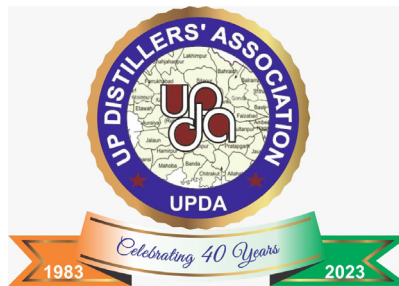




Renaissance of UP

The Captivating Story & Distillery Industry's Transformation



UPDA KNOWLEDGE REPORT

July 2023

Submitted under a friendly initiative of Arcus Policy Research

UPDA



SCAN TO VISIT

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KEY LEARNINGS

Uttar Pradesh - The Bright Star on Indian Map

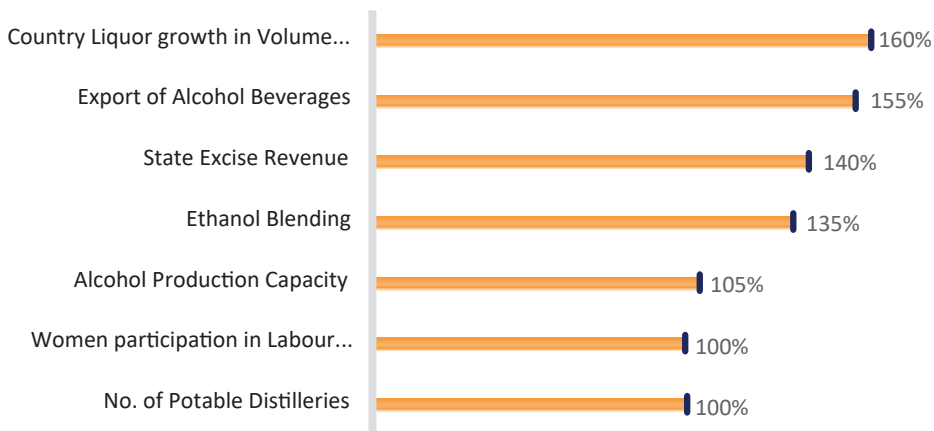
- ◆ Uttar Pradesh (UP) is the largest state in India also known as Granary of the nation, having a diverse Agricultural and a large consumer base. The state has population of 230 million people, contributing to a whopping 16% of the country's consumer base.
- ◆ The state has a vision of achieving a \$1 trillion economy and has gained remarkable business distinctions nationally and globally.
- ◆ UP Investors Summit 2018, a mega initiative by the State Government saw signing of over 1045 MOU's (Memorandum of Understanding) worth \$66 Billion. The recent Global Investors Summit 2023 witnessed participation from over 10000 delegates, resulting in signing of more than 1300 MOU's worth \$79 Billion.
- ◆ Uttar Pradesh has made significant progress in improving the ease of doing business in recent years. The state has implemented a number of reforms that have made it easier for businesses to start, operate, and expand. As a result, Uttar Pradesh has risen to the 2nd rank (as on 2020) position in the ease of doing business having implemented 185 Reforms.

UP Alco-Bev & Ethanol Industry - National & Global Leader

- ◆ UP became the World's largest producer of Alcohol in 2022 with a production of over 7 billion Litres.
- ◆ The 'Branded Country Liquor' segment, a significant contributor to the state's excise revenue, has grown from 35 Million cases per annum in 2017-18 to 91 Million Cases per annum in 2022-23. An record growth of 160% with a target of 100 million cases (approximately 45 billion units) in 2023-24.
- ◆ The total Exports of Alcoholic Beverages from Uttar Pradesh has witnessed 155% growth from 292.78 Million Litres in 2017-18 to 743.53 Million Litres in 2021-22.
- ◆ The Excise Revenue receipts of Uttar Pradesh has reported 140% jump from Rs. 17320 Crore in 2017-18 to Rs. 41252 Crores in 2022-23, growing at a CAGR of 19%. In Comparison the other main Sugarcane producing States like Karnataka and Maharashtra's excise revenue collection is growing at a CAGR of 10.66% and 11.33% respectively in the same time period

- ◆ The Ethanol Blending Programme is amongst most ambitious Government initiative. Proudly UP Distilleries itself have produced 15367.89 Alcoholic Lakh Litres in 2022-23 against only 6517.53 Alcoholic Lakh Litters in 2018-19, A jump of 135%. As of May'23 UP State has done highest blending of 11.93% against All India average of 11.66%
- ◆ The total alcohol production in UP has more than doubled from 896.64 Million Litre in 2017-18 to 1767.27 Million Litres in 2021-22, growing at a CAGR of 20%, in the five-year period. The highest year -on-year growth rate has been recorded in 2017- 18, with a growth rate of 28% per annum.
- ◆ Women participation in Labour force doubled in 4 years. While all India it has gone up from 23.3% in 2017-18 to 32.8% in 2021-22 recording 40% Growth, UP's Women Labour participation increased from 13.5% in 2017-18 to 26.3% in 2021-22.
- ◆ UP with staggering total 85 distilleries already operating of which 40 in Potable Segment itself and over 40 more on the horizon. In 2017-18 there were only total 61 Distilleries of which 20 in Potable Segment. A 100% jump in Potable.
- ◆ The Alcohol Production capacity of UP Distilleries has exponentially grown over 100% from 170 Billion Litre in 2017-18 to 348 Cr. Billion Litre with 40% YOY Production Growth.

U.P STATE (DISTLLERY SECTOR) GROWTH IN LAST 6 YEARS



UPDA 40-Year Contributing Journey in State's Alco-Bev Growth Story

- ◆ UP Distillers Association serves as an apex body of Distillery Industry taking pride to have 13 elite & prime Members in its Association.
- ◆ Branded Country Liquor Annual production of nearly 100 Million Cases ~ 45 Billion Unit Packs. Mammoth Numbers & possibly a World Record. Over 90% produced by UPDA Member Distilleries, truly fuelling the Spirit of the State - Pride for the Association.
- ◆ UPDA plays the Role of an interface between the Members and the State/ Central Government authorities through its advocacy role for Policy makers. The Association keeps active participation in promoting, protecting, opposing and suggesting legislative measures.
- ◆ In an initiative of its kind, UPDA now envisions to supplement Farmers Income by aiming to boost production of Maize with Innovative Technologies & Seeds propelling pace of Government's ambitious Ethanol Blending Program.
- ◆ Spreading its wings in Global arena, in 2022 UPDA took Distillery delegation to Brazil under exchange program. USA being a leading Country in Corn Cultivation, Productivity & Ethanol, UPDA have initiated and developed deeper Networking with US Grains Council to further strengthen India-US Bilateral relations for Innovative Technologies in these key areas.
- ◆ Moving forward, UPDA is in process of Collaboration with " Invest India" to be an interface & support bringing Investments & Technologies with initial focus on Bio-fuels Sector & Grain based Distilleries.
- ◆ UPDA Member Distilleries are continuously & actively involved in undertaking widespread CSR initiatives for betterment of Society. They include Sanitation, Drinking Water, Healthcare, Education, Support of Oxygen Plants during difficult Covid period, Rural upliftment and many more.



ACKNOWLEDGEMENTS

We extend our heartfelt gratitude to the industry luminaries who have made this UPDA Knowledge Report possible. Their support, guidance, and valuable contributions have played an important role in shaping this report on UP's resurgence in the distillery industry.

We express our deepest appreciation to Mr. Rajneesh Agarwal, the Secretary General of UP Distillers Association. His enthusiasm, extensive knowledge, and insightful comments have sparked stimulating discussions that have fuelled our research journey from its inception.

Special thanks go to Mr. S. K. Shukla, the esteemed President of UPDA, and Mr. Manish Agarwal, the Vice President of UPDA. Their leadership and profound insights have been instrumental during the preparation of this report.

We would also like to acknowledge the contribution of the UPDA Patron Members. Their support and provision of industry data have provided us with the necessary foundation to craft this comprehensive report, ensuring its accuracy and relevance.

