



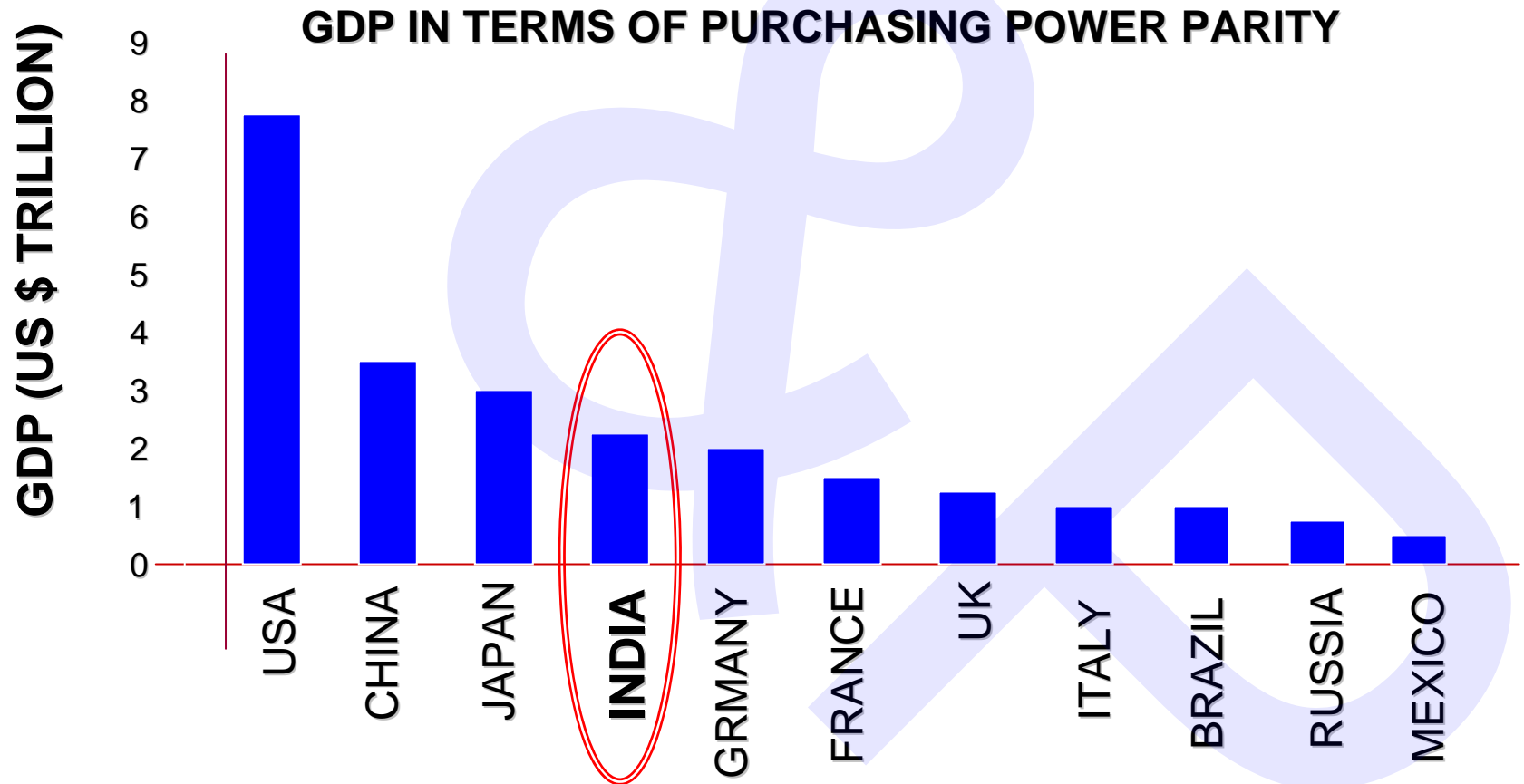
Wine Market - India

January 2007

INDIAN GDP

- ~ US\$ 383 BILLION
- ~ US\$ 2000 BILLION IN PURCHASING POWER PARITY (PPP)
- FOURTH LARGEST ECONOMY IN THE WORLD

INDIA PURCHASING POWER



INDIA KEY NUMBERS

- Population of one billion plus
- India's food & beverage market
 - estimated at US \$ 80 billion with select categories growing at 12-15% per annum
- Changing consumer lifestyles
 - Demand for better quality products
 - Government's focus on the food processing industry makes India an attractive proposition
 - Under alcoholic beverages, wine is the only item which falls under the definition of food processing attracting incentives

