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Inflationary pinch pushes liquor cos to seek price hike

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THE Confederation of Indian Alcoholic Beverage Companies (CIABC) urged the State government to permit a supply price revision for alcoholic beverages, citing severe inflationary pressures and absence of a regular annual price review mechanism.

CIABC director general Anant S Iyer said that the production cost increased sharply across the opera-

tional and manufacturing chain. Since the last price revision in May 2023, the industry has witnessed a substantial rise in input costs, including extra neutral alcohol (ENA), malt spirit, packaging materials, labour, transportation, and other services.

Stating that the industry association already submitted a proposal to the government for WPI-linked price escalation to allow for systematic, inflation-based adjustments, he said that "currently, the revenue



share disparity has hit severely the bottom line of the companies with the government taking interim tax increases inhibiting a stable organic growth.

Iyer pointed out that the government retained over 70 per cent of the maximum retail price (MRP) of alcoholic beverages. In contrast, manufacturers are receiving only 12-

15 per cent and retailers about 15 to 18 per cent. While the government income goes up, supplier companies have to absorb the cost escalation in absence of an annual review mecha-

nism," he added.

The CIABC director also said that "the alcoholic beverage sector remains outside the scope of GST, preventing companies from claiming Input Tax Credit (ITC) on GST paid for raw materials. This exclusion results in an additional 3-5 per cent increase in production cost".

The IMFL industry is requesting a price revision request of R100-Rs200 per case for Indian Made Foreign Liquor (IMFL) and 5 per cent hike for wine products. The CIABC has also raised the issue of the total overdue amount exceeding 45 days which today stands at around Rs2,800 crore, while the cumulative interest burden on this outstanding amount is around Rs 400 crore.