To all those who have graciously shared their time, knowledge, and insights, we express our deep gratitude. Your collective efforts have enriched this knowledge report, enabling us to deliver a captivating and concise account of UP's extraordinary journey in the distillery industry.

INTRODUCTION

Alcoholic beverages sector has played an instrumental role in the economies of various countries worldwide in terms of increased tax revenue, investment, employment and exports (Jakovljevic et al., 2017). The size of the global alcoholic beverage market amounts to USD 1609 billion in 2023 and is expected to grow at a CAGR 5.42% between 2023 and 2027 (Statista). The size of Indian alcoholic beverage market is USD 49580 million in 2023 and is projected to grow at a CAGR 6.53% between 2023 and 2027 (Statista). The Indian alcoholic beverage sector generates roughly 1.5 million job offers through direct involvement in production and distribution activities (Soundarajan et al., 2019).

There are generally two types of alcoholic beverage, i.e., undistilled and distilled. Undistilled alcoholic beverages are also called fermented drinks. Wine and beer fall in this category. Distillation comes after fermentation, in which the alcohol is concentrated by extracting it from water and other constituents present in a fermented substance. Liquor and spirits are examples of distilled alcoholic beverage. Their alcohol content is more than undistilled drinks. Alcoholic beverages can be differentiated based on their ABV (Alcohol by volume). Typically, ABV in beer is 5%- 7% and for wine, it is generally between 5% to 23%. Distilled spirits like gin, whiskey, liqueurs, vodka, absinthe etc has abv content ranging from 28% to 60% depending on the type (Alcohol.org). Ethanol and water comprise the primary ingredients of alcoholic beverages, but fruit concentrates, barley, rye, potato, cassava etc are also used as ingredients in alcoholic beverages. The difference in the ingredients used, helps in the product differentiation (Mukherjee et al., 2021).

Uttar Pradesh is a lucrative destination for investments in the alcohol industry. The state produces a wide range of which crops includes gains like maize, barley, wheat etc that could serve as alternative resources for alcohol production. Uttar Pradesh has a large and growing consumer market for alcohol. With the changes in consumer preference due to the changes in income, there is a growing demand of high-quality alcohol and a wide range of alcoholic beverages.

Since its establishment in 1983, the Uttar Pradesh Distillers Association (UPDA) has been the crowning glory of the Distillery Industry. Now, as they celebrate a momentous milestone in 2023, marking their four decades of excellence, UPDA stands tall as the unrivalled leader. Their unwavering commitment to quality and innovation has earned official recognition from various state government departments, including Excise, Pollution, Industry, Taxation, and Labour. With a staggering nearly 90 distilleries already operating in Uttar Pradesh and 33 more on the horizon, UPDA members takes pride in producing over 90% of the potable Branded Country liquor, truly fuelling the spirit of the state (UPDA).

This report discusses the alcoholic beverage industry in Uttar Pradesh's context. This report is divided into three sections. Section 1 discusses Uttar Pradesh and its macroeconomic landscape. The growth of the primary, secondary and tertiary sector along with their contribution in the state's GVA, comparison with India's growth rate of GVA has also been done. Along with that, social progress in terms of gender empowerment has been discussed. Section 2 discusses the alcoholic beverage sector of Uttar Pradesh. In this section the performance of the alcoholic beverage sector overtime, excise revenue earned by the state, total production of alcohol exports of the alcoholic beverages undertaken in Uttar Pradesh along with the legal requirements to start a distillery unit in India have been discussed. Finally, in Section 3 Uttar Pradesh Distiller's Association's (UPDA) role in the growth of alcoholic beverage sector in the state and their objective, UPDA's forty years journey in the alcoholic beverage sector, the CSR activities undertaken by them and's their vision are discussed.



SECTION 1

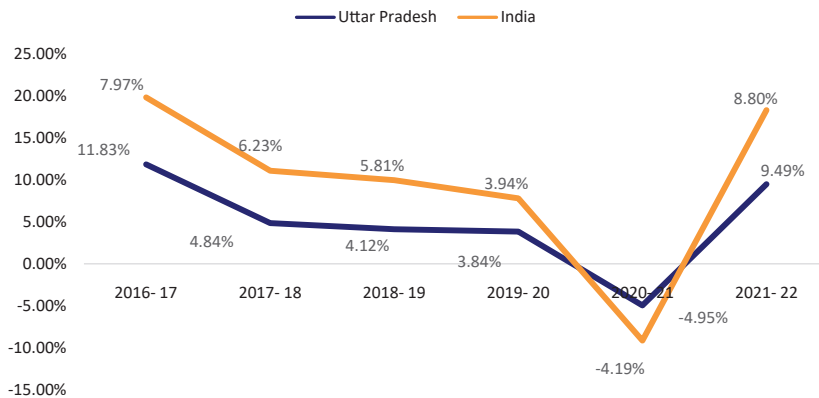
UTTAR PRADESH: AN ECONOMIC POWERHOUSE

Uttar Pradesh's growth is faster than India's

Uttar Pradesh is poised to becoming a USD 1 trillion economy in the by 2027 (TIE 2023). In FY 2022-23, Uttar Pradesh ranks third in its contribution to India's gross value of output (GVA) with a share of about 8.14% (MOSPI). Over the years, the overall GVA in the state has increased. In FY 2021-22, the gross value added in the state was Rs. 11235 lakh crores (2011-12 constant prices). In the time period 2016- 17 to 2021- 22, GVA in the state has increased by of 4.9% per annum. This is slightly higher than the average Indian growth rate of 4.7% per annum in the same time period.

Figure 1 shows the year-on-year growth rate of GVA at constant prices of Uttar Pradesh and India.

Figure 1: Annual Growth rate (%) of GVA (constant price) of Uttar Pradesh and India



Source- MoSPI, GoI

Tertiary sector is propelling the state's success story; manufacturing not far behind

Table 1 below shows the growth and composition of the primary, secondary and tertiary sector in Uttar Pradesh in the triennium ending 2021- 22.

Table 1: Growth and Composition of primary, secondary and tertiary sector in Uttar Pradesh

Items	TE 2021-22 (%)		Annual Growth Rate (%)	
	Current Prices	Constant Prices	Current Prices	Constant Prices
Agriculture, forestry and fishing	26.15	22.11	9.91	3.67
<i>Primary</i>	27.43	24.11	10.06	4.25
Manufacturing	11.84	14.10	10.10	7.65
Construction	10.47	11.07	7.61	3.72
<i>Secondary</i>	24.74	26.73	9.14	5.58
<i>Tertiary</i>	47.83	49.16	10.27	5.76
Total GVA at basic prices	100.00	100.00	9.87	5.21

Source- National accounts Statistics, MoSPI

In terms of real gross value added (GVA), the tertiary sector holds a significant dominance in Uttar Pradesh's economy, accounting for 49.16% of the share on average for TE 2021-22. This implies that close to half of the state's GVA comes from the tertiary sector and it is growing at the rate of 5.76% per annum (2011- 12 to 2021- 22). which is the highest growth rate amongst the three sectors. The key driver of the growth of tertiary sectors appears to be the air transport sector. Uttar Pradesh has currently had 6 operational airports namely Lucknow, Varanasi, Allahabad, Kushinagar, Gorakhpur and Kanpur and the state has planned for upcoming projects in Moradabad, Chitrakut, Shravasti, Azamgarh, Ayodhya, Jewar, Bareilly and Aligarh (DGCA). Uttar Pradesh has made an investment of Rs. 2307 crores in the civil aviation in order to upgrade the air strips and developing aerodromes in the time period 2023- 25 (Invest India).

Followed by the air transport, road transport is the second most growth within the tertiary sector. Road length has been growing at a CAGR of 3.25%. In the 2021, Uttar Pradesh's total of length of National Highway was registered to be 11831 kilometres, which was nearly 9% of the total length of national highway in India (Handbook of Statistics for Indian States).

IT and electronics sector has also been given due attention. Under the Pilot Project of youth technical empowerment of 2021-22, tablets and smartphones were distributed and under Swami Vivekanand Youth Empowerment Scheme in 2022, goal of distribution of 2 crores tablets and smartphones within 5 years have been done (State Budget 2023).

