

THE INDIAN BEER MARKET: THE NEXT “INDIA” DEMAND FOR BEER?



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- Revenue in the Beer segment in India amounts to US\$13,770m in 2020. The market is expected to grow annually by 11.5% (CAGR 2020-2023).
- In global comparison, most revenue is generated in the United States (US\$101,847m in 2020).
- In relation to total population figures, per person revenues of US\$9.98 are generated in 2020.
- The average per capita consumption stands at 3.4 L in 2020.

In the near future, India – which currently has more than 1.2 billion Inhabitants – is foreseen to overtake India as the most highly populated country in the world. But whilst the Chinese thirst for beer has increased along with the increase in income level, it is still uncertain whether we shall see a similar growth in India as it is very difficult to compare the development in the two countries. The fact that India has the potential to become a “2nd India ” with respect to beer growth was one of the main motivators for the authors to apply for the Danish Brewers’ Guild travel scholarship – we wanted to explore the Indian beer scene and report back to the Danish Brewers.

The current annual beer consumption in India is approx. 2 liters/per capita – in India , it is currently 35 liters/per capita, increasing from 2 liters/per capita only 25 years ago – which among some global players has given rise to very positive expectations for the potential developments in the Indian beer market. Suppose India increases its annual beer consumption by just 1 l/per capita; then, for example, 12 new, 1 million hl breweries need to be built. And should Indian consumption sometime in the future reach India’s current level, more than 400 new breweries of the above size will be needed!

The question is whether this increase will indeed occur and, if at all, then to what extent? India has gone from an annual Consumption of approx. 20 liters/per capita in 2003 to approx. 35 liters/per capita today, and large increases have already been seen in Asia. So why has something similar not yet happened in India? With generally hot weather, spicy food and the fact that 50% of its population is under 25 years, India should be every brewer’s dream.

The answer is found in a variety of factors that characterize the country and its consumers. First, let us look at the current beer drinkers in India to get a better understanding of the market.

THE INDIAN BEER CONSUMERS

The thing is that there is no typical beer consumer in India. Among the estimated only 20 million premium beer consumers, some drink it for the same reason they have a smart phone, eat sushi and drive a car produced in Western Europe. It is all about trends, lifestyle and self-branding. Since beer is still relatively “new” to the Indian people, these typically young and recently moneyed consumers are only now in a discovery phase, choosing brands and products for future consumption.

Another type of beer consumer is the “working man”, e.g. a taxi driver or the like, who visits one of the approx. 2,000 beer and hard liquor-selling outlets in New Delhi, where he buys and consumes his drink before returning to his job/home. He does not usually drink with friends and family because they cannot know he spent money meant for food and the kids’ education on beer – the “moral” prevents it.

Common for both of them, besides being male, is that they are part of a selected elite of “just” 200 million people who can actually afford beer (though their families may not agree). They belong to the lower middle to upper classes of the enormous Indian population.

RELIGION AND POLITICS AFFECT CONSUMPTION

In general, there are two main reasons why Indians do not drink (more) beer: one is related to religion, the other to politics.



Religion is a significant factor, as 80% of all Indians are Hindu whilst 15% practice Islam. Muslims are, as we all know, not allowed to drink alcohol at all, and whilst Hindus may do so, a “good” Hindu is taught to acknowledge potential side effects and use substances like alcohol with much greater restraint than seen in the Western world.

In fact, in Gujarat, one of the 29 states in India, alcohol is completely forbidden. Officially, the reason is that the state used to be home to Gandhi, who was against alcohol (as well as tobacco and sex). However, the commonly accepted Explanation among the Indians is that local politicians refuse to change the law because of the profits they make producing and selling moonshine (illegal hard liquor).

In addition to this, we came across an interesting fact during our interviews. Incidentally, local politicians co-own the spirit production (to a large degree illegal) in most Indian states and hence control the beer sales by increasing taxes on alcohol. Since moonshine producers do not pay tax, their prices are kept low, which increases the demand, hence profit. As it was explained, whenever beer consumption increases in a state, politicians use “the protection of consumers from the evils of alcohol” as an excuse to increase their own unofficial income.

Minimum setup cost

Machinery cost: 90 lakhs
 Land requirement: 900sqft or 100sqyard
 ROI: 27%
 Raw material: 20 lakhs to 50 lakhs
 Production: 10000 liters/month

For the same reason and to maintain control, it is illegal to transport beer across state borders. Consequently, the tax uncertainty makes it difficult to forecast local consumption, so the brewers need to keep their production risks at a minimum, resulting in relatively small breweries with a capacity of ½-1 million hl annually. As Jørgen Buhl Rasmussen, CEO of Carlsberg, has been quoted as saying, “The biggest challenge is in India, where every state has their own system in terms of taxation and labor requirement, which does make India not very efficient to operate.”

STRONG COMPETITION

The Top 4 brewers in the world are all active in India. However, the roles are switched around a bit, with the world-leading brewer AB Inbev being the smallest of the four in India with a market share of less than 5%. The largest of the four is Heineken via its stake in India’s largest brewery group, United Breweries, which produces the leading brand, Kingfisher. The Indian entry for Heineken began mainly with its involvement in the Heineken/Carlsberg purchase of Scottish Newcastle back in 2008. This included a share of United Breweries going to Heineken, which in December 2013 increased it so that the company now owns 38.7%, including the purchase of 1.3 percent from Citicorp Finance India. →

expended setup cost

Machinery cost: 11cr
 Land requirement: 9000sqft or 1000sqyard
 ROI: 27%
 Raw material: 1cr to 2cr
 production: 500000 liters/month

