

# How a new liquor policy changed price game in NCR and beyond

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**NEW DELHI:** On a warm day in early March, a brother-sister duo from Mumbai struggled to carry back two cartons filled with a dozen bottles of whisky from a liquor store in east Delhi's Mayur Vihar. The siblings were in Delhi to meet relatives when they learnt of the low rates of liquor in the Capital. With only two days to go before their return, they rushed out to the nearest liquor shop. "We just saved over ₹30,000," said the brother, struggling to balance the cartons. "Each bottle cost us around ₹4,300. In Mumbai, we pay around ₹7,000 for it," he said, requesting anonymity.

The duo carried five litres each on their flight back to Mumbai — the maximum limit allowed by law. "The rest we finished in two days," the sister said, glee writ large over her face. But that joy was mixed with regret — at having missed out on deep discounts which could have fetched them 12 extra bottles for the same price — on offer in the city at the time. "We were in Delhi for a fortnight, so there is a regret of missing out on the discounts," she said.

Their experience underlines the churn in the liquor retail business in the Capital over the past few months, the strides taken by the retailers and the challenges that lie ahead. On November 16, the government's revamped excise policy — meant to unlock revenues, improve user experience and curb malpractices — came into effect. It exited the retail business, and when new shops were opened

the next day, they looked nothing like the dingy, grills-on-windows *thekas* that had come to exemplify the liquor-buying experience in Delhi.

For the first time, retailers were allowed to offer discounts. Within days, people who would drive from Delhi to Gurugram and Faridabad to pick up cheap booze — because the Haryana cities allowed shops to sell alcohol on discount — were thronging stores in their neighbourhoods. In February, when discounts were in effect for 18 days, the city saw the sale of 24.5 million litres of alcohol — almost double the average monthly sale of 13.2 million litres in 2019-20 — before the Delhi government stopped the practice, citing overcrowding.

The discounts may be gone, for now, but the price wars between Delhi and Gurugram are here to stay, say experts. And, the competition to attract consumers is turning the National Capital Region into a de facto liquor capital for large parts of the country. "Along with Chandigarh, in terms of price, Delhi and Gurgaon are offering the most reasonable prices in the country. May not be in terms of quantity consumed, but in terms of visibility, this region has the best pricing," said Vinod Giri, director general of the Confederation of Indian Alcoholic Beverage Companies.

Delhi and Gurugram are currently locked in a see-saw battle over liquor prices, with people from neighbouring states driving down for purchases. "The bottles we have purchased still cost 25% less than in Meerut," said Ravindra Sharma, a resident of Uttar Pradesh.

With Delhi, this was not always the case. Prices and discounts offered in Gurugram and Faridabad were such that Delhiites would smuggle in a bottle or two from Gurugram regularly. In Haryana, there was no maximum retail price and no bar on discounts. Prices were even lower at so-called L-1 shops and consumer experience was far better. L-1 refers to the licence category; it allows wholesale supply, so in effect these are retailers who sell to consumers at wholesale prices, which are lower.

"It was almost just perfect. Since the government decided the minimum price, no one could offer extraordinary discounts because of which no one was pushed out of business which could affect government's revenue. The prices couldn't be raised too much either due to extensive competition," said VK Beniwal, deputy excise and taxation commissioner (Gurugram East).

Delhi had to make do with the remaining customers of the city, and those from Noida and Ghaziabad, where prices were even higher. What saved it somewhat was the unfounded perception that the quality and taste of the liquor sold in Delhi was superior. "Serve the best of drinks to a real drinker, and tell him that it is a product from Gurugram. He'll spit it out. That's the perception about Gurugram liquor," said Anoop Singh, a staffer at a liquor shop in Saket Citywalk Mall.

Gurugram traders were aware of this perception. "Any product that is offered for cheap, consumers associate them with inferior quality. The quality of water may differ from one bottling plant to



People at a liquor shop in Sadar Bazar, New Delhi. RAJ K RAJ/HT PHOTO

another, but no liquor company will provide inferior quality to Gurugram and risk their brand name," said Dinakar Tripathi, a wholesaler in Gurugram. Traders were anyway secure in the fact that lower prices and better consumer experience would draw more people with their low per-bottle cost.

That situation changed dramatically on February 10, when shops in Delhi started offering deep discounts. A bottle of Indian made foreign liquor (IMFL) was being offered free with every bottle. "Earlier, a bottle of IMFL fetched up to 70% profits easily. So, profits were made even on offering liquor at 50% discount. Retailers focused on making profits by multiplying their sale quantity," said a prominent liquor trader, who didn't want to be named. Since all taxes were already paid, every penny earned over the purchase price was a profit.