Uttar Pradesh is a favourite destination of tourists, both domestic and international. The number of tourists in the state has been steadily increased. Uttar Pradesh witnessed a total of 24.87 crore domestic tourists and 4.10 lakh international tourists visiting the state

in 2022 which is 7% of the total foreign tourist's arrival in India (PIB 2023). In 2020, Uttar Pradesh was positioned second, after Tamil Nadu, in the top ten states to attract domestic tourists, comprising 13.46% of the total domestic tourists (Ministry of Tourism). Uttar Pradesh was placed third in the top ten states to attract foreign tourists in India, accounting for 12.41% of India's total foreign tourists in 2020. The establishment of a Spiritual Circuit in the regions of Gorakhpur-Devipatan, Jewar-Dadri-Noida-Khurja, and Govardhan is also proposed. Under Mukhyamantri Paryatan Samvardhan Yojana, Rs. 300 crores were allocated for the development of the tourist spots in Uttar Pradesh (State Budget 2023).

The state has also paid attention to Startups. As per the Startup Ranking by Indian Government, Uttar Pradesh has been awarded the title of "Inspiring Leader" (PIB 2022). Startups are encouraged in the areas like tourism, healthcare, education, agriculture, and energy sectors etc. Uttar Pradesh is actively fostering entrepreneurship and empowering the youth to become self-reliant. In order to support incubators, a provision of Rs. 100 crore has been made for seed fund. Currently, the state is home to 7,200 startups and 50 incubators. Under the Uttar Pradesh Information Technology and Startups Policy (2020), a budget allocation of Rs. 60 crores has been allowed. The state has a target to establish at least 10,000 startups till the end of the policy (i.e., 2025) (State Budget 2023)

Alcoholic beverages leading the pack in UP's manufacturing

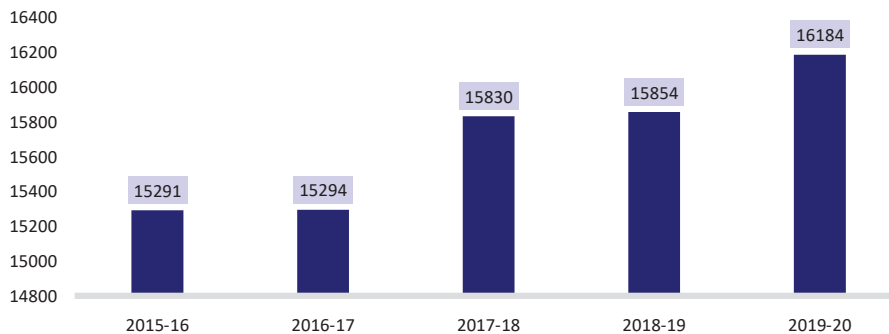
After the tertiary sector, the secondary sector of Uttar Pradesh is the second most growing sector with a growth rate of 5.58% per annum (constant prices)

(Table I). This sector has a share of 26.73% in the real GVA of the economy. Within the secondary sector, manufacturing sector has the most growth and a prime factor which drives the secondary sector which implies that alcoholic beverages sector is the most growing sector.

According to Handbook of Statistics for India States, the number of factories in Uttar Pradesh has been increasing since 2015-16 and the number of factories recorded in 2019-20 were 16184 units which is the fifth highest in terms number of factories in that year. Tamil Nadu has the highest number of factories in 2019-20 and Gujarat has the second highest number of factories in the country. But it is noteworthy that the annual average growth rate of factories in Uttar Pradesh is the second highest, first being Gujarat and Uttar Pradesh (AAGR 1.72%) is ahead of the average growth rate of factories in India per annum (1.36%).

Figure 2 shows the increasing number of factories in Uttar Pradesh from 2015-16 to 2019-20.

Figure 2: Number of Factories in Uttar Pradesh



Source- Handbook of Statistics for Indian States, RBI

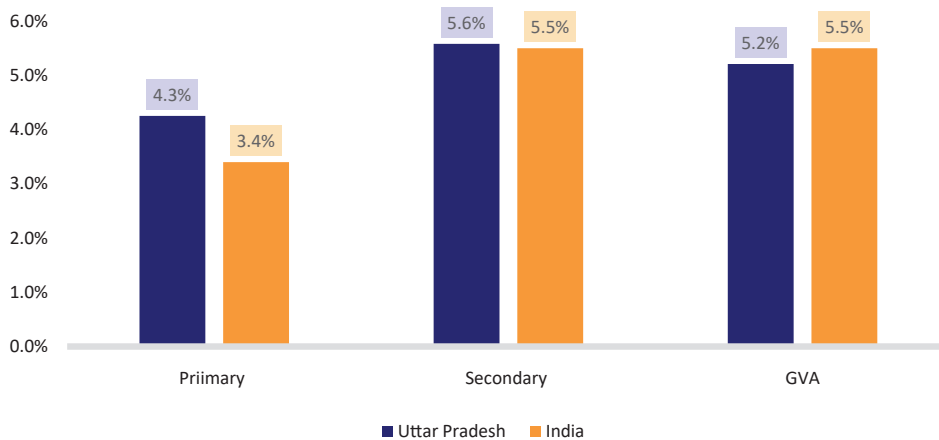
Electricity sector is the next important driver of the secondary sector. The installed power capacity of the state in 2021- 22, accounts for 7.3% of India's installed capacity, is the "sixth" highest in the country. Uttar Pradesh has initiated various policies regarding the provision of electricity. According to the state budget speech, a roster regarding the provision of 24 hours electricity to the district headquarter, 20- 22 hours of electricity in Tehsil Headquarter and 18- 20 hours in the rural areas has been set. Uttar Pradesh solar energy policy, 2022 aims to achieve a milestone of 22000 megawatt of solar energy project in a duration of 5 years.

With a share of 24.11% to the real GVA, primary sector ranks third in the economy of Uttar Pradesh

(Table I). This sector is growing at a rate of 4.25% in real terms. With an area of 2,40,928 square km (DEZ 2019- 20), covering almost 7% of India's total geographical area, Uttar Pradesh is the fourth largest state after Rajasthan (10.41%), Madhya Pradesh (9.38%) and Maharashtra (9.36%). This state is endowed with better natural resources base and Agro-climatic conditions that most of the states. Uttar Pradesh has a gross irrigated area of 23 lakh hectare in 2019-20, comprising of 20.48% of India's gross irrigated area and almost 19% of India's net irrigated land (DES 2019- 20). Sugarcane, cotton, wheat, potato, pigeon pea, chickpea etc are some of the crops that are grown in Uttar Pradesh, Uttar Pradesh being the largest producer of sugarcane in the country (DES 2019- 20). According to the Directorate of Economics and Statistics, Uttar has a total cropped area of 2709 thousand hectares which accounts for 12.83% of India's total cropped area. The net sown area of Uttar Pradesh is 11.70% of India's net sown area (DES 2019- 20).

As compared to the India, the real annual average growth rate (AAGR) of primary sector of Uttar Pradesh has outgrown the primary sector of India as a whole. The real AAGR of secondary sector of Uttar Pradesh is at par with that of India. AAGR of India's tertiary sector has outperformed Uttar Pradesh (Figure 3).

Figure 3: Comparison of Annual Average Growth Rate (%) of Sectors and GVA (at constant prices) between Uttar Pradesh and India



Source- MoSPI, GoI

Agriculture is a focal policy area on which the state budget laid emphasis. To support the start-up culture in agriculture, the government has made investments in research and innovation. About Rs. 20 crore is proposed in four agricultural universities located in Uttar Pradesh under Agritech Start-up Policy. Under national Mission for Sustainable Agriculture Policy, the state has proposed an amount of around Rs. 631 crores. Rs. 984 crore is allocated under Rashtriya Krishi Vikas Yojana and Rs. 102 crore is proposed under pandit Deen Dayal Upadhyay Krishi Samridhhi Yojana. The State Budget also states that sugar industry is an important part of agriculture and allied services (State Budget 2023).

