

Voluntary Report – Voluntary - Public Distribution

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Report Name: New Era - New Reforms in 2021 for Delhi's Alcoholic Beverage Industry

Country: India

Post: New Delhi

Report Category: Agricultural Situation, Agriculture in the News, Beverages, FAIRS Subject Report, Wine, SP1 - Expand International Marketing Opportunities

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Report Highlights:

On March 22, 2021, the Government of Delhi announced a new alcoholic beverage excise tax policy impacting the capital region. In its order, the Delhi state authority will not permit new liquor shops from opening within the capital in 2021 and will no longer operate its government-run liquor shops to ensure equitable distribution of private alcohol retail outlets. The order also lowers the legal drinking age from 25 to 21 years. According to the Delhi government, these policy changes intend to increase tax revenue by 20 percent this year while removing approximately 2,000 unregistered illegally operating, tax-evading liquor stores within the capital.

Report Overview

On March 22, the Delhi Cabinet, approved a new excise tax policy affecting the alcoholic beverage industry with the Delhi National Capital Territory (NCT). The Delhi government announced various changes, which include lowering the drinking age from 25 to 21 years, forbidding new private liquor stores in 2021, and vacating its own government-run stores. The Delhi government has also proposed the establishment of “super-premium” companies which will offer the best liquor brands and high-end walk-in experiences (Source: [Money Control](#)). Despite the ban on new liquor stores in 2021¹, the reforms are welcomed by the NCT’s hotel, restaurant, and institutional sector (HRI), which is slowly rebounding following its severe contraction during the COVID-19 induced national lockdown that began in March 2020.

Specific Changes

According to the Delhi government, the primary intent of the policy is to rectify liquor trading in Delhi and close unregistered establishments that illegally sell alcohol and avoid taxes. Removing unregistered liquor shops would support an increase of government revenues as they collect excise taxes from consumers. According to the Delhi Deputy Chief Minister, 850 liquor stores are currently permitted, with an additional 2,000 operating illegally (Source: [Drinks Business](#)). Presently, 60 percent of legal alcohol outlets in Delhi are state-run, but the government determined that the privately-owned liquor stores generate greater revenue. With the policy, the government-run shops will close and will be bid out to private companies (Source: [Money Control](#)). Additional announcements include:

- Lowering the drinking age from 25 to 21 years. In addition, individuals that are under 21 years will not be allowed to enter establishments that sell liquor, unless accompanied by a parent.²
- Aligning the number of “dry days” with Haryana, Punjab, and Uttar Pradesh. At present, during the mandated 21 “dry days” throughout the year, Delhi customers travel to neighboring states to purchase alcohol.
- The policy proposes a hike in the private liquor vendor (L-7/L-10) license fee from Indian Rupee (INR) 8 lakh³ to INR 75 lakh (approximately \$10,800 to \$102,000) a year. The policy of auto renewal of liquor vendors’ licenses has been dropped. In addition, these merchants will now be allotted by lottery, restricting one individual’s maximum allotment to two vendor permits, i.e. unique stores (Source: [Money Control](#)).
- The policy recommended different registration criteria for different liquor, depending on historical pricing and sales data occurring outside Delhi. According to India Today, the policy indicates that brands selling a product below a retail price of INR 601 per bottle could be registered in Delhi, but only if the brand and its product variations meet specific, complex sales criteria. For brands with retail prices of more than INR 601 per bottle, no sales figures will be required (Source: [India Today](#)). The license fee for registration of foreign brands is also proposed to be adjusted to bring more quality products into the market and make the market more competitive with enhanced choice for consumers in Delhi.

¹ The Delhi Government panel responsible for the excise policy originally proposed increasing the number liquor vendors to 916 but was not approved by the Chief Minister. Delhi’s total quantity of registered alcohol vendors are lower compared to Bengaluru (1,794) and Mumbai (1,190) (Source: [India Today](#)).

² Internationally known as “Age-Gating.”

³ One lakh=100,000; As of April 6, 2021, USD \$1.00=INR 73.50.

- Liquor quality will be set to international standards, and Delhi will develop its own standard (Source: [News 18](#)) to monitor low-quality alcohols and limit distribution. It is unknown at this time what those standards may be, but an international quality lab is reported to be established to test liquor quality (Source: [India Today](#)).
- The maximum permissible space in liquor stores remains at 500 square-feet. The policy establishes measures to keep low-quality alcohol at bay by setting up an international standard check-up system along with labs to stop distribution of low-quality liquor.
- All liquor stores will have CCTV cameras inside and outside the store along with the proper security arrangements provided by the licensee (Source: [Hindustan Times](#)).
- All bars and establishments selling alcohol within the NCT can remain open until 3:00 AM.

