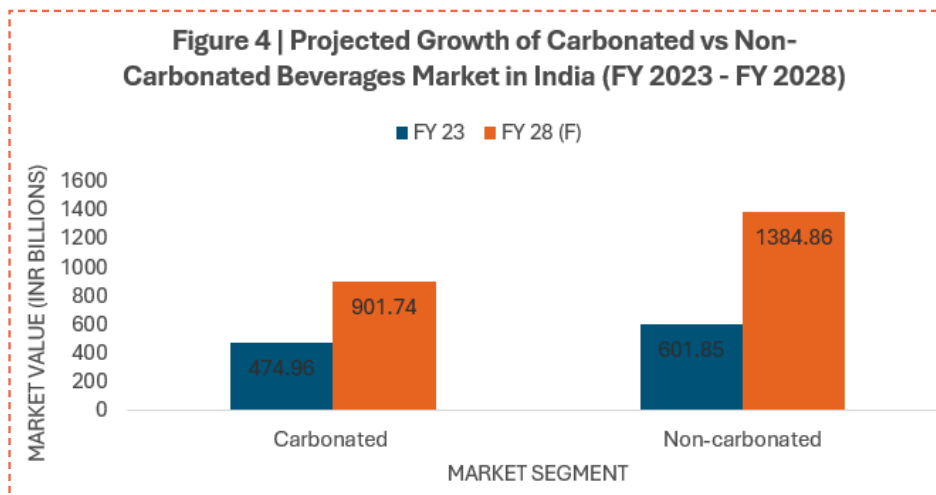
Energy drinks are experiencing a surge in demand, particularly among younger consumers and urban professionals looking for quick energy boosts. The bottled water market is also expanding rapidly, primarily due to concerns over water quality and convenience.

Health and wellness trends are driving product innovation, with a strong focus on natural ingredients, low-calorie options, and functional benefits like added vitamins, minerals, and herbal extracts. Local and regional brands are increasingly competing with global players by offering niche products and utilizing traditional ingredients to appeal to health-conscious consumers.

7.2 Market Share

The Indian Non-Alcoholic Beverages Market was valued at USD 14.95 billion in 2024 and is expected to grow at a compound annual growth rate (CAGR) of 7.36% through 2030³. This dynamic and rapidly expanding sector is fueled by evolving consumer preferences, urbanization, and rising disposable incomes. The market includes a wide variety of products such as soft drinks, juices, energy drinks, bottled water, and functional beverages.

Carbonated and non-carbonated beverages are two markets for non-alcoholic beverages. The carbonated beverages market segment was valued at INR 474.96 Bn in FY 2023 and is expected to reach a value of INR 601.85 Bn by FY 2028, expanding at a CAGR of ~4.87% during the FY 2024 - FY 2028 period. The non-carbonated beverages segment in India was valued at INR 901.74 Bn in FY 2023. It is expected to reach INR 1,384.46 Bn by FY 2028, expanding at a CAGR of ~8.42% during the FY 2024 - FY 2028 period⁴.



3. <https://www.techsciresearch.com/report/india-non-alcoholic-beverages-market>
 4. <https://www.indiabusinessstrade.in/>

Soft drink companies have tailored their strategies to meet local tastes and promote healthier alternatives to traditional sugary beverages. Juices, including both fruit-based and vegetable blends, have also gained popularity, driven by increasing health consciousness among consumers.

7.3 Trade

India has witnessed a substantial increase in both the import and export of non-alcoholic beverages, reflecting rising global and domestic demand. Government initiatives aimed at promoting export growth for high-potential products have included non-alcoholic beverages in their target list, with a focus on enhancing the international competitiveness of India’s brands. Imports have surged as well, with the demand for premium juices, functional drinks, and bottled water brands from international markets steadily increasing. This trend aligns with India’s