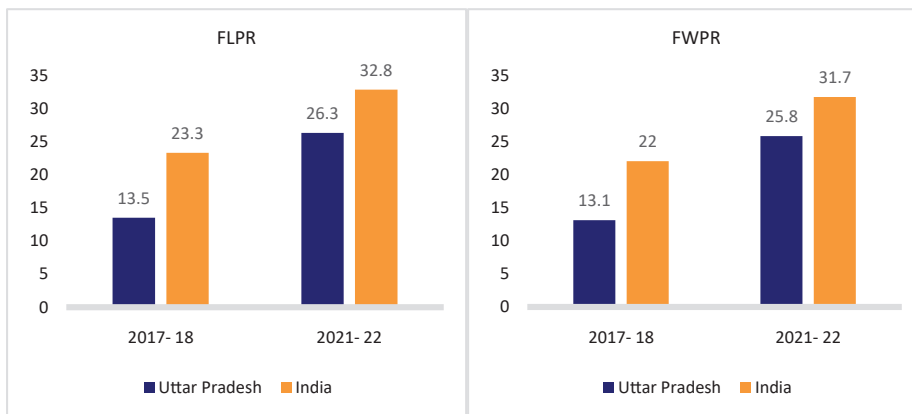
UP's Powerhouse: its Demographic Dividend

Uttar Pradesh is the most populous states with nearly 199 million population according to the 2011 census. Population has increased since then and according to the Aadhar statistics of 2023, Uttar Pradesh is the home of nearly 233.30 million people. It is now the most populous state of India and 52% of the state total population falls under working age group (PLFS). The labour force participation rate (LFPR) has also increased at an annual average growth rate of 3.81%. LFPR (calculated at usual status) for the age group 15- above, was recorded to be 51.6% in the year 2021-22, highest since 2017-18 (PLFS). Workers Population Ratio (WPR) has also been increasing at an annual average growth rate of 4.74%. Unemployment rate in Uttar Pradesh has experienced a fall by 16.79% for the age group 15- above years calculated at usual status (PLFS).

Women participation in UP's labour force doubled in 4 years

Historically, female labour force participation rate (FLPR) has been relatively lower than male labour force participation in India due to social, cultural, economic disparities etc. FLPR increased by 41% in India from 2017- 18 to 2021-22. **While on the other hand, the female labour force participation rate in Uttar Pradesh almost doubled from 2017-18 to 2021-22 (Figure 4)**, which shows that percentage of women of working age, who are employed or actively seeking jobs is increasing. Female workers population ration in Uttar Pradesh has almost doubled from 2017- 18 to 2021- 22, shows that more women are added to the labour force.

Figure 4: Female labour force participation rate (FLPR) and Female workforce participation rate (FWPR)



Source- PLFS

Excellence in the Ease of Doing Business rankings

The ease of doing business is a measure of the business regulatory environment and the extent to which business operations and entrepreneurship within a country is facilitated. This index was established by the World Bank and is published annually. According to World Bank, “The ease of doing business score is the simple average of the scores for each of the Doing Business topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.” In India, the Ease of Doing Business Ranking is published by Department for promotion of Industry and Internal Trade, Ministry of Commerce and Industry.

Table 2 shows the Ease of doing Business ranking of Uttar Pradesh. The Ease Uttar Pradesh is ranked “second” in the Ease of Doing Business ranking in India in 2019,

which is even higher than Maharashtra, the financial capital of India. Maharashtra has been ranked “eighth” in the country in 2015 and the ranking has been going down since then. Maharashtra has been ranked “thirteenth” in the country in 2019. Andhra Pradesh has been ranked “first” in the country since 2016 and has still maintained its rank in 2019 as well.

Table 2: Ease of Doing Business Ranking of Uttar Pradesh and Maharashtra

Year	Uttar Pradesh	Maharashtra
2015	10	8
2016	14	10
2017	12	13
2019	02	13

Source- Handbook of Statistics for Indian States, RBI

Note- Data is available up to 2019.

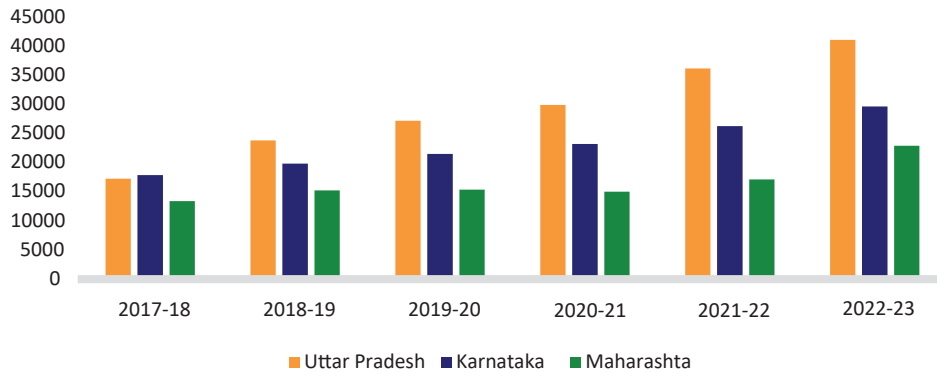


Uttar Pradesh has made significant progress in improving the ease of doing business in recent years. The state has implemented a number of reforms that have made it easier for businesses to start, operate, and expand. **As a result, Uttar Pradesh has risen to the 2nd rank position in the ease of doing business having implementing 185 Reforms.**

UP tops the country's excise revenue collection charts

Uttar Pradesh ranks first in the state excise revenue collection in the time period 2018- 19 to 2022- 23, followed by Karnataka and then Maharashtra. The excise revenue receipts of Uttar Pradesh is growing at a CAGR of 19% in FY 2017- 18 to FY 2022- 23 whereas Karnataka and Maharashtra's excise revenue collection is growing at a CAGR of 10.66% and 11.33% respectively in the same time period (Figure 5).

Figure 5: State Excised Revenue Receipts (in Rs. crore)



Source- RBI state Finance, Annual Reports of State Excise Department

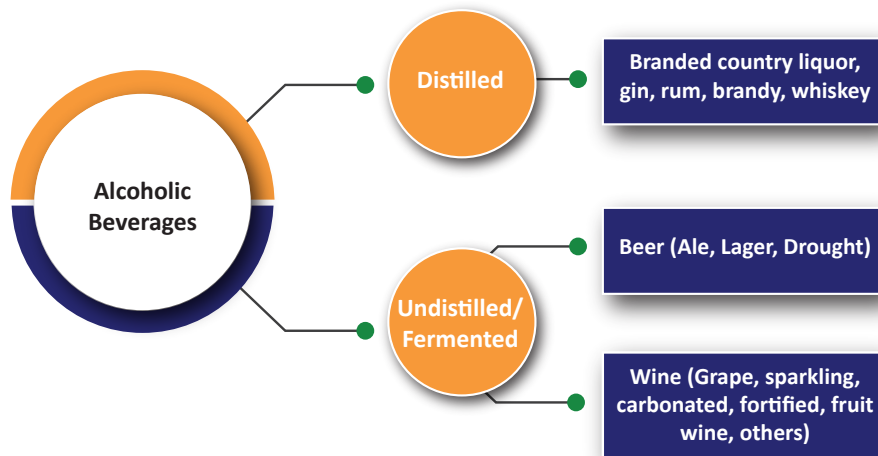
Note: the state excise revenue collection of FY 2022- 23 is based on the revised estimates of the budget.

