

Indian Spirits Market – Trends & Opportunities [2012-2017]

Executive Summary

Drinking practices vary substantially among different countries and different masses, despite that both alcoholic beverages and non alcoholic beverages are very popular among all ages of people. The alcoholic drinks market is broadly classified into five classes, starting from beers, including wines, hard liquors, liqueurs and others. The Indian alcoholic beverages market has been growing rapidly for the last ten years, due to the positive impact of demographic trends and changes like rising income levels, changing age profile, changing lifestyles and reduction in beverage prices. Similarly non-alcoholic drinks market is broadly classified into carbonated drinks, non-carbonated drinks and hot beverages. These include juices, energy drinks, carbonated drinks, tea, coffee and bottled water.

This report focuses on spirits market of India, which includes vodka, rum, whiskey, brandy and gin. India is considered to be a lucrative unexplored destination for alcoholic drinks by several international companies operating in saturated alcoholic beverages markets of Europe and the US. India's alcoholic beverage market has grown steadily in the last 5 years. It is the second largest market for spirits and has been growing at a CAGR of about 10% for last ten years. Growing urban population, increasing disposable income, changing social norms are the factors driving this growth in spirits market of India. The Indian scenario of alcohol industry is unlike the global pattern. In west, traditionally the consumption of beer and wine is high where as Indians are consumers of hard liquor like scotch and whiskey. Indians are considered to be pre ordained whiskey drinkers as it accounts for about 70% of the market. The Indian spirits market is also facing some challenges like regulation norms from government, environmental issues and other social factors influencing the society.

Although the spirits segment is very fragmented, with country liquor, IMFL and international players serving the market, about 86% of the market is catered by few major players like United Spirits Limited (USL), Radico, Jagatjit and Mohan Meakins. The market consists of five

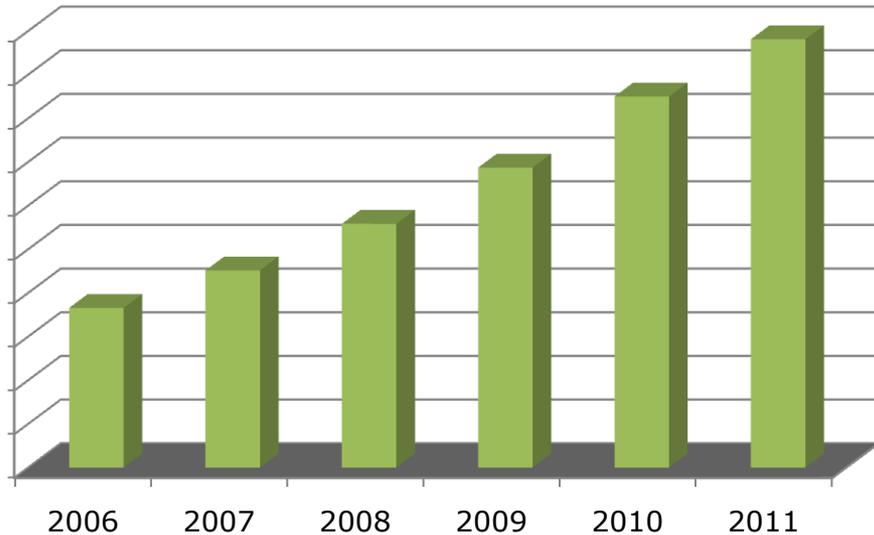
segments: whiskey, rum, vodka, brandy and gin. Whiskey has the largest market share in India. Some of the popular brands are Officer's Choice, McDowell's No.1, Bagpiper, Royal Stag, Old Tavern and Original Choice. The other emerging drink is Vodka which is marking its popularity among youth in metro cities and tier2 and tier3 cities as well. Brandy is an old spirit and is popular among aged group population of the country.

Many international brands are coming to India through mergers, tie ups and acquisitions. Recently the world's biggest brand Diageo announced a complex deal, which will see Diageo initially acquiring 27.4% stake in United Spirits for a medium term, United Spirits will emerge from Diageo's premium global brands and export opportunity. Once the deal is done, around INR 3,300 crore (approximately US\$7.06 billion) will flow into United Spirits, a large part of which will be used to repay its huge debt, which is currently at over INR 8,000 crore (approximately US\$17.14 billion). Such mergers and acquisitions are expected to bring dynamic changes in the Indian liquor industry.