KEY DRIVERS FOR GROWTH OF MARKET

- High proportion of spending on food and beverages
 - 55% in India vs 12% in the US
- Retail revolution
 - Giving rise to new organized retail formats (viz. supermarkets, hypermarkets etc.)
- Government focus - priority status / increased incentives especially for food processing
- Rising consumerism
 - Reduction in tariffs (local excise duties particularly in Maharashtra and liberalization of WINE)

FAVORABLE CONSUMER TRENDS AUGUR WELL FOR BEVERAGE BUSINESS



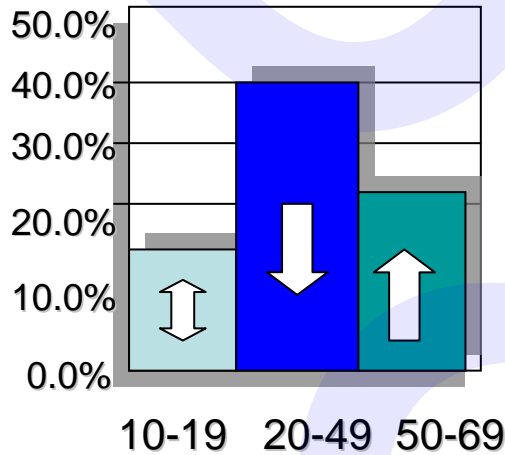
FAVORABLE CONSUMER TRENDS AUGUR WELL FOR BEVERAGE BUSINESS

- **By 2009-10**
 - increase in number of households by around 26 million
 - decline in proportion of destitute and aspirants from 31% to 18%
 - increase in size of climbers + consuming class+ very rich by 36%

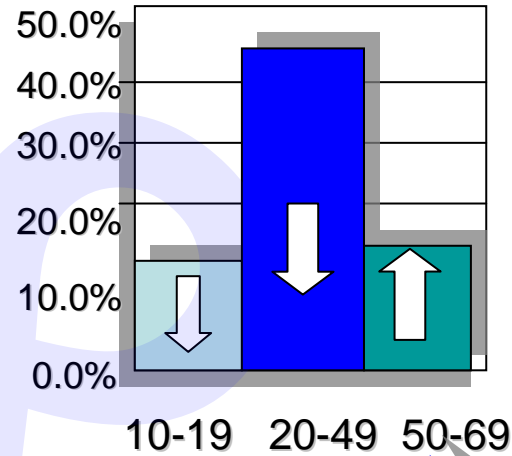
Changing Socio-Economics will result in a 36% increase over next five years in the consumer segment - relevant for the food and beverage business