SECTION 2

THE ALCOHOLIC BEVERAGE SECTOR OF UTTAR PRADESH

The alcoholic beverage sector is a subject to extensive regulations for reasons like ensuring safety and well-being of the consumers. Determining the minimum selling price or the maximum retail price, excise duties etc are some of the commonly used price control mechanisms as a form of regulatory controls (Mukherjee et al., 2021). India's alcoholic beverage sector follows a quasi-federal structure, with regulations from both state and central government, while the central government looks into the hygiene standards, tariff determination etc, the states regulate the entire supply chain of the alcoholic beverages, including manufacturing, distribution, licensing processes, packaging etc through their excise policies, acts, notification etc (Mukherjee et al., 2021). In India the alcoholic beverage industry is broadly classified broadly into three categories (Figure 6):

Figure 6: Classification of Alcoholic Beverages in India



Source: Food Safety and Standards (Alcoholic Beverages) Regulations, 2018, FSSAI

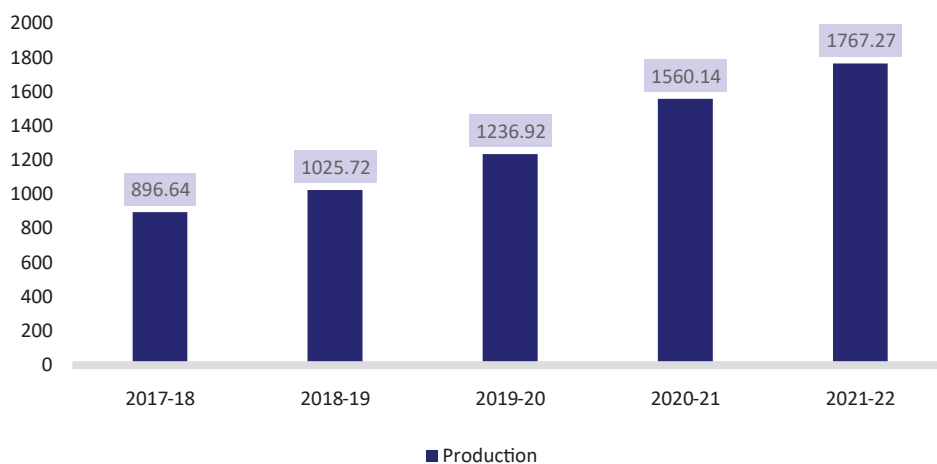
Considering the total count of individuals consuming alcohol, Uttar Pradesh leads with 4.2 crore, followed by West Bengal with 1.4 crore and Madhya Pradesh with 1.2 crore (Mukherjee et al., 2021). Branded country liquor and India Made Foreign Liquor (IMFL) are the most preferred category of liquors consumed across states. Uttar Pradesh is the largest producer of sugarcane, which is an instrumental raw material for the production of alcohol, thus making Uttar Pradesh a lucrative destination for investments

in the alcohol industry. Additionally, the state produces a wide range of crops including grains like maize, barley, wheat etc that could serve as alternative resources for alcohol production. This would lead to an increase in the capacity of the distilleries and decline in the sole reliance over traditional raw materials. With nearly 230.33 million people, Uttar Pradesh has a large and growing consumer market for alcohol. With the changes in consumer preference due to the changes in income, there is a growing demand of high-quality alcohol and a wide range of alcoholic beverages. The licensing process has been streamlined to cater to the growing market demands. Uttar Pradesh benefits from a well-established transportation network. Uttar Pradesh also benefits from its well-developed transportation system (inclusive of the road and rail transportation). This eases the process of distilleries to ship their products to consumer nationally and internationally. Women employment in the alcoholic beverage sector has been increasing lately in Uttar Pradesh. From 1st April 2023, women would control the 25% of the retail liquor business within the state (ToI 2023).

Record breaking alcohol production in Uttar Pradesh

The total alcohol production has more than doubled in Uttar Pradesh from 2016-17 to 2021- 22 (Figure 7), growing at a CAGR of 20%, in the five-year period. The highest year -on-year growth rate has been recorded in 2017- 18, with a growth rate of 28% per annum. One of the reasons for the increase in state's production could be the state's decision to permit the production of ethanol from alternative feedstocks, marked a significant departure from its conventional dependence on sugarcane and molasses as the main raw material for alcohol production. This reduced the dependence over the conventional feedstocks, leading to opening up new avenues for the farmers and the other stakeholders in the supply chain, thereby creating fresh business opportunities. The state has taken the lead in ethanol production (HT 2023).

Figure 7: Total Production (in Million Litres)



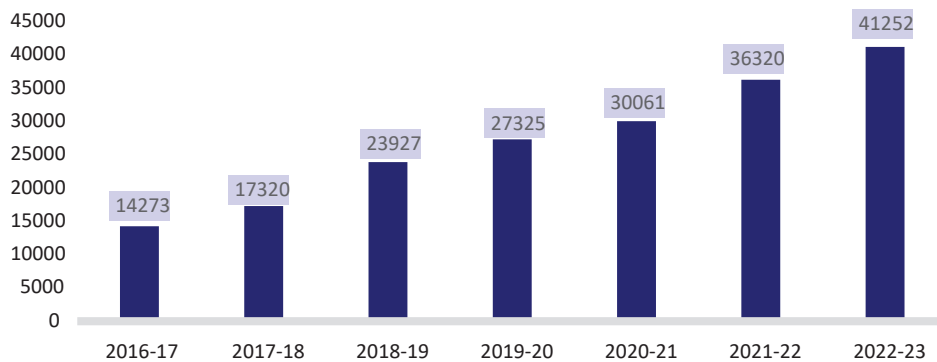
Source- Data sourced from UPDA member distilleries

High growth in state excise revenue

The excise duty collection of the state has nearly tripled in the time period 2016- 17 to 2021- 22, contributing to Rs. 41252 crores to the state's exchequer in 2022- 23 from Rs. 14273 crores in 2016- 17 (Figure 8) and is currently leading in state excise revenue receipts.

The 'Branded Country Liquor' segment, a significant contributor to the state's excise revenue, has grown by leaps & bounds from 35 Million cases per annum in 2017-18 to a whopping 91 Million Cases per annum in 2022-23. An unbelievable record growth of 160% with a target of 100 million cases ~ 45 billion units in 2023-24.

Figure 8: UP State Excise Revenue from Alcoholic Beverage Industry (in Rs. crore)



Source- , Annual Reports of State Excise Department

Note: Data from FY 2017- 18 to FY 2022- 23 (RE) has been used

In order to sustain the growth of this industry, distilleries have made an investment of approximately Rs 10000 crore, which includes around Rs 3000 crore specifically allocated for the establishment of grain alcohol plants. The state excise department announced that it has announced 17 MoUs in preparation of the upcoming Global Investors Summit for setting up industries based on distillery, brewing and alcohol products. Along with this, letters of intent have been given for investments worth ₹1400 crore. These include distilleries, breweries, microbrewery, yeast units, malt manufacturing units and caramel manufacturing units. (Interview with UPDA's Secretary published in Ambrosia).

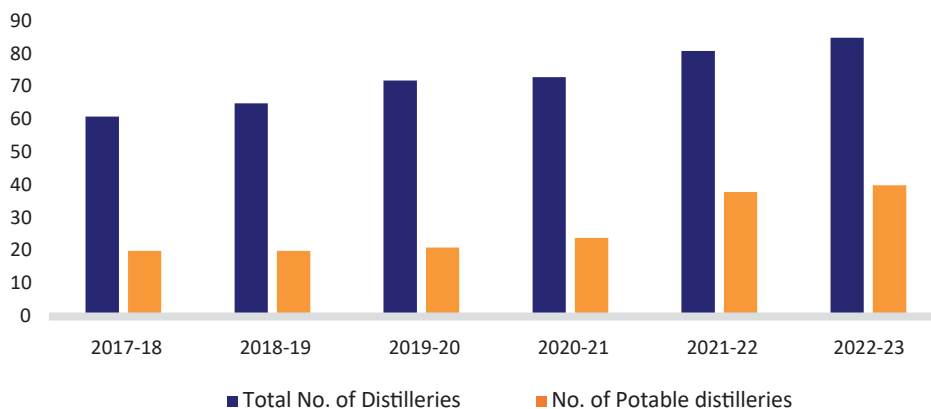
Expanded distillation capacity in the state

There has been an increment in the number of distilleries in Uttar Pradesh. There were 61 distilleries in total in 2017- 18 with installed capacity of 170.07 billion litres which in 2022- 23, has increased to 85 distilleries in 2022- 23. 20 new distilleries in Uttar Pradesh have been set up in the last five years installed capacity also jumped to 348.21 billion litres, having a CAGR of 15% (2017- 18 to 2022- 23)

(Figure 9). In the state, 18 new potable distilleries were set up in just one year (2021-22 to 2022- 23). Apart from that, additional 20 distilleries are in the developmental stage that will contribute an extra 0.8 billion litres of alcohol production.