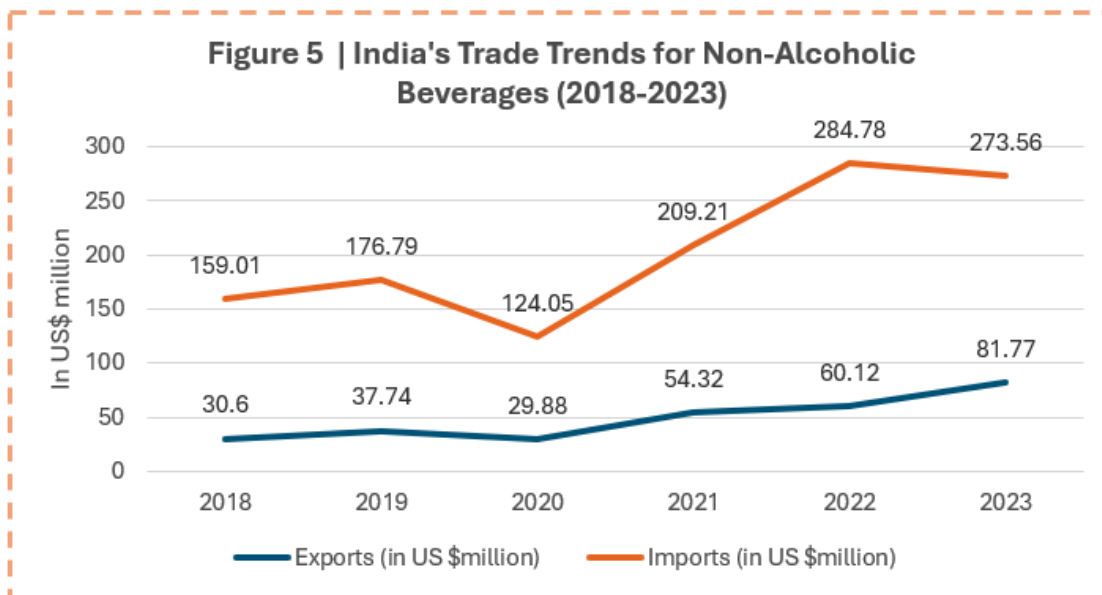
broader economic performance, where increased disposable incomes are driving demand for premium imported beverages.

However, India’s position in global exports of non-alcoholic beverages is not reflective of its potential. Imports in this category were estimated at **US\$ 273.6 million** in 2023 (5-year CAGR of 11.5%), while imports were at just **US\$ 81.8 million** (5-year CAGR of 21.7%), leading to a trade deficit of **US\$ 191.8 million**. For analysing the trade in this category, we have considered three 4-digit HS Codes:

HS 2201: Waters, incl. natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter...

HS 2202: Waters, incl. mineral waters and aerated waters, containing added sugar or other sweetening ...

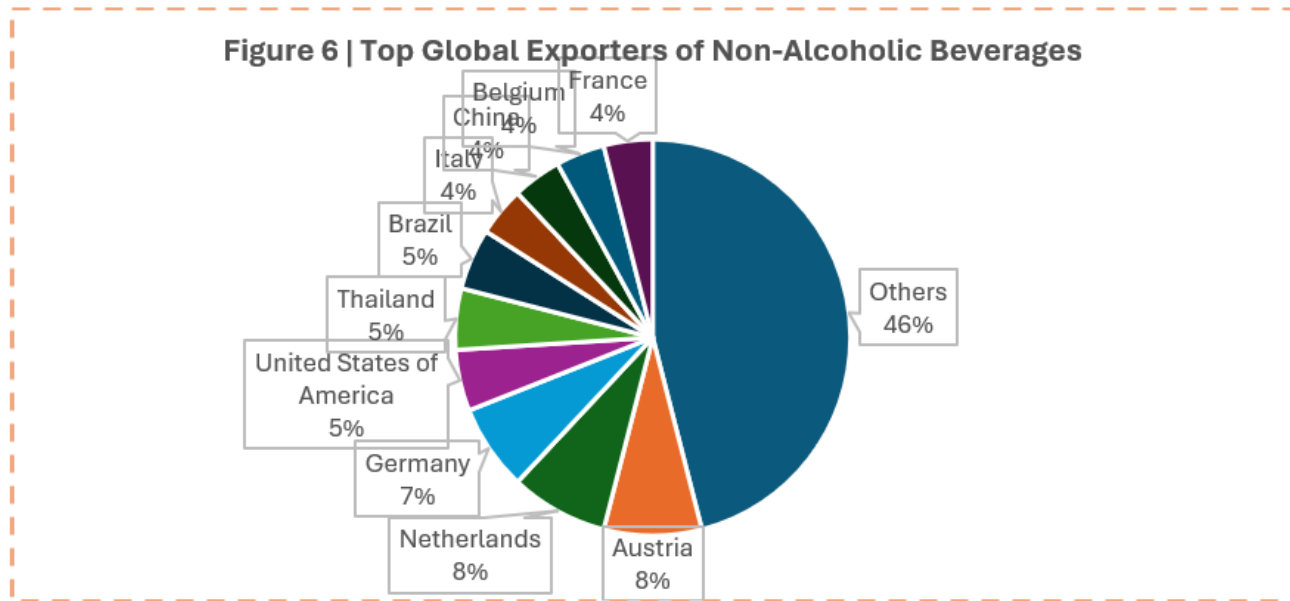
HS 2009: Fruit juices, incl. grape must, and vegetable juices, unfermented, not containing added spirit, ...



