

ROADS TO MARKET IN INDIA

The wine world has high hopes for India, given its population and rising wealth. But not so fast, says Subhash Arora, because anybody looking to enter the market needs to consider a number of obstacles, including punishing duties.

The unrestricted import of alcohol has been allowed by the Indian government for more than five years now. The number of wine importers has increased from about 35 a couple of years ago to nearly 80 and will soon touch 100 if one considers the many new arrivals, plus the old ones who had stopped importing due to stringent laws, heavy duties and a restricted market, now expanding at over 30% a year.

Distribution restrictions

The barriers to import remain high. The bonded warehouses are the initial barriers, requiring considerable financial investment and bank guarantees. Excise bonded warehouses and a license is required in each state. Brands have to register each label individually, and pay a hefty annual license fee. In Delhi alone, the license to sell alcohol costs Rs.5.0 lakhs (\$123,000/€80,000) annually. Even if the license is taken for a month, the same amount has to be paid before a single bottle can be sold.

These two restrictive measures set a sufficient barrier to new entrants, who are generally forced to use the services of existing bonders. The commission payable for these two services alone varies between 10-20% of the cost of wine. This affects the viability of the small importer, who is obliged to rent these services. Yet, the new importers are making a place for themselves: At the break even of 1200-1500 cases sold annually, there are few exits and the number of importers is steadily going up, even though the market isn't big enough for everyone to thrive.

The distribution leaders

Primarily due to those two factors, the new importers have not been able to make a significant dent so far and

the old order remains. Brindco, the largest importer, has the pole position and maintains its leadership; it has increased sales by more than 70% over the last two years, to around 51,000 cases.

Sonarys, with its own bonded warehouse, leapfrogged into the second spot. In third place is Moët Hennessy, which has aggressively promoted its Champagnes and other wines, pushing the volume to 21,000 cases. Global Tax Free Traders has been stagnating in fourth place at around 13,000 cases.

How our tables were calculated

The figures and position of the importers in the hierarchy have been determined by conducting a survey among the 40 largest known importers. A major difficulty is assessing the actual volume of sales. Value is not a feasible criterion, as there are no official figures available and there are many re-exports. Plus, no importer, large or small, is willing to reveal revenues. The volume-based import figures are also not easy to come by. Each importer was thus asked to estimate the volume of the competitors.

Another tricky factor to consider was the unsold stocks of imports. Although the left-over stocks from previous year would have been sold in the current year too, a factoring was done based on the market conditions to allow for excess left-over stocks this year; there was a recent slowdown in sales due to Maharashtra imposing heavy excise duties at 200%.

Bulk wine imports have not been included. A majority of such wines are bottled and sold as Indian wine. Recently, Champagne Indage started importing wine and this will reflect a significant share of the next year's statistics. The

total sales of imported wines through legal channels were about 210-220,000 cases in 2007-08, including duty free sales of around 7,000 cases nationally.

The top three importers accounted for 96,000 cases, or 44% of total sales, compared to 60% about two years ago. The top five importers were able to sell a total of 121,500 cases, a share of only about 55%. Today, the top six importers control 60% of the market, where only three companies controlled that much two years ago. The top 10 between them sold 159,000 cases, or a 72% share.

Distribution pattern

Sales are controlled by each state individually. More states are allowing sales through easier channels like supermarkets, while stores that sell only wine and beer are given cheaper licenses. The states of Maharashtra, Karnataka, Haryana, Goa and Punjab have a liberal retail policy, paving the way for continuous growth through these channels. Delhi is still restrictive. Such policies are likely to change the market trends, with the retail sector expanding during the current year. Each state requires wholesalers to have their own excise license. The importers and distributors must sell their products through these wholesale licensees. The state of Haryana allows retail sales through a license issued annually through the drawing of lots, but the retailer must buy through wholesalers who have to get a separate license. The distributors have to sell through these wholesalers, adding to the cost of distribution.