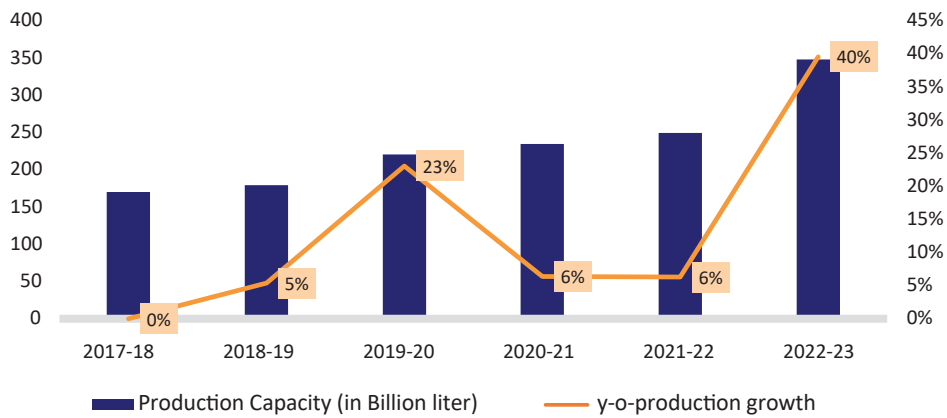
The distillery industry in Uttar Pradesh has faced a significant growth, surpassing investment of Rs. 1.80 lakh crore and is expected to play a crucial role in CM Yogi Adityanath's vision of achieving the goal of transforming Uttar Pradesh into a \$1 trillion economy (Investing.com 2022). It has also been said that in the last five years (2017- 18 to 2022- 23), investment amounting Rs. 9000 crores have been made with a generation of employment opportunities for 60,000 people.

Figure 9: Total Number of Distilleries in Uttar Pradesh



Source: Data sourced from UPDA member distilleries

Figure 10: Production Capacity of Distilleries (in Billion Litre) and Year-on- Year Growth Rate (%)



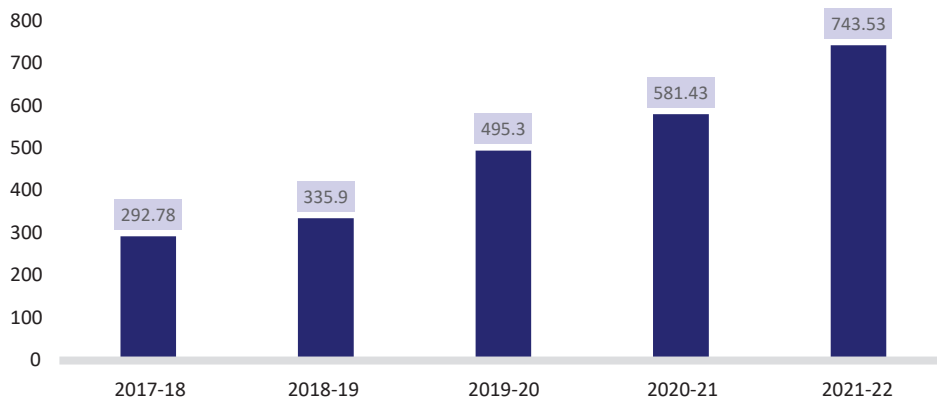
Source: Data sourced from UPDA member distilleries

Previously Uttar Pradesh focussed on producing about 20 billion litres of alcohol from molasses. However, there has been notable shift towards producing alcohol from grains as well.

High exports of alcoholic beverages

The total exports of Uttar Pradesh include both the exports out of the state and exports out of the country. **Exports have witnessed exponential 155% growth from 292.78 Million Litres in 2017-18 to 743.53 Million litres in 2022-23.** This is growing at a CAGR of 27% in 5 years (2016- 17 to 2021- 22). Annual growth rate has been highest in the year 2019- 20 (Figure 11).

Figure 11: Total exports of Alcoholic Beverages from Uttar Pradesh (in Million Litre) and Year-on-Year Growth Rate (%)



Source: Data sourced from UPDA member distilleries

Although more than two dozen India Made Foreign Liquor (IMFL) companies are there Uttar Pradesh, only IMFL by Mohan Meakin and Radico Khaitan, have been successful in creating international demands for their products. Dark Rum of Mohan Meakin (in Ghaziabad) is a popular product internationally (ToI 2023).



SECTION 3

UPDA CONTINUOUS CONTRIBUTION IN UP'S ALCOHOLIC BEVERAGE GROWTH

Uttar Pradesh Distillers Association (UPDA) serves as an apex body of the Distillery Industry. The State Government's several departments, including Excise, Pollution, Industry, Taxation, Labour, etc., have officially recognized UPDA as the industry's apex body. India has nearly 520 distilleries, out of which 90 distilleries are in UP, with 33 more upcoming. UPDA consists of 13 Member Distilleries and produces over 90% of the potable Country liquor to meet the requirements of the state. (Interview with Secretary UPDA, Ambrosia 2023).

UPDA plays the role of an interface between the members and the State/central government authorities majorly through the primarily through its advocacy role for policy makers. The association's primary objective is to disseminate knowledge and correct information related to potable alcohol, industrial alcohol, other liquors including beer and allied and by products of distillery and brewery industry or the working of these industries etc. It is accomplished by considering the matters affecting the industry, by providing guidance to the members and participating in exhibitions, press and other media etc. UPDA acts in the best interest of their members as a center of studies and research on subjects.

The association participates in promoting, protecting, opposing, and suggesting legislation and measures related to the alcohol industry. The association represents its members' interests by making representations to local, state, and central government authorities and other relevant organizations. UPDA collects and circulate statistics and other relevant information related to the alcohol industry, which helps in the industry's growth and development.

Another pivotal role that UPDA plays is by establishing the standards for transaction within the industry. Promoting cordial relationship between employers and employees is their prime objective. Member distilleries are assisted in plethora of areas like acquiring patents, trademark, design, provision of guidance for plants, machineries, equipment, and other products related to the industry. UPDA cooperates with other bodies like All India Distillers' association. They also draw, make, accept, discount, execute and issue bills of lading, warrants, debentures and other negotiable and transferable instruments and securities. Initiatives like Trade and Industrial Missions comprising of members, specialists, and entrepreneurs both in India and abroad, to arrange meetings with the Foreign Trade and Industrial Teams visiting India are taken by UPDA and organized. Another important function of UPDA is to communicate with Chamber of Commerce and other Commercial Industrial and Public bodies within or outside India.

Vision of UPDA

The vision of UPDA is to create thriving and ethical distilleries industry body in Uttar Pradesh. This will be driven by innovation, cooperation, sustainable methods, aiming to bring benefits to its members, state, and the entire nation in general. UPDA aims to place Uttar Pradesh as the leader of the distillery industry nationally and globally by innovation, strategic planning and adopting cutting edge technologies. By fostering a conducive business environment, promoting trade, UPDA wish to enhance the industry's growth and competitiveness. UPDA will act as a trusted and influential voice representing the interests of members to government authorities, policymakers, and regulatory bodies by proactively engaging with the government to shape favourable policies, regulations, and incentives that support the growth and sustainability of the distillery industry. The association encourages the adoption of environmentally friendly practices, such as wastewater treatment, zero liquid discharge, and clean energy solutions, to support the "Clean Ganga Mission" and other sustainability initiatives. The importance of continuous innovation and technological advancements in enhancing productivity, efficiency, sustainability within the distillery operations is recognised by UPDA. Leveraging digitalization and automation and research collaborations, the association plans to drive advancements in alcohol and ethanol production, promoting knowledge exchange and the development of the best practices. To promote knowledge exchange and research development, UPDA plans to foster strategic partnerships and collaborations with national and international stakeholders to promote knowledge exchange, research, and development in alcohol and ethanol production. Collaborations with Invest India will specifically focus on attracting investments, facilitating technology transfer, and promoting biofuels and grain-based distilleries. Working in tandem with research institutes and the industry, the association will look towards enhancing crop improvement, improving maize cultivation, exploring genetically modified crops, and promoting the utilization of distillers dried grain with soluble (DDGS) in animal feed. Emphasis will be placed on environmentally friendly practices such as wastewater treatment, zero liquid discharge and clean energy solutions to support sustainability initiatives. UPDA will promote responsible consumption of alcohol and educate the public about the industry's contributions to the economy, employment, and social development. Efforts will be made to strengthen employer-employee relations, advocating for fair labour practices, skill development, and employees' well-being within the distillery industry. The association will collect and disseminate industry-specific statistics, market insights, and best practices to members, enabling them to make informed business decisions and stay ahead of market trends.