SHARE OF AGE GROUPS IN POPULATION

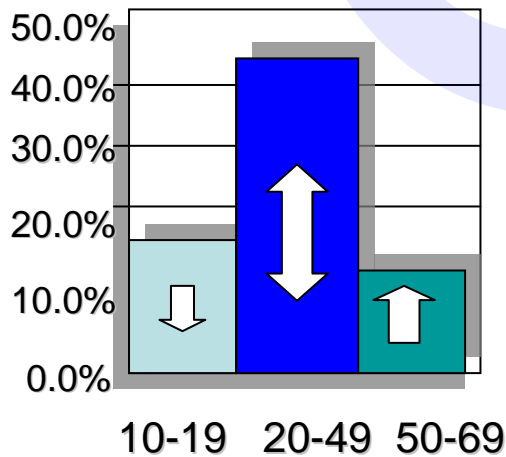
USA 2010



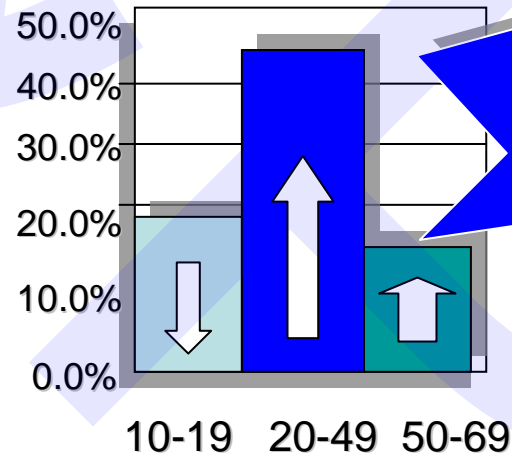
CHINA 2010



INDONESIA 2010



INDIA 2010



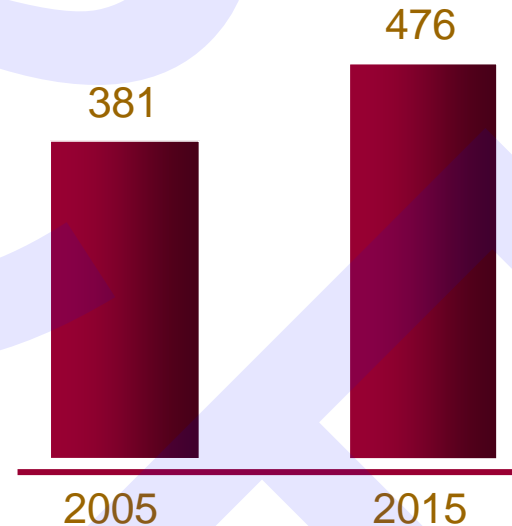
20-49 Age group is growing implying more consumers for Adult Beverage

IN 10 YEARS, 95 MILLION PEOPLE OF THE RELEVANT AGE GROUP WILL GET ADDED TO THE ALCOHOL DRINKING AGE POPULATION

- Population in the relevant age group of 15+ years in Class A & B cities, growing at 2.4% vs 1.5% of the rest of the population
- Likely penetration levels increase from 11% to 20%

95 million potential adults added in 10 years

Million people



The Indian middle income group is considered to be one of the fastest growing in the world, numbering 200 million plus.

Growing urbanization, globalization, rapidly changing social structures including the breaking up of the traditional joint family system, growing consumerism have had a major impact on the middle income group population in urban & rural India.



INDIAN WINE MARKET: 2005-06
ALL INDIA SALES VOLUME 0.85 MILLION CASES

Key Wine Market Features

- Small size, high growth, good potential
 - Still a nascent wine market
 - Total sales 05 / 06 est 0.65 million cases – 27% Growth; market value Rs 2.500 Billion.
 - Total volumes forecast to quadruplicate to 2.5 million cases in five years
- Expanding choice, low competition
 - Only three companies dominate the domestic market for 'premium' wines (est. 200,000 cs)
 - Indage (100 k cs – pioneer, started in 1986)
 - Sula (69 k cs – since 1999)
 - Grover (51 k cs, since 1992)
 - BIO imports have grown to 100 k cs (from 34 k cs in 2001) due to import liberalisation (2001) and the Duty Free scheme for hotels & restaurants

SUMMARY INDIAN WINE MARKET

- Only three wine makers at present in India operating on an all-India scale –
- The availability of Duty Free imports to all hotels & restaurants earning foreign exchange now makes that market more competitive than retail (for domestic producers), but also more attractive.
- In the long term, availability of own wine grapes and winery would deliver significant strategic and cost advantages – but involves making investments in winery & vineyards or sub-contract vines from other farm producers.
- Short Term, potential entrants should evaluate making wine from imported concentrated grape juice, as well as bulk wine imports or locally produced wines for taking advantage of Maharashtra State excise structure.

Wine Market – India

by price segments

Segment	Retail Price	Volume 04-05 (000 cs)				
	Rs/btl	Domestic	BIO*	Total	Share	Projd Growth
Ultra premium	> 900		20	20	3%	58%
Super premium	750-900		45	45	7%	9%
Premium	550-750	1	39	39	6%	77%
Popular	400-550	54		54	8%	40%
Regular	250-400	128		128	20%	20%
	150 - 250	32		32	5%	19%
Cheap	< 150	335		335	51%	25%
TOTAL		550	104	653	100%	27%

- "Domestic" includes BII wines

- BIO includes about 82,000 cs duty free

Duty Structure – BIO Wines

before new taxation rules as of July 2007

Customs duty applicable on wine (04/05):

