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Karnataka wineries on a high

Sharath S. Srivatsa



The Hindu A vineyard in Bangalore. In spite of bad rains and the financial slowdown, the wine industry has been looking up over the past year. Photo: K Gopinath

Raise a toast. The wineries in Karnataka are celebrating. The financial slowdown notwithstanding, the wine industry has been looking up over the past year, thanks to the special excise duty imposed on wines produced outside Karnataka to promote the local wineries.

In November 2008, the State Government imposed a special excise duty of Rs. 300 on each litre of wine produced outside Karnataka. This has brought cheers to the wineries of Karnataka, as they have been able to compete with the wine brands produced outside the State, particularly from Maharashtra, industry sources said.

Among the brands from Karnataka, Grover Vineyards has reported an increase of sales from about 800 cases to 1,800 a month, while Kinvah, which sold about 250 cases a