Forty Years: The Journey of UPDA

The UPDA (Uttar Pradesh Distilleries Associations) has achieved several milestones since its foundation in 1983. Here are some major initiatives and accomplishments throughout the year.

1983

- ◆ UPDA was founded, marking a historic year for the Uttar Pradesh Distillery Industry.
- ◆ The UP government formed a committee for the Distillery Wage Agreement.
- ◆ The establishment of the first distillery, Bansagar Distillery, for producing potable alcohol.
- ◆ UP became the first state to commence ethanol from molasses

1985

- ◆ UPDA played a key role in persuading the Uttar Pradesh government to grant ethanol production licenses to private sector companies.

1987

- ◆ First Bipartite Wage Agreement took place between UPDA Distilleries and Distillery Workmen.

1991

- ◆ Introduction of the excise policy in Uttar Pradesh which led to the establishment of more distilleries to meet the increasing demand for potable alcohol.

1992

- ◆ UPDA successfully represented for the reduction in excise duties on alcohol which led to the lowering down if the cost of production for distilleries.

1993

- ◆ UPDA collaborated with the Uttar Pradesh government to introduce a new policy encouraging private investment in the distillery sector, resulting in a surge in the number of distilleries in the state.



1995

- ◆ UPDA organised the first state conference to discuss the potential of ethanol as a renewable energy source, paving the way for the introduction of biofuels in the state.

1997

- ◆ First Molasses Reservation Policy providing 20% reserved molasses to country liquor producing distilleries, thus incentivizing the promotion of potable alcohol in the state was undertaken.
- ◆ UPDA worked with the government to allow distilleries to sell products directly to retailers, reducing the cost of alcoholic beverages for consumers.

2000

- ◆ UPDA successfully advocated for a reduction in sales tax on molasses from 15% to 8%.
- ◆ UPDA had conducted the first seminar highlighting the steps government should take for deregulation, decentralization, and simplification procedures.
- ◆ UPDA addressed the Union Minister to introduce ethanol in motor gasoline for foreign exchange savings and environmental benefits.
- ◆ UPDA launched an awareness campaign to promote responsible drinking and discourage alcohol abuse.

2001

- ◆ UPDA shifted from pouch packaging to bottles for branded country liquor.
- ◆ Ethanol had started to be used in motor gasoline.

2003

- ◆ Uttar Pradesh launched Ethanol Blending Program which mandated the blending of ethanol with petrol to reduce pollution and promote renewable fuels.

2006

- ◆ Uttar Pradesh government launched a policy to promote the use of biofuels including ethanol, as an alternative to fossil fuel.

2010

- ◆ This year is marked by the introduction of the “Labour Tripartite Agreement” between UPDA Distilleries, Workmen, and the Government for resolving labour matters effectively.

2015

- ◆ Uttar Pradesh introduced the “Ethanol Policy for Co-Generation in Sugar Mills and Distilleries” to promote molasses-based ethanol for electricity co-generation.

2017

- ◆ UPDA finalised the new labour standing orders on a tripartite basis, revising the previous standing order of 1986.

2018

- ◆ UPDA filed a writ petition challenging the demand of trade tax and administrative charges as "double taxation" and obtained a stay order against the charge of administrative charges.

2020

- ◆ UPDA distilleries supplied sanitizers and oxygen plants during the COVID-19 pandemic

2021

- ◆ Execution of the second Labour Tripartite Agreement for the period 2016-2022 was carried out by UPDA.

2022

- ◆ UPDA conducted its first International Summit with participation from six partner countries and presentations from various nations.
- ◆ Subsequently, a delegation consisting of members from the All India Distillery Delegation and the UPDA embarked on a trip to Brazil. The purpose of the visit was to foster collaboration and identify potential areas of mutual interest in the business realm between distilleries and technology providers from India and Brazil.

2023

- ◆ UPDA is in the process of affiliating and finalizing memorandums of understanding (MoUs) with national and international trade bodies such as the Indian Agricultural Research Institute (IARI), Global Trade & Technology Council of India (GTTCI), Trade Promotion Council of India (TPCI), FICCI, Assocham, PHD Chamber of Commerce and Industry (PHDCCI).
- ◆ The second UPDA International Summit will be held in July 2023, showcasing global innovation technologies with USA, Brazil, Israel and many more countries, besides home grown technologies (UPDA).

Records held by UPDA and Uttar Pradesh

- ◆ Potable Alcohol dominated by Economical IMFL in Uttar Pradesh as Branded "Country Liquor". Annual Production / Consumption of 100 Million Cases ~ 45 Billion Unit Packs. Mammoth numbers & Possibly a World Record !
- ◆ Largest producer of alcohol: In 2021, Uttar Pradesh became the world's largest producer of alcohol, with a production of 6.8 billion litres. This was an increase of 10% from the previous year.
- ◆ Highest per capita consumption of alcohol: Uttar Pradesh also has the highest per capita consumption of alcohol in the world. In 2021, the average person in Uttar Pradesh consumed 7.3 litres of alcohol per year.
- ◆ Most brands of alcohol: Uttar Pradesh is also home to the most brands of alcohol in the world. There are over 10,000 different brands of alcohol produced in the state.
- ◆ Largest number of licensed liquor shops: Uttar Pradesh has the largest number of licensed liquor shops in the world. There are over 100,000 licensed liquor shops in the state.
- ◆ Largest market for country liquor: Uttar Pradesh is the largest market for country liquor in the world. Country liquor is a type of alcoholic beverage that is made from fermented grain or sugarcane.

Corporate Social Responsibility Activities undertaken by UPDA

UPDA and its members distilleries are actively involved in undertaking CSR initiatives for the betterment of the society. Some of which are mentioned below.

- ◆ Sanitation and safe drinking water, healthcare, promoting education, conservation of natural resources have been undertaken by India Glycols Limited.

- ◆ M/s Radico Khaitan Pvt Ltd. carried out covid support system in 2020 during the pandemic by setting up of medical grade oxygen generating plant. It also contributed to Ratnatraya Foundation for distribution of food during Covid and by providing medical oxygen cylinder and medical support to the needy. Radico Khaitan has also contributed to Kishinchand P Belani Trust for distribution of Sanitary Napkins along with India Vision Foundation to feed families in Covid. Apart from that women empowerment, health care, promoting education, environmental sustainability, plantation and animal welfare, sports and cultural activities are some of the areas where it works as well.
- ◆ Supreme Industries Limited focuses on various aspects of improving health care and basic living facilities. It works towards providing sanitation facilities, offering medical assistance and deploying teachers in primary and secondary schools. It also promotes employment opportunities and emphasize on the importance of education and literacy. Additionally, it supports the environment and forest conservation efforts, rural development initiatives, and provide asylum for the old and unserviceable cow (Goshala).
- ◆ Wave Distilleries and Breweries Limited and Lords distillery limited work on the areas of Education and Skills Development Empowerment of Rural Women, Basic Health Services, Rural Upliftment and Transformation, Promotion of Sports, Eradicating hunger, poverty and malnutrition and environmental sustainability. In addition to these activities, Dhampur Bio Organics Limited also look after the rural development and animal welfare.
- ◆ In Dhampur Sugar Mills Limited (Dhampur Sugar Unit), the projects mostly aim to promote education, preventive healthcare and sanitation practices. It also focuses on rural development, empowering women and economically disadvantaged group. The project emphasizes the importance of preventive healthcare and sanitation, ensuring a sustainable environment and promoting sports activities. Apart from these activities, DCM Shriram limited and Mohit Petrochemical Private limited, also takes care about protection of flora and fauna and animal welfare and health and wellness.
- ◆ Jain Distillery Private Limited promotes employment enhancing vocational skills for employ ability of youth, health care including preventive health care and sanitation.
- ◆ DCM Shriram Industries Ltd (Daurala Sugar Works) promotes health care including preventive health care and sanitation, provides support towards education of women, old age and differently abled children, women empowerment, support to senior citizens, environmental sustainability and protection of flora and fauna, promotion of traditional art, promotion of rural sports.