		<u>Bottled wine</u>	<u>Bulk wine</u>	
Assessment Charges (AC)		1%	1%	of CIF cost
Basic customs duty		100%	100%	of CIF + AC
Additional Duty	CIF < US\$ 25/c	75%	nil	of cumulative cost
	CIF \$ 25 - 40/cs	50% - minimum US\$ 37/case	nil	of cumulative cost
	CIF > \$ 40/cs	20% or min \$ 40/cs	nil	of cumulative cost
Educational Cess		2%	2%	of cumulative cost

Effective rates	CIF < US\$ 25/cs	257%
	CIF \$ 25 – 40/cs	204%
	CIF > \$ 40/cs	145%

If FOB is (\$/btl)	1.0	1.5	2.0	3.0	4.0
DELHI MRP (rs/btl)	525	690	775	930	1125

Customs Duties – Wines

before new taxation rules as of July 2007

Wines have been importable under OGL since April 2001.

Duties applicable wef April 2003 are (as a % of CIF):

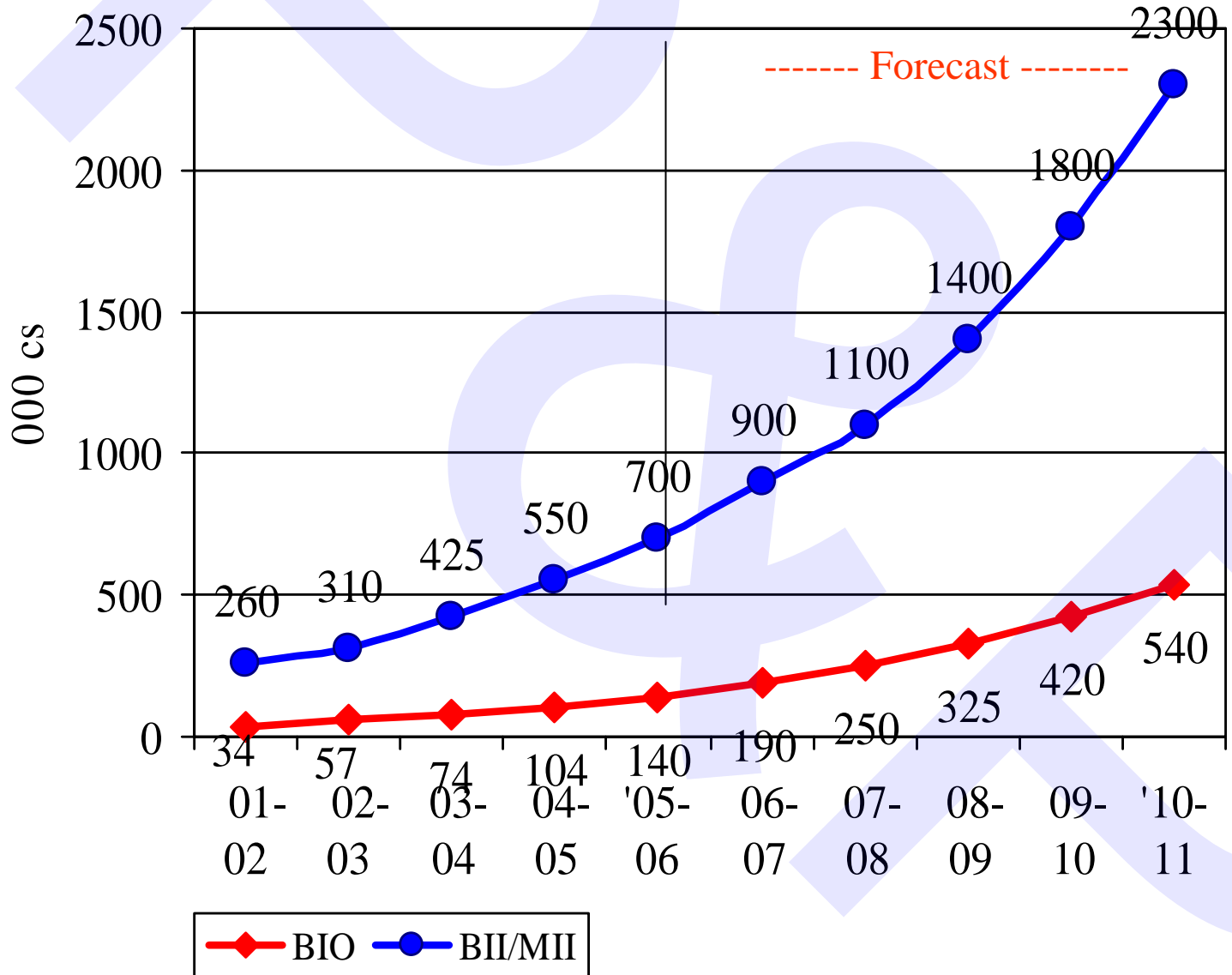
	BII	***** BIO *****	***** BIO *****	
		< \$25/CS	25-40	>40/CS
Basic customs duty	100%	100%	100%	100%
CVD*	nil	75% cum	50% or \$ 37/cs	20% or \$ 40/cs