With giants like UK's Berkman Cellars, UB, and Diageo entering the market, and Indian wine producers like Champagne Indage and Sula stepping up imports, the distribution hierarchy is expected to undergo an overhaul. ■

TOP 10 INDIAN WINE IMPORTERS

1	Brindco Ltd.	51,000 cases	6	Pernod Ricard India Pvt. Ltd.	12,000 cases
S 53 Okhla Industrial Area, Phase II, New Delhi 110020 Phone: +91 26 91 87 07, www.brindco.com		Tower B, 7th Floor, Global Business Park, Mehrauli - Gurgaon Road, Gurgaon 122002, Haryana Phone: +91 12 42 35 80 018, www.pernodricardindia.com			
<p>CEO: Aman Dhall Contact person: Aman Dhall Established: 2001 Major brands: Villa Maria, Craggy Range Viña Tarapaca, Calina, Baron Philippe de Rothschild, Almaviva, Kendall Jackson, Caymus, Joseph Phelps, Cakebread Cellars, Benziger, Jordan Vineyards, Stag's Leap</p>		<p>Cellars, Duckhorn, St. Francis Vineyards, Francis Ford Coppola Wines and many others from both the Old and New Worlds. Company description: Importer of wines, spirits, and beer, India-wide distribution. Has bonded warehouses in Delhi, Mumbai and Goa. Has contracted wineries, one in Chile and the other in Australia.</p>		<p>CEO: Param Uberoi Contact person: Rukn Luthra Established: 1993 Major brands: Jacob's Creek, Mumms, Montana Company description: Largest multi-national wine and spirits company and first to enter the domestic wine business. The company obviously focuses on their own wine brands, with the enormous advantage of the large distribution system for whisky and other liquor products.</p>	
2	Sonarys Co Brands Pvt. Ltd.	24,000 cases	7	Mohan Brothers (P) Ltd.	7,500 cases
G-12, Creative Industrial Estate, N.M Joshi Marg, Mumbai 400011 Phone: +91 22 66 66 91 11, www.sansula.com		2nd Floor, Plaza Cinema Building, Connaught Place, New Delhi 110001 Phone: +91 01 12 33 22 404			
<p>TCEO: Sanjay Menon Contact person: Jaidev Chatterjee Established: 1974 in alcobev products Major brands: JP Moieux, Pol Roger, Bouchard, Beaucastel, Yalumba, Ridge, Torbreck, Cullen, Robert Mondavi, Montes, Faively, Hugel, Pascal Jolivet, Paul Jaboulet Aine, Domaine Laroche, Antinori, Garofoli,</p>		<p>Villa Girardi, Springfield Estate, Enate Company description: The business concentrated more on beer and spirits until 10 years ago. It has the first privately owned Public Bonded Warehouse in the country, plus warehouses in Delhi and Bombay.</p>		<p>CEO: Rohit Mehra Contact person: Rohit Mehra Established: 1965 Major brands: Penfolds, Lindemans, Fairview, Barone Ricasoli Company description: The Mehra family started the company as a liquor trading company and, after splits in the nineties, entered the wine business. Primarily India's biggest distributors for Moët & Hennessy, the company has now taken steps to expand the wine portfolio and recapture some of the lost business.</p>	
3	Moët Hennessy India Pvt. Ltd.	21,000 cases	8	Sula Selections	7,000 cases
301- D & E, "A" Wing, 3rd floor, Poonam Chambers, Dr Annie Besant Road, Worli, Mumbai 400018, Phone: +91 22 40 79 65 00, www.lvmh.com		Nashik Vintners Pvt. Ltd., 1 Matulya Center C, Senapati Bapat Marg Lower Parel, Mumbai 400013, Phone: +91 25 32 23 16 63, www.sulawines.com			
