

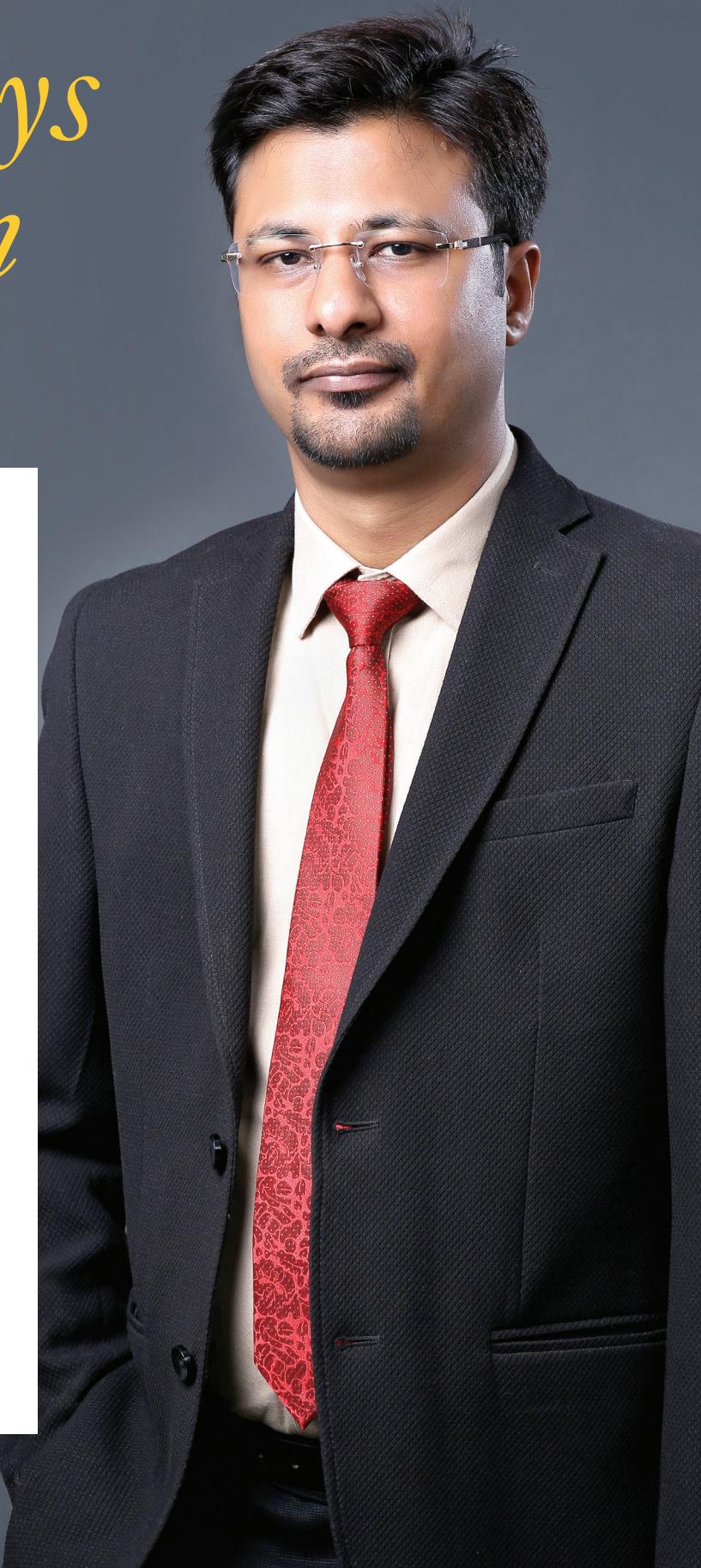
Ask anyone (teetotallers excluded) which was his first drink and he would say, beer!

Other than being a wonderful and increasingly preferred social drink, beer is also a way of saying, ‘hey, I am grown up!’ With a large and burgeoning population of young people, many of them suave new economy millennials, beer clearly has a huge potential in India, a fact borne out by the speed at which it has caught on over the last many years, says **Karun Kaura, CMD, Kaya Blenders & Distillers Ltd.**

# *Sunny days for beer in India*

**Y**et, players in the industry face are cautious in their optimism as the Indian beer industry faces many unique challenges, stressed cash flow being among the most painful. Says Karun Kaura, CEO Kaya Spirits well known for its Spanish brands like Moller and Vitalsberg: ‘Since we have to invest a month-and-a-half before even getting licenses huge amounts of our working capital remain locked up.’ Kaura has a solution in mind: ‘An insurance system factored on the credibility of beer companies would benefit both exporters and importers,’ he says. ‘The former would get the assurance he seeks and the latter free access to working capital.’

Liquidity is a particularly important theme in the beer business as the drink has a shelf-life of only about six months: ‘The heat is always on as we have to ensure that the product gets to the customer while it is still fresh,’ says Kaura. Finally, the 150% duty pushes imported beer out of the reach of large masses of Indian consumers. Beyond the famous international labels it vends, Kaya is all set to launch its home-grown brand, called Bhetki this summer. Others like KS Magnum and Lo VIRA too are in the pipeline.



Despite the challenges, however, beer sales have ballooned in India. 'This had to happen,' says Kaura. 'In a country with such long and unrelenting summers, no drink is as suitable as a mug of chilled beer.' However, now with beer catching on among the dudes as the best drink to chill on socially, it is finally beginning to rock. The taboos that once haunted the drink are now a thing of the past.

The prospects of beer will depend on how it evolves in the future. 'Manufacturers would have to work relentlessly on evolving light, low-calorie, gluten-free beers if it has to keep growing especially in its core market of young people who are getting increasingly fitness conscious,' says Kaura. In popular imagination and for good reasons the drink is still evocative of the 'beer belly': a high-calorie, fattening beverage that leads to flab. 'Beer needs to fight this perception with versions that are light both on the tongue and the body.'

However, beyond this perception, the main reasons why beer is yet to realise its potential in India are:

1. It is still tabooed as an alcoholic drink
2. It's still not a lady drink and there aren't enough female consumers
3. The best of beers (the imported ones) are much too expensive because of the high duty

Having said that, despite high price points, craft beers have witnessed an extraordinary uptick in sales over the last several years, driven largely by an increasingly affluent young market with refined tastes and new social needs. Hand-in-hand microbreweries have sprung up all across the country's urban landscape. 'These are clearly positive trends,' says Kaura. But despite the surge, light beers are unlikely to unseat India's traditional favourites, the strong, heavy beer, from its pole position in the market in the near future. 'Selling light, lager beers is still a challenge in the country,' says Kaura.

The recent social trends can be strong drivers for the industry particularly if it is accompanied by friendlier government policy. Among the top expectations of the industry from government are:

- Permission for more microbreweries and craft beer
- SEZ to breweries who comply with the low calorie norm
- Lowering of duties
- Making MRP mandatory for on-premise sales



'Going ahead we are certainly gung-ho about the prospects of beer in the country,' says Kaura. And his company Kaya Spirits is willing to bet on this optimism. 'We are scaling up to achieve pan-India distribution of our beer brands,' he says. This will include expansion of production facilities at strategic locations around the country.

If Kaura and others of his ilk in the industry are to be believed, beer appears all set to break out of the shadows of rum and whisky in India and shine brightly in its tropical heat. In short, its sunny days for beer. **S**