NOTE

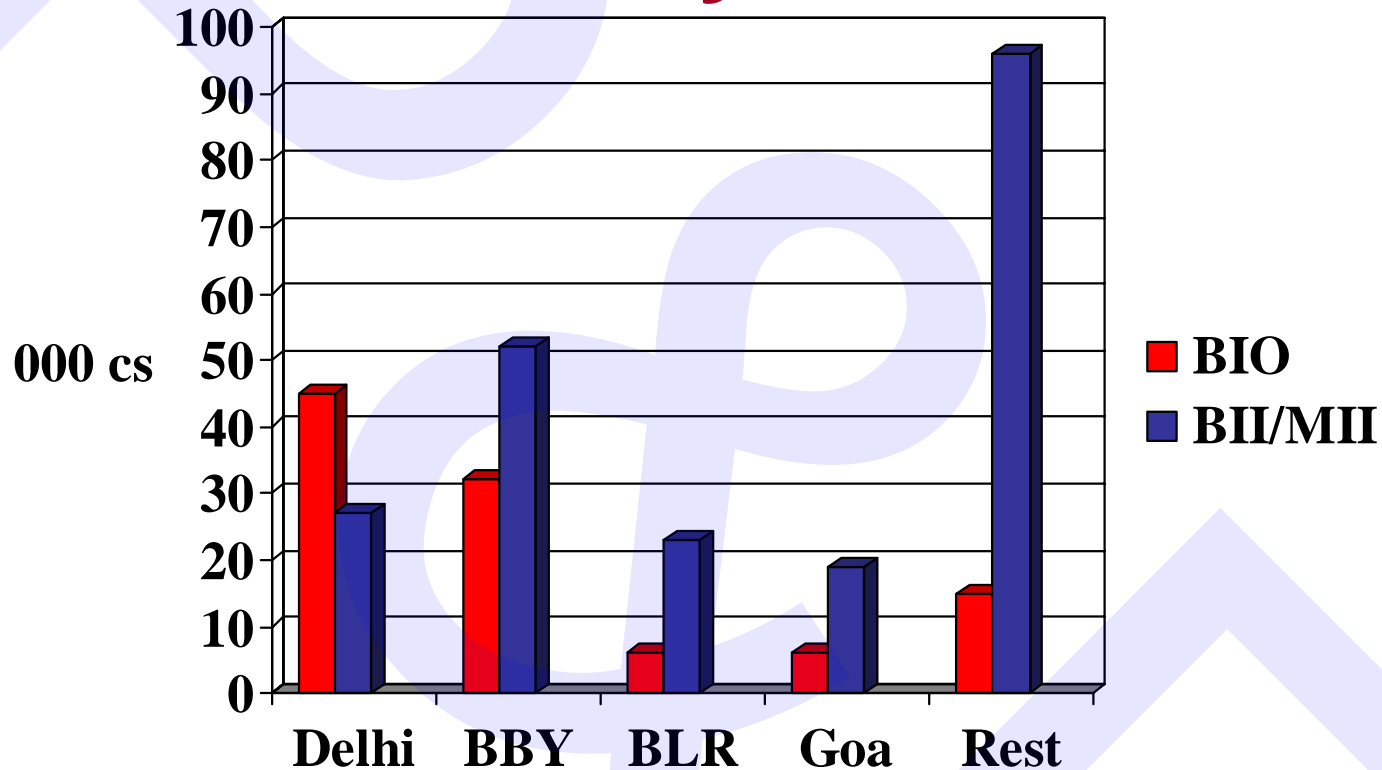
1. \$ = US\$ as per customs-designated rate prevailing
2. CVD applicable on cumulative cost (CIF + basic duty)
Slab rate applicable – higher of the two.

