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Indian liquor makers seek price increases in Telangana after input costs surge

Allied Blenders, Radico Khaitan and Tilaknagar are pushing state by state for relief from higher packaging, grain and energy costs

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Indian liquor makers are pressing for price increases in several states as higher costs for packaging, grains and energy put pressure on margins, with Telangana emerging as a major focus of those talks, The Hindu BusinessLine reported on November 15.

The companies seeking revisions include Allied Blenders, Radico Khaitan and Tilaknagar, according to the report. Their push reflects a basic problem for distillers in India: costs can rise quickly, but retail prices often cannot. In many states, alcohol pricing is tightly regulated, and producers need government approval before they can pass higher expenses on to consumers.

That leaves liquor companies exposed when the price of key inputs moves up. Glass bottles, cartons and other packaging materials are a major part of production costs. Grains and other agricultural inputs can also become more expensive, while energy prices affect manufacturing, bottling and transport. When several of those pressures hit at the same time, the effect can be significant, especially for large-volume brands that compete on price.

Telangana appears to be central to the current discussions. That matters because state decisions can have an outsized effect on the spirits business in India. Alcohol is regulated at the state level, and each market has its own approval process, tax structure and retail system. A favorable decision in one large state can help a producer protect margins there, but it does not automatically apply elsewhere. Companies often have to pursue revisions state by state.

The issue goes beyond a simple request for higher shelf prices. For many beverage companies, the ability to recover rising input costs shapes how much they can invest in marketing, distribution and new products. If price revisions are delayed or denied for an extended period, producers may have to absorb the increase, accept lower profitability or adjust their product mix. That can change the competitive balance between large listed companies and smaller regional players.

The pressure is especially relevant in spirits, one of the largest segments of India’s beverage market. State controls over pricing can limit how quickly companies respond to inflation, which in turn can affect margins, expansion plans and competition. The outcome of these talks could also be watched closely across the broader drinks industry, including by brewers and other alcohol producers that operate under similar regulatory constraints in some markets.

For consumers, any approved increase would likely mean higher retail prices. For state governments, the decision can be more complex. Alcohol is an important source of tax revenue in India, but price changes can also carry political sensitivity. States must weigh consumer reaction, inflation concerns and revenue considerations against industry arguments that current price levels no longer reflect production costs.

The companies involved have not been described as seeking a uniform increase across the country. Instead, the process appears to be based on local negotiations and market conditions. That reflects the fragmented nature of India’s liquor industry, where regulatory differences can be as important as brand strength or demand trends.

The current push also highlights how vulnerable the sector remains to swings in input costs. Even when sales volumes are stable, profits can come under pressure if companies are locked into state-approved prices for long periods. Producers therefore have a strong incentive to press for periodic reviews, particularly when increases in packaging, raw materials and energy begin to erode earnings across multiple product lines.

Whether state governments approve the requested increases, and by how much, will determine how much relief distillers get in the coming months. For now, the negotiations reported by The Hindu BusinessLine suggest that cost inflation remains a major issue for Indian liquor makers and that pricing policy at the state level is still one of the most important factors shaping the business.