- ◆ Awadh Sugar and Energy Limited works on the lines of disaster management, including relief, rehabilitation and reconstruction activities. It promotes education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects, ensures environmental sustainability and ecological balance. Protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga are also some of the projects it works on.
- ◆ The members of UPDA have been backbone of the Distillery Industry in UP which has been a high Revenue earning stream and even prominently placed on pan India basis. Besides that, members have always come forward for State's and Nation's Corporate Social Responsibility at all times. Such Initiatives have taken further pace in pandemic (since 2020) through various measures namely production of sanitizers, financial contributions to government covid fund, they have also volunteered for help to needy in society both in corporate as well as individual capacities.
- ◆ The 2nd wave of Covid-19 since April 21 has been unfortunately even more fatal. Sensing the need of time and social responsibility, distilleries have established oxygen plants in various cities & districts of the State. Oxygen being majorly deficient in this wave, such Oxygen plants shall be certainly of great assistance to the Society at large. Around 35 distilleries have been set up during that period.
- ◆ In 2021, the distillery industry in Uttar Pradesh built and renovated 10 schools, provided scholarships to 1,000 students, sponsored 10 educational events, and provided training to 50 teachers.
- ◆ In 2021, the distillery industry in Uttar Pradesh provided financial assistance to 500 farmers, supported skill development programs for 1,000 people, and promoted sustainable agriculture practices in 100 villages.
- ◆ In 2021, the distillery industry in Uttar Pradesh built and renovated 5 hospitals, provided medical equipment to 100 hospitals, sponsored 20 medical camps, and provided training to 100 healthcare workers.
- ◆ In 2021, the distillery industry in Uttar Pradesh built and renovated 2 water treatment plants, provided clean drinking water to 100,000 people, and sponsored 10 water conservation programs.

Future Events

- ◆ UPDA is planning their next distillery delegation visit to USA under an exchange programme which will explore:
- ◆ Comparison of the corn supply chain model between, India and Brazil & India and USA.
- ◆ Enhancement of corn cultivation and productivity of corn grains in India, GM corn cultivation in India, testing of new corn cultivators from USA, and developing a holistic model for the corn growing farmers and industry.
- ◆ Transfer of ethanol production technology from corn grains and corn biomass (cobs and leaves-corn stover).
- ◆ DDGS (Dry Distillers Grains Soluble) valorisation and recovery of proteins from DDGS and purification, oils recovery from DDGS and its profiling, development of DDGS based holistic nutritive and palatable feed for cattle and poultry.
- ◆ UPDA is in process of collaboration with 'Invest India' wherein UPDA will interface and support bringing investments & technologies, with initial focus in bio-fuels sector and grain-based distilleries (Interview with Secretary, UPDA, Ambrosia 2023).



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LEGAL REQUIREMENTS AND CERTIFICATIONS REQUIRED FOR SETTING UP DISTILLERIES IN INDIA

Legal requirements to Start a Distillery Unit in India

FSSAI License

Every food business owner including a petty vendor/ hawker needs to obtain a Food license from FSSAI. FSSAI stands for the Food Safety and Standards Authority of India.

Trade/ Eating House License

Food business is usually granted Trade License as an 'Eating House' under the Municipal Corporation laws of the respective States in India. Any food business operator can obtain a trade license by making an application to the concerned municipality. Typically, the trade licenses issued in most of the States are valid for a period of 1 year and the same is renewed on payment of yearly fees.

Fire Department NOC

The Fire safety laws of most of the States in India consider the business of restaurants/ cafes/ hotels/ bakery to be a hazardous activity requiring a "No objection Certificate" from the Chief Fire Officer before commencing business.

Shop & Establishment Registration

Every owner of a shop or commercial establishment, having more than 10 employees, must obtain a shop and establishment registration from the respective State Labour Department. This process has moved online in the recent past.

Pollution clearance

Food business is considered as a polluting industry given the smoke emissions from the cooking process and washings of food waste. Therefore, your food business will need a pollution license/ Certificate or consent to establish your business and Consent to operate from the State Pollution Control Board. The category under which you will need a license will depend on the type and scale of operations of your business.

Labour law Registrations

here is more than 20 labour law legislation which is in force in India. A unified code of wages and a code of social security has been introduced by the Government of India to unify the central labour laws.

In addition to the above-mentioned licenses, you will need to have other licenses which are not specific to the food business but may be applicable depending on the infrastructure you invest in for your business. Such as, owning a Diesel generator with capacity above 500 KVA, requires a Genset registration from the Electrical Inspector.

Food Businesses which require to store Diesel, Kerosene, Liquid Petroleum Gas (LPG), Boilers, etc may need a license from PESO if the quantum of such flammable materials exceeds the prescribed threshold. Here is the link to the PESO website for more details on how to obtain Infrastructure license. Further, if you have installed a lift in the building, then you will need to obtain a license to erect and license to operate the lift from the State Electrical Inspectorate.

System Certifications acceptable in India as well as Internationally

Safety is a critical aspect of the food industry, with expectations from both consumers and health authorities for high levels of quality and safety at every stage of production until consumption. In the event of any issues, it is crucial to swiftly identify the causes and resolve them promptly. As a result, there exists an extensive set of regulations and numerous certifications within the food industry to ensure food safety, making it suitable for specific consumer groups.

ISO 9001

- ◆ ISO 9001 is an internationally recognized Quality Management System (QMS) standard. It is a world leader in SGC, surpassing one million certificates worldwide.

ISO 22000

- ◆ ISO 22000 is the international standard for food safety management systems for the entire supply chain, from farmers and ranchers to processors. It involves interactive communication, system management and prerequisite programs (PPR).
- ◆ ISO 22000 focuses on securing the supply chain, has principles of integrated management systems and is aligned with the HACCP principles of the Codex Alimentarius and other ISO standards of management systems.



FSSC 22000

- ◆ FSSC 22000 is a food safety scheme based on the ISO 22000, ISO 22002 and BSI PAS 220 standards, which specifies the guidelines to follow in a management system to ensure the safety of food.
- ◆ The Foundation for Food Safety Certification has developed this certificate based on the UNE-EN ISO 22000 standard and the British PAS 220 specification for the certification of food manufacturers .

BRC Global Standard for Food Safety

- ◆ BRC Global Standard for Food Safety is a certification standard that includes the requirements of an HACCP (Hazard Analysis and Critical Control) system in accordance to the Codex Alimentarius. This standard also covers a documented quality management system, as well as the control of requirements of the environmental conditions of the facilities, products, processes and personnel.
- ◆ BRC enjoys international recognition, and was developed with the aim of helping distributors comply with the legal obligations of food safety and guarantee the highest level of protection for the consumer.

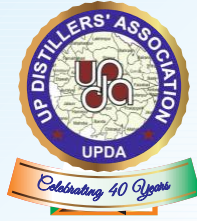
IFS (International Featured Standards)

- ◆ IFS Food was created with the aim of obtaining a common quality and food safety standard. In this way, food manufacturers or food packaging companies are audited to optimize resources and guarantee transparency throughout the food preparation process. Both IFS and the BRC certification are essential for food suppliers in the food distribution sector.





Release Occasion



UP DISTILLERS' ASSOCIATION INTERNATIONAL SUMMIT 2.0

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