

Liquor shares slump as states raise excise duty

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Bengaluru: Shares of spirits and beer companies were down for the second consecutive day after Karnataka followed other states in raising excise duty on alcohol.

The state increased duty by 11%, over and above the 6% it proposed in the last Budget. That is still low compared to 75% by Andhra Pradesh, 70% by Delhi and 30% by West Bengal. Haryana and Rajasthan have hinted at similar hikes, said industry officials.

16% SALES WASHED OFF

United Spirits, the largest drinks maker and controlled by Britain's Diageo, has lost about 9% since Monday and closed at Rs 896 on Wednesday. Radico Khaitan lost 7%, Globus Spirits was down 3%, and United Breweries, maker of Kingfisher beer, was down 8%

"State governments are under a lot of pressure to boost revenue and liquor is the only beating boy," said Deepak Roy, executive vice-chairman and CEO of Allied Blenders & Distillers (ABD). "There should be a trade off between price and volumes and with these hikes, volumes

will start dropping and the objective of raising more finances will not happen," Roy, also chairman of the Confederation of Indian Alcoholic Beverage Companies (CI-ABC), added.

Volume growth in India's spirits industry was just 3% last year, compared to 10% a year earlier, impacted negatively by the national elections and subsequent sagging consumer demand. With two months of lockdown, about 16% of annual sales have vanished this year.

Beer companies are under more pressure as the lockdown has come at the onset of summer, which contributes to bulk of sales. "All these increases will definitely put a damper. We will have to wait and watch what the actual impact would be," Shekhar Ramamurthy, managing director of United Breweries, said.

"A calculated increase factoring in the purchasing power of the consumer is the way to go about it. At this point, liquor companies are also facing the cost inflation and it is time that the government also considers re-looking at manufacturers' viability and consumers affordability," said Amar Sinha, chief operating officer at Radico Khaitan.