<p>CEO: Ashwin Deo Contact person: Gaurav Bhatia, Marketing Head Established: 2001 Major brands: Moët & Chandon, Dom Perignon, Veuve Clicquot, Krug, Cloudy Bay, Cape Mentelle, Green Point, Terrazas, Casa Lapostolle</p>		<p>Company description: Part of the LVMH group, set up as an Indian subsidiary in 2001. Credit goes to this company for establishing Champagne, in spite of high duties, as the premier celebratory drink. Although expensive, it is indicative of wealthy Indians' propensity to spend lavishly on luxury goods provided they receive value.</p>		<p>CEO: Rajeev Samant Contact person: Cecilia Oldne Established: 1997 Major brands: Hardy's, Mateus, Ruffino, Two Oceans, JC Le Roux, Maison Pierre, Heidsieck Monopole, Trapiche, Gato Negro, Cave St Pierre Company description: Part of Sula Group-leading producers of premier domestic wines. Very strong in retail (off-trade), especially in affluent areas. Preferred wine provider of the biggest supermarket chain in India, Food Bazaar, distribution tie-ups with Reliance Retail, Bharti Wal-Mart and other major chains. Recently set up Santé Retail, Wine & Beer stores.</p>	
4	Global Tax Free Traders Inc.	13,000 cases	9	Fine WinesNMore	6,500 cases
87, Sainik Farms, Central Ave, New Delhi 62 Phone: +91 29 55 13 75, www.globaltaxfreetraders.com		406, Raheja Plaza, Off New Link Road, Andheri West, Mumbai 400053 Phone: +91 22 40 33 00 00, www.finewinesnmore.com			
<p>CEO: Mukul Mehra Contact person: Adil Mehra Established: 1996 Major brands: Concha y Toro, Freixenet, Fetzer, De Loache, KWV, Boisset, Calvet, Taylors, Casetta, Casa Girelli</p>		<p>Company description: Fifth generation in the liquor business, with an excellent reputation. One of the few traders who started with a temperature controlled warehouse, Global entered the wine business eight years ago. The owners are very knowledgeable about the complex laws and make efforts in lobbying for simplification.</p>		<p>CEO: Ms Dharti Desai, Founder Contact person: Ms Dharti Desai and Mr Sumedh Singh Mandla, partner Established: 2007 Major brands: M. Chapoutier, Canard Duchene, Gerard Bertrand, Georges Duboeuf, Cerreto, Bava, Donnafugata, Carpené Malvolti, Livon, Colpetrone, La Poderina, Company description: FineWinesNMore is a Food & Beverage management company based in India with head office in Mumbai and a support office in Delhi.</p>	
5	Hema Connoisseur Collections (P) Ltd.	12,500 cases	10	TT&G Trading (P) Ltd.	4,500 cases
D-180 Savitri Nagar, Near Malviya Nagar, New Delhi 110017 Phone: +91 32 43 250, www.hema.in		Thapar House, 124, Janpath, New Delhi 110001 Phone: +91 01 12 33 49 030, www.torres.es			
<p>C.E.O.: Mr. Amit Agarwal Contact person: Mr. Amit Agarwal Established: 2002 Major brands: Emiliana Vinedos, Alexis Lichine, Westend Estate, Ramon Roqueta, Abadal, Corte Viola, Riccardo Prosecco, Volare Liqueurs, Antica Sambuca</p>		<p>Company description: Importers, distributors and marketers of wine, beer and liquor in India. Offer their import bonded warehouse to other importers, who they have helped as start ups. Also import for Hotel Imperial exclusively. Emphasis on Diplomats and retail sale, value-for-money wines.</p>		<p>CEO: Gautam Thapar, Chairman Contact person: Sumit Sehgal, C. G.M. Established: 2001 Major brands: Sangre de Toro, Viña Sol, Santa Digna, Fransola, Mas de Plana, San Medin, Marimar Torres, Angroves Company description: The company was formed as a joint venture with Gautam Thapar of the industrial group holding 50% and Miguel Torres and Grant holding the foreign shares. The objective was to promote wines from Torres and single malts from Grant. In the process of expanding into other brands and the national market.</p>	