Source: DGCIS, ITC Trade Map, figures in US\$ million

India’s exports and imports are dominated by one category – HS 2202. Exports for this category reached US\$ 60.3 million in 2023 and imports were recorded at US\$ 240 million. Even globally, this is the highest contributor to trade in non-alcoholic beverages with imports of US\$ 26.9 billion in 2022, followed by HS 2009 (US\$ 17 billion) and HS 2201 (US\$ 4.5 billion).

Among global exporters, India ranks at 67, with a global market share of just 0.12%. The top position was taken by Austria in 2022 (US\$ 3.9 billion), which is closely followed by Netherlands (US\$ 3.8 billion). Germany (US\$ 3.2 billion), US (US\$ 2.3 billion) and Thailand (US\$ 2.29 billion) took up ranks 3, 4 and 5 respectively. Notably we cannot say that there is a dominant player yet in this market, even though the top ten have taken 54% of the market collectively.



Source ITC Trade Map, figures for 2022

India's exports on the other hand were dominated by UAE in 2022 (US\$ 16.12 million) followed by the US (US\$ 8.3 million), Nepal (US\$ 7 million) and Netherlands (US\$ 4.3 million). It is clear that there is a long way to go for India to make a mark in this segment internationally. However, the growth in the domestic market is a positive sign, as players are enthused to expand capacities and build strong product portfolios in this segment.

8. EMERGING TRENDS IN THE NON-ALCOHOLIC BEVERAGE SECTOR

8.1 Health and Wellness Focus with Functional and Plant-Based Beverages

Globally, consumers are increasingly prioritizing health, wellness, and nutritional benefits in their beverage choices. This has led to a surge in demand for functional beverages enriched with immunity-boosting ingredients, vitamins, and minerals. Products like kombucha, probiotic drinks, and plant-based alternatives (such as almond, oat, and soy milk) have gained mainstream popularity as consumers seek dairy-free and nutritious options.

In India, this trend is mirrored in the growing consumption of fortified juices, functional water, and health-oriented drinks, driven by increased awareness and a focus on wellness.

8.2 Premiumization and Craft Beverages

The trend of premiumization, initially strong in the alcoholic sector, is now also prominent in non-alcoholic beverages. Globally and in India, consumers are willing to pay a premium for high-quality, artisanal

options like cold-pressed juices, premium RTD teas, and gourmet coffee. These beverages are perceived as lifestyle products, appealing to health-conscious, discerning consumers. Indian consumers, especially in urban areas, show a preference for value-based, premium offerings, indicating a shift towards high-quality, health-oriented products.

8.3 Sustainable and Eco-Friendly Packaging

Sustainability is a key focus in the global non-alcoholic beverage sector, with companies investing in eco-friendly packaging solutions such as biodegradable bottles, recyclable cans, and minimal packaging. In India, local brands are increasingly adopting sustainable practices, including recyclable packaging and reduced plastic use, to cater to environmentally conscious consumers.

8.4 Digital and Direct-to-Consumer Channels

The rise in e-commerce has transformed the non-alcoholic beverage sector, with many brands embracing direct-to-consumer (D2C) models to expand their reach. Subscription services and online platforms are becoming popular, allowing companies to connect with a broader audience. In India, D2C channels provide access to niche markets and younger consumers who prefer online shopping.

8.5 Product Innovation and Localized Flavors

To cater to diverse consumer preferences, non-alcoholic beverage companies in India are innovating with localized flavors and traditional ingredients such

as turmeric, ginger, and Tulsi. This approach resonates with Indian consumers seeking authentic and familiar tastes while embracing health benefits. Global brands are also focusing on flavor diversity, aligning with regional tastes to enhance market appeal.

9. GOVERNMENT INITIATIVES IN INDIA

Non-Alcoholic Beverage sector

Government of India has taken up various initiatives to boost the non-alcoholic beverages sector:

100% FDI	✓ The government of India has allowed 100% FDI in the food processing sector through the automatic route, to promote investments in the sector
Make in India Campaign	✓ Although not specific to CSDs, the “Make in India” campaign supports local manufacturing, which includes beverage production.
Income Tax Exemptions	✓ The government supports the dairy sector by providing a 100% income tax exemption on profits and gains for new dairy processing units during their first five assessment years. Additionally, the 2019 budget introduced substantial reductions in corporate tax rates, positioning India among the countries with the lowest corporate tax rates for new companies
Enabling Environment	✓ The government has classified the food processing sector, including dairy processing, as an ‘agricultural activity’ and designated it under Priority Sector Lending to ensure credit availability for the sector

10. KEY BARRIERS/CHALLENGES FACED BY NON-ALCOHOLIC BEVERAGE SECTOR

Non-Alcoholic Beverage Sector

10.1 Tax-Related Challenges and Low Revenue Collection

- **Low Per Capita Consumption:** High tax rates on non-alcoholic beverages do not reflect consumer demand, resulting in low per capita consumption and consequently lower revenue collection through taxes.
- **Disproportionate Tax Burden on Low-Income Groups:** As consumption of carbonated soft drinks (CSDs) declines among higher socio-economic groups and increases among lower-income groups, the tax burden disproportionately impacts low-income consumers.

