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Payment delays, stricter policy cloud alcobev outlook

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India's liquor industry has long navigated complexity, but three of the country's leading alcoholic beverage (alcobev) associations now warn of rising turbulence in two key markets — Telangana and Maharashtra.

The Confederation of Indian Alcoholic Beverage Companies (CIABC), the International Spirits and Wines Association of India (ISWAI), and the Brewers Association of India (BAI) said mounting unpaid dues in Telangana have triggered a severe cash-flow squeeze that threatens industry operations. At the same time, a policy shift in Maharashtra, led by the introduction of Maharashtra Made Liquor (MML), is eroding Indian Made Foreign Liquor (IMFL) volumes and prompting companies to rethink portfolios, pricing and market strategy.

Maharashtra and Telangana contribute about 7 and 9 per cent, respectively, to India's liquor industry, according to CIABC data.

In Telangana, unpaid dues have crossed about ₹4,500 crore, up from roughly ₹3,800 crore in November.

Anant Iyer, director of CIABC, told *Business Standard* that the Telangana government continues to hold back payments even as industry dues, both current and old, keep mounting, with little clarity on settlement timelines.

"Telangana is delaying the release of our dues. They are utilising the cost of goods plus portion of excise duty which we incur for other expenditure, instead of returning our share. We are not receiving old payments or new ones... the situation remains grim," Iyer said

Vinod Giri, director general of BAI, described the issue as a systemic breakdown. "The backlog has crossed ₹4,000 crore, with current payments overdue by more than 100 days against a 45-day norm. Costs are rising, and it is only a matter of time before some companies run out of funds to sustain operations," he said.

Sanjit Padhi, chief executive officer of ISWAI, echoed the concern. "Prolonged payment delays, well beyond the contractual cycle, have created a serious liquidity crunch for manufacturers."

He warned that the delays risk bottlenecking supply, as manufacturers hold back stock in the absence of working capital security, particularly during peak festival demand or new retail licensing cycles. Industry executives also argue that while suppliers must continue dispatching stock to maintain market presence, extending credit indefinitely is unsustainable.

Industry concerns

- Unpaid dues in Telangana cross ₹4,500 crore, deepening liquidity stress
- Payments delayed 100+ days vs 45-day norm
- Cash-flow crunch threatens supply continuity
- Manufacturers extending credit unsustainably
- Maharashtra policy, MML, promotes lower-priced locally blended spirits
- MML sidelines national brands

In Maharashtra, the creation of the MML category, which is meant to promote lower-priced, locally blended spirits, has accelerated demand at the bottom of the pyramid, but shifted volumes away from established IMFL segments.

Last year, the state rolled out a policy to spur local investment by introducing MML, allowing state-based manufacturers with zero foreign investment to sell products taxed at around 270-300 per cent. Iyer said national brands are losing share to 14-15 new MML players, most of them local. "The regular and popular price segments have almost disappeared. National players were unable to participate due to mandatory local ownership clauses." He warned that consumer price sensitivity could soon weigh on revenue momentum. "Several brands earlier sold at the ₹130-180 price point have been pushed to ₹210-260. Demand in this segment is extremely elastic. Sustaining revenue growth will be difficult.

BAI noted that recent tax changes have reshaped the sector. "IMFL sales have declined, but beer and country liquor are growing. Government revenues are up by over 20 per cent, and overall alcobev sales have risen," Giri said. Once companies enter the MML space, he expects the market to stabilise through portfolio diversification rather than panic. Padhi, however, cautioned that Maharashtra's stricter norms, which is a regulatory-led shift rather than a demand-driven one, could dampen volumes further if uncertainty persists.

All three industry bodies stressed that improvement hinges on policy correction and payment discipline.

"Conditions are already intimidating. So improvement is unlikely unless policy is corrected," Iyer said. Padhi warned that the risk is not just to manufacturers, but to the "entire value chain-transporters, bottlers, packaging units and state revenues. "Timely payments and predictable, consultative regulation are critical to stabilising the sector in these two states." Giri expects Maharashtra to normalise as MML matures, but urged "swift state intervention" in Telangana before the situation turns irreversible.