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India’s spirits market grew only 2% after whisky sales slipped

State tax increases on bottled liquors widened price gaps with beer, which rose 17% nationally in the June quarter.

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India’s spirits market grew only 2% in the quarter ended in June 2026, as whisky sales slipped and state tax changes made many bottled liquors less competitive against beer in some of the country’s biggest drinking markets.

The weak showing was notable because whisky dominates India’s spirits business, accounting for nearly two-thirds of the category by volume. According to industry officials cited by The Economic Times from excise data, whisky volumes fell 1% in the April-to-June period, pulling down overall growth even though brandy and vodka posted gains. The report did not disclose the growth rates for those categories, and their increase was not enough to offset the decline in whisky.

The figures point to a change in consumer behavior in a market that has long been driven by affordable spirits. Industry executives said higher prices, especially in lower-priced Indian-made foreign liquor, or IMFL, have hurt demand in entry-level segments. Several states, including Maharashtra, Karnataka, Odisha and West Bengal, raised taxes on IMFL, while beer prices were left unchanged or, in some cases, reduced. That widened the price gap between spirits and beer and encouraged some consumers to switch.

Beer volumes rose 17% nationally in the same quarter, according to officials citing the same excise data. That marked a sharp divergence from spirits and suggested that policy changes, seasonal demand and weather conditions were all helping the beer industry at the same time that spirits were losing momentum.

Amar Sinha, managing director of Allied Blenders, told The Economic Times that overall demand remained subdued and that some of the pressure was concentrated in large state markets. He said Maharashtra’s IMFL market did not grow, while lower-priced products in Karnataka were affected by pricing disparities and also failed to expand. He added that seasonal factors, including the Shravan period in northern India, weighed on consumption in August and further moderated demand, though he said the market could improve from September as those temporary factors ease.

The slowdown matters because India is the world’s largest whisky market by volume, and whisky’s size means even a small decline can shape results for the entire industry. The 1% fall in whisky during the quarter contrasted with the stronger performance of beer and highlighted the sensitivity of mass-market alcohol demand to taxes and retail prices.

The pressure appears strongest in the lower end of the spirits market. India’s drinking population is estimated at about 300 million, according to the report, and a large share of consumers buys low-cost or unbranded alcohol. The mass-premium segment had been a growth engine for whisky, rum and brandy, but industry officials said that part of the market is now under strain from higher costs and increasing local competition.

Beer producers said state excise policies gave their category an additional push. Vinod Giri of the Brewers Association of India, which represents United Breweries, AB InBev and Carlsberg, said the first quarter of the fiscal year, traditionally the peak period for beer, was strong. He said national beer sales rose more than 17% from a year earlier and that July trends remained similar. He attributed much of the increase to favorable excise measures in several states that supported milder alcoholic drinks.

Giri said beer sales in Maharashtra and Karnataka rose 42% and 35%, respectively, in the period. Those two states are among India’s largest alcohol markets, and their tax decisions have had an outsized effect on category performance. Executives said Maharashtra’s move to raise taxes on spirits while not increasing beer prices helped start a strong shift toward beer. Karnataka later followed with policy changes that also improved beer’s relative value.

AB InBev India president Kartikeya Sharma told the newspaper that Maharashtra had “started the bull run on beer” after increasing taxes on spirits. He said Maharashtra grew about 40%-45% last year and was still growing about 40% in the current year to date. He also said Karnataka had joined the trend, with beer expanding by more than 50% over the previous three months. Sharma added that stronger beer sales were visible in several other markets, including Telangana, while West Bengal, Haryana and Uttar Pradesh were more subdued.

Brewers also pointed to weather as another factor. The quarter covered the summer period, which is typically favorable for beer, and the report said below-normal monsoon rainfall and unusually dry conditions in August supported consumption. Spirits did not benefit to the same degree, especially as price increases in key states narrowed their appeal for budget-conscious consumers.

The latest quarter marks a break from the broader pattern seen in fiscal 2025, when both spirits and beer volumes grew by about 4%. The new numbers show a much wider gap opening between the two categories. That gap suggests state-level excise policy is now playing a larger role in shaping alcohol demand across India, particularly where tax changes alter the relative price of spirits and beer.

Neeraj Kumar, India managing director at Suntory, told The Economic Times that the picture varies by state and by price tier. He said conversations around IMFL value differ depending on whether products fall into premium, mid-prestige or lower-prestige segments, because excise reforms or state policy changes can create temporary disruptions in specific markets.

The data cited in the report came from excise officials and industry executives rather than published national tables. No absolute sales volumes, retail price comparisons or exact state tax increases were provided. Even so, the pattern was clear across the quarter ended in June: spirits grew only modestly, whisky declined, and beer gained ground as tax changes and price differences reshaped purchasing decisions in some of India’s largest liquor markets.