Wine Volumes – India

statistics & forecast



Wine Sales – Key Cities 2005-06



- Just 4 cities account for 90% of BIO and 66% of BII/MII volumes
- Delhi leads in BIO due to Embassies / ITDC presence
- Retail sales higher in Bombay – both BIO and BII/MII wines

BIO Wines – India

by trade channels

9-litre cases

000 cs

BIO Wine sales India		03-04	04-05	Growth
Duty Free	Embassies/airports/ships	38	46	23%
	Hotels / on-premise	25	36	46%
		62	82	32%
Duty Paid	Retail markets	8	14	89%
	On-premise	4	8	77%
		12	22	85%
		74	104	41%

80% of the business is duty free, which has grown the most for hotels (“on-premise”)

Market Opportunities

Wine is a high-growth business with good Long Term profitability potential It's worth entering at the start, as volumes will increase 4-fold in just 5 years , driven by changing lifestyles & growing incomes.

Opportunities:

- **Be one of the topmost wine companies in India within 5 years**
- **Market Indian wines overseas**

Achieve these objective by:

- **Developing an in-house sales & marketing team for wine** with the *skills, knowledge and training* for both hotels and retail customers
- **Start off with a BIO wine portfolio** consisting of premium and well-known wine labels – a Foreign Collaboration / Joint Venture is desirable
- **Extending the portfolio by setting up vineyards & winery** through either tie-ups, acquisitions or building own production facilities and take full advantage of new wine policy in terms of sops / tariffs and being competitive in market with better quality wines

Relative Pricing – BIO / BII

Retail prices tend to rise sharply for **BIO wines** due to customs duties:

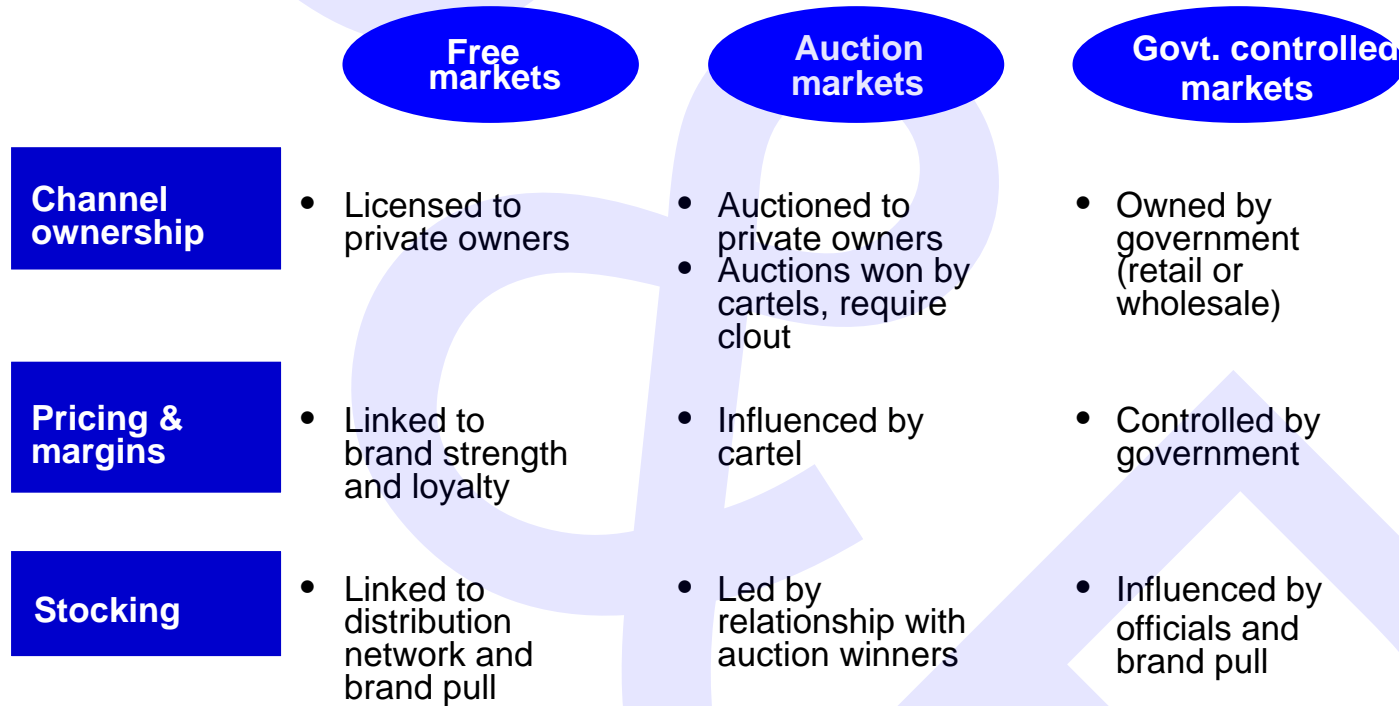
BIO							
FOB	US\$/btl	1.00	1.50	2.00	3.00	4.00	AVG
COGS	Rs/btl	68	90	112	156	200	125
Net realisation	Rs/btl	132	170	208	280	360	230
MRP - Delhi	Rs/btl	596	728	852	1,023	1,211	