Restructuring Liquor “Vends”

Following the lead of Bangalore and Hyderabad, Delhi will establish at least five “Super Premium” retail *vends* (vendors), and will carry at least 100 imported, premium quality liquor brands. The “Super Vendors” will also be allowed to sell beer with a maximum retail price of at least INR 200 (approximately \$2.75 per bottle).⁴ There are 720 active retail shops in Delhi located in local shopping complexes, malls, and airports. Of these, 60 percent of the vendors are owned by government corporations in the form of L-6 Indian Made Foreign Liquor Vendors (372) and L-8 Country Liquor Vendors (88). The remaining amount (40 percent) are privately owned in the form of L-7, private retailers (85) and L-10 licenses (175), private retail shops in malls/airports. The retailers noted above are authorized to sell foreign liquor except L-8 Country Liquor Vendors.

Industry/Market Reaction – “Finally a reason to celebrate”

The HRI sector welcomed the changes as the drinking age is now aligned with most other Indian states. With six dry states (Bihar, Gujarat, Manipur, Nagaland, Mizoram, and Lakshadweep) and a wide variance of regulation and licensing requirements in the remaining 23 (Figure 1), stakeholders conclude that the Delhi policy could eventually lead toward a national policy (Source: [Drinks Business](#)). The National Capital Region (NCR)⁵ is one of the biggest liquor markets in India, which provides significant tax revenue to each of the state governments. The HRI sector suffered heavily and is slowly recovering from unprecedented losses during the COVID-19 outbreak and resulting nationwide lockdown (See GAIN: [IN2020-0137](#)). According to industry sources, these new policy changes will help to reduce illegal alcohol consumption in non-supervised establishments and will regulate and improve responsible consumption. Sources also note that these policy changes may also expand their consumer base and boost business.

⁴ According to the [International Journal of Alcohol and Drug Research](#), consumers from middle- and higher-income regions including the NCR, prefer expensive brands of hard liquor, beer, and wine.

⁵ NCR includes the Delhi NCT, and several surrounding districts in the states of Haryana, Uttar Pradesh and Rajasthan.



Figure 1: India’s Drinking Age Limit by State (Source: [ED Times](#)). Note that the NCT lowered minimum age to 21 years from 25, rendering this map obsolete. In Mumbai, within the state of Maharashtra (red diagonal outline), hard liquor is prohibited for persons under 25, but anyone above 21 can purchase wine and beer.

These changes have been warmly welcomed by industry associations, including the National Restaurants Association of India, and the Confederation of Indian Alcoholic Beverage Companies (CIABC). The CIABC, which represents domestic liquor makers, stated it “welcomes steps that bring the excise policy in line with current times and existing reality which includes reducing the drinking age” (Source: [Business Standard](#)).

The Indian Spirits & Wine Association of India also noted that by approving these policies, the Delhi government has tried to eliminate illegal activities such as illegal registration and underage Indians consuming alcohol, while intending to increase excise tax revenue for the government as well for future welfare projects. (Source: [The Economic Times](#)). Others expressed optimism that these policy reforms will give push to sales and increase in-person dining, which has begun to rebound since the beginning of 2021 (Source: [The Wire](#)). Post sources note that the Delhi NCR’s hotels and restaurants are seeing an improved number of domestic and regular customers and typically reach daily capacities of 60-70 percent in hotels and restaurants.

Next Steps

The Delhi government receives approximately \$895 million in excise tax revenue, and with these policy changes, expects to generate an additional \$272 million. With a population of over 21 million, the NCR remains a prominent state for the alcohol industry. These reforms would also support efforts to gain increased excise taxes and compete with other high consuming states like Maharashtra, Karnataka, and Goa, and could

help in attracting new, high quality foreign-made alcoholic beverages, including products from the United States. Although the timeline of the reforms has not been shared by the Delhi Government, the plan is for prompt implementation. As Delhi's HRI sector returns to pre-COVID sales, this policy change could provide a catalyst for further growth during the post-COVID recovery.

Disclaimer: This summary is based on a cursory review of the subject announcement and therefore should not be viewed under any circumstance, as a definitive reading of the regulation in question, or of its implications for U.S. agricultural export trade interests.

Details of Notification:

Type of Regulation: Excise Policy

1. Expert Committee Report on Excise Reforms - <https://excise.delhi.gov.in/content/report-expert-committee-suggesting-measures-various-reforms-liquor-trade-delhi?>
2. Salient features of the report of the Expert Committee suggesting measures for various reforms in Liquor trade in Delhi - <https://excise.delhi.gov.in/content/salient-features-report-expert-committee-suggesting-measures-various-reforms-liquor-trade?sailent%20feature.PDF>

Public Notice Date: March 22, 2021

Proposed Date of Adoption: To be confirmed

Products Affected: All liquor categories

Relevant Government Agency: Department of Excise, Entertainment and Luxury Tax, Government of NCT of Delhi

Link: <https://excise.delhi.gov.in/content/report-expert-committee-suggesting-measures-various-reforms-liquor-trade-delhi?>

Attachments:

No Attachments.