Some traders said that since they had already paid as high as

₹30 crore for a shop — as against ₹8 lakh earlier — they needed to quickly recover their investment, and make profits over that. "Whether they sold all their inventory, or sold nothing at all, they already paid their licenses and duties. The only way to recover their money was to maximise the sale volume. Due to comparative pressure, everyone jumped into the fray," said Giri.

Buyers queued up for hundreds of metres outside stores. They bought carton after carton, stored them at their homes, and returned with relatives and friends to queue up again. "Even if I drink heavily every day, I have liquor to last me three months," says Ankit Kumar, who works for a filmmaking firm.

Drinkers from neighbouring cities and states weren't far behind. They began driving to Delhi to be able to return with cartons of liquor in their cars, with a minimum chance of police interception. "Buyers

were coming from Himachal Pradesh and Madhya Pradesh. Groups of friends would come in cars from Bareilly and Aligarh, load their vehicles with cartons and go back drinking all the way," said the manager of a shop in Kashmere Gate, who asked not to be named.

Delhi suddenly became a haven for tippers, turning more lucrative than Chandigarh, Goa, Daman and Diu, and Gurugram. "I know people who chose Delhi as their tourist destination just to take advantage of the liquor price," said the manager at the Kashmere Gate store.

Many store owners struggled to cater to buyers. "In those 18 days, we didn't have time to have our meals, or even visit the washroom," said Anoop Singh.

While business was booming in Delhi, stores in Gurugram, Faridabad, Noida and Ghaziabad were staring at an existential threat. "We have a loyal customer base, but our sales dipped over 50%. We were already selling at a low price, so we couldn't have lowered the price any further. Delhi's pricing was such that we couldn't match it," said Anil Pandey, manager of Discovery Wines store near Sikanderpur in Gurugram.

Pandey served as a manager with a liquor store in Delhi before its closure last year. He knew of how the price game and demand-supply would play out, and decided to wait it out.

Gurgaon traders were right, said Giri. "People wouldn't keep buying. Those who were crowding the shops were under the impression that this was a limited time deal. Like it happened

during Covid-19 lockdown, the crowd would have thinned out in a fortnight," said Giri.

But many traders and staffers in Gurugram panicked. "Staffers looking out for other work as backup. We all knew that if our sales continued to dip, employees would be fired and salaries would take a hit," said the manager of a prominent liquor store chain, on condition of anonymity. There were some liquor shops offering glasses free with liquor bottles — basically anything to lure the deserting customers.

In neighbouring Noida, some gave up. "Since our prices are 15-20% higher than Delhi's and a lot of our customers buy their drinks from Delhi, we were never in the competition. We are not immediately shutting down this shop, but are taking it six months at a time," said Ganesh Saxena, manager at a liquor store in Noida Sector 18.

On February 28, the Delhi government rolled back the discounts, citing overcrowding. Eight days later, the Delhi high court refused to strike down the government's decision and said that it agreed with the submission that the stay of the order would lead to distortions in the market. "The heavy discounts were leading to unhealthy market practices where a few licensees were only looking at increasing their immediate profits. Discounting the price is one thing, but giving bottles for free was not the intention of the excise policy. Therefore, after thorough review, it was decided to discontinue all forms of discounts," said a senior excise official on condition of anonymity.

For now, with average prices in Gurugram 10-20% lower than Delhi, Gurugram retailers are confident and some have even raised prices by up to 10%.

But the price difference is far slimmer than earlier, and therefore liquor businesses in both cities are looking to cash in on the perception attached to each city — Gurugram as an easy destination for alcohol where booze is available late into the night, and Delhi as the stop for quality liquor.

The decision was welcomed by some activists who worried about the effect of alcohol on the society. "The drinking problem was visible on the streets, in the homes, in crime figures and in surveys. People would drink more, those who quit would resume drinking, and the perception that alcoholism burnt a hole in the pockets would be gone," said Rakesh Yadav, manager at Parmarth Foundation, an NGO working to deal with alcoholism.

For some Delhi traders, this was bad news. "Without discounts, we are in a situation where we can't even recover our investment. This policy model isn't sustainable," said the prominent liquor trader who didn't want to be identified. After all, the discounts were a talking point of the new excise policy.

They now worry about some shops continuing under-the-table discounts, and bootleggers smuggling alcohol into Delhi from Haryana. "Bootleggers will target drinkers of other states. If it comes to bootlegging, neither the states, nor the genuine liquor traders will benefit," said Pandey.

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(With inputs from Sweta Goswami)