10.2 Rise in Counterfeit Products

- **Affordability Issues Leading to Counterfeit Sales:** High prices and low affordability among consumers have led to an increase in counterfeit and spurious non-alcoholic beverages, as some manufacturers exploit cost differences to sell cheaper, unregulated products.

10.3 Negative Perception Regarding the Sector

- **Health Concerns with Sugar-Sweetened Beverages (SSBs):** Increasing awareness of health issues related to high sugar intake has led to a negative perception of carbonated soft drinks and other sugar-sweetened beverages. Consumers are becoming more health-conscious, and public health campaigns often highlight the negative effects of sugary drinks, influencing consumer behaviour and reducing demand.

11. RECOMMENDATIONS

Non-Alco Bev. Sector

The non-alcoholic beverage sector in India faces several challenges, including health-related perceptions, high taxation, and the prevalence of counterfeit products. To foster sustainable growth and improve public perception, it is crucial to adopt a strategic, collaborative approach involving both the government and sector stakeholders. The following recommendations aim to address these issues, encourage healthy consumption, and position India as a key player in the global non-alcoholic beverage market.

Focus Area	Recommendations
Negating Negative Perception	
Engage Industry in Regulatory Development	<ul style="list-style-type: none"> • Industry Consultation: Regulations should be issued only after comprehensive consultation with industry stakeholders. Incorporating industry feedback leads to well-rounded regulations, improving compliance, ease of doing business, and reducing the need for amendments post-notification. • Collaborative Policymaking: Effective stakeholder consultations between government authorities and industry representatives foster a cooperative approach to policy formulation. Lack of industry consultation may lead to significant concerns being overlooked, impacting the practicality of regulations. • Establish Robust Feedback Mechanisms: A continuous feedback loop between regulators and the industry, facilitated by associations, ensures that regulations are effective and practical. Regular consultations enable the industry to address concerns and suggest improvements, enhancing the regulatory environment and supporting ease of doing business. • Adequate Implementation Periods: New regulations should come with reasonable implementation timelines to accommodate business processes. This is especially important due to current global supply chain challenges, where delayed materials may hinder timely compliance, risking inadvertent non-compliance for companies.
Addressing Negative Perception and Health Concerns	<ul style="list-style-type: none"> • Awareness Campaigns: Conduct national awareness campaigns on health-conscious consumption, educating the public about healthier beverage options and the role of fruits and vegetables in a balanced diet.
Tax Structure Reforms	
Rationalizing Tax Structure	<ul style="list-style-type: none"> • Eliminate Additional “Sin Tax” on Non-Alcoholic Beverages: The current GST on Non-Alcoholic beverages is 28%. Phase out the extra 12% cess on non-alcoholic beverages, as it unjustly categorizes these products with tobacco and other harmful goods. Non-alcoholic beverages with nutritional benefits should not be grouped under the same category as “sin” items. • Reduce Tax on all CSDs: Reducing taxes on all carbonated soft drinks (CSD) can have a positive impact, particularly for consumers in lower economic baskets. When high taxes are imposed, these costs are often transferred to consumers with limited financial means. The reduction of tax incidence also encourages more innovation in the category. • Align GST with Nutrition Content: Differentiate tax rates based on nutrition content; for example, carbonated beverages with added sugars could be taxed at a higher rate than those with natural ingredients or minimal sugar. This approach will drive consumers toward healthier choices.

Counterfeit and unregulated Products	
<p>Combatting Counterfeit and Unregulated Products</p>	<ul style="list-style-type: none"> • Strengthen Enforcement Against Counterfeit Products: Implement stricter policies and monitoring to reduce counterfeit products, which undermine consumer safety and harm the organized sector. Improved vigilance can protect consumers from health risks posed by unregulated beverages. • Moderate Tax to Discourage Counterfeit Sales: Apply a moderate, uniform tax rate to minimize incentives for informal players to evade taxes, which would help formalize the sector and reduce the prevalence of counterfeit products. This approach expands the tax base while ensuring consumer safety. • Promote Consumer Awareness on Counterfeit Risks: Raise public awareness on identifying genuine products through media campaigns, enabling consumers to avoid counterfeit products and protecting legitimate businesses.