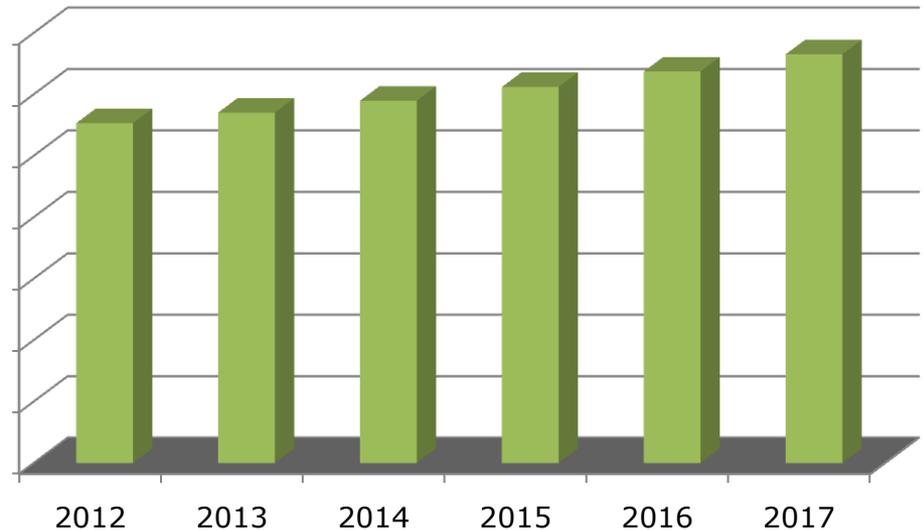
Global Spirits Market : Overview

The global spirit market enjoyed a period of phenomenal growth leading up to the recession of 2009. It has fared well since then as the economy recovered. Growth picked up in 2010 and 2011, helped by strong sales of whisky and vodka in developing economies.

Global Spirits Market Size (US\$ Billion)



Global Spirits Market Size Forecast (US\$ Billion)

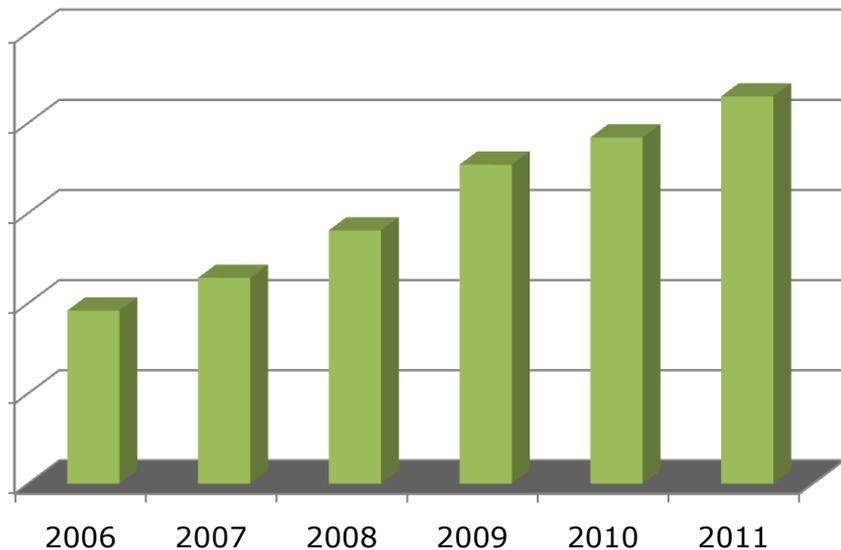


- There has been a notable growth in the worldwide market for Spirits in the past few years, and this growth is projected to reachestimated to grow at a CAGR of% during 2012-17
- The major growth drivers of the market are

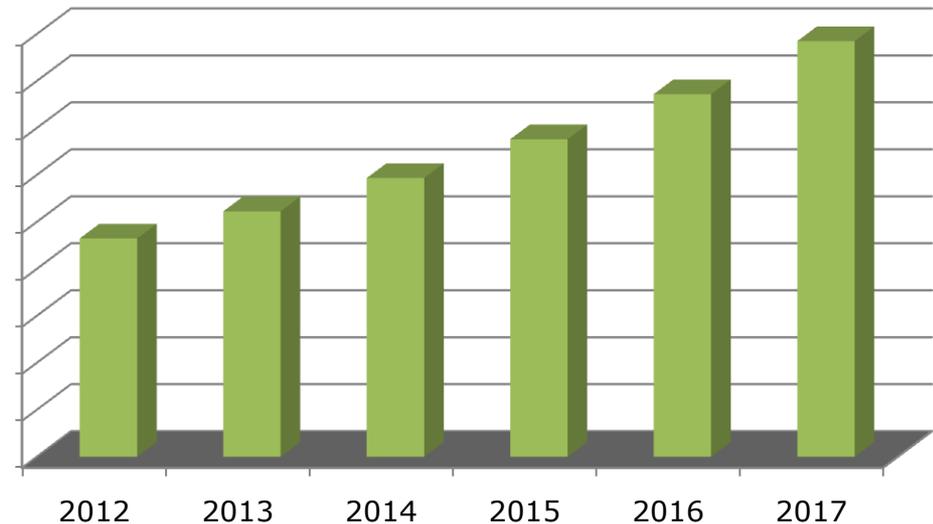
Indian Spirits Market : Overview

India is one of the fastest-growing alcohol markets in the world. Almost 70% of alcohol in south-east Asia is produced in India. Besides, India's contribution in total alcohol beverage imports in the region is nearly 10 per cent. Owing to its stronger affinity for hard liquor, the Indian market is dominated by whiskey.

Indian Spirits Market Size (US\$ Billion)



Indian Spirits Market Size Forecast (US\$ Billion)



- The Indian Spirits market grew at a compound annual growth rate of% for the 5 year period between 2006 and 2011 due to
- The Indian spirits market is further expected to witness a consistent growth for the coming years at a CAGR of%

Market Trends

Trends Among Women

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Drinking age and trends among youth

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Growing culture of Pubs, Discs and Bar

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