Lower duties allow BII wines to hit lower price points :

		BII 1	BII 2	BII 3	BII 4	AVG
Bulk Wine cost	US\$/BL	0.75	1.00	1.50	2.00	
Cost of wine bottled	Rs/bottle	61	78	113	148	
COGS	Rs/bottle	121	138	173	208	145
GROSS MARGIN	Rs/bottle	77	89	98	104	88
NET REALISATION	Rs/bottle	200	229	273	313	233
MRP	Rs/bottle	407	457	528	594	465

DISTRIBUTION STRUCTURE DIFFERS IN EACH STATE

Types of distribution structures

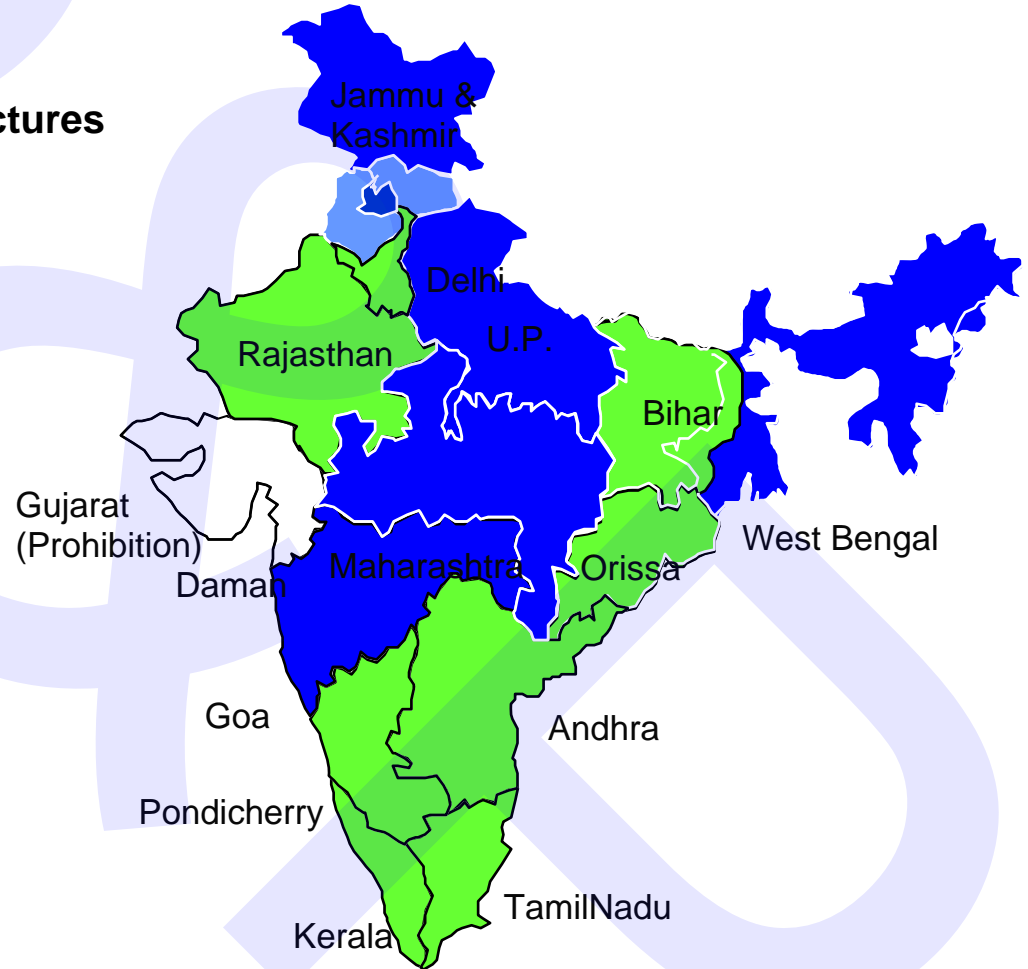


Takes time to establish distribution network in each state & it is advantageous to tie up with Indian JV partner

DISTRIBUTION STRUCTURE DIFFERS IN EACH STATE

Types of distribution structures

- Free
- Auction
- Government
- Prohibition



DRIVER FOR THE FUTURE...

- Rising GDP
- Removal of market distortions
 - Higher retail availability
 - Higher on-premise consumption
 - Lower end-consumer prices due to decrease in distribution margins
 - Reduction in taxation on WINE relative to hard-liquor
- Changing lifestyles

With better-paid jobs than ever before, and more open-mindedness than their male counterparts, within the youth demographic, young women are increasingly being singled out and marketed to.

FUTURE PERFECT

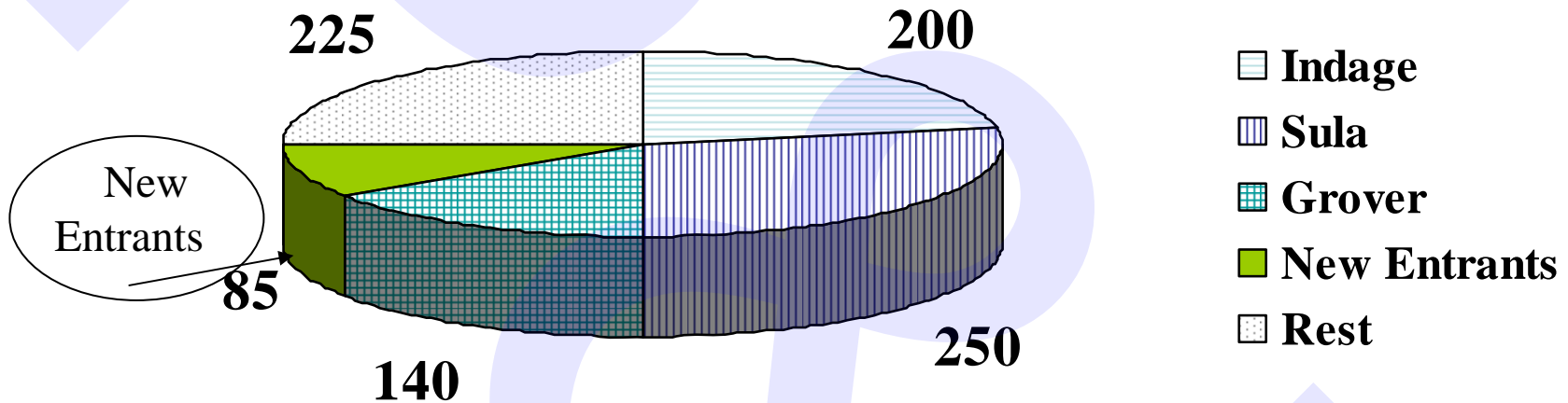
The Indian wine market is a fast emerging wine market.....

- Social acceptance of drinking of alcoholic beverages
 - Awareness of wine as a separate drink other than spirits
- Awareness and knowledge about wines from different regions of the world.
 - Spend on corporate and personal entertainment
- Increasing health consciousness
 - Increasing awareness in Govt. authorities to encourage wine drinking compared to spirits
- Tendency to try newer products / brands

The wine friendly policies of Maharashtra State Govt. offers ideal opportunity for International wineries for introducing their brands in the fast growing Indian wine market through a tie up with some local wineries/partners.

Expected Market 2009-10

(in 000 cases)



- Existing 3 majors will continue – perhaps with changed ownership
- Several new players will enter the market – including leading MNCs; Seagram already started their operation this year.
- **New Entrants can aspire to be fourth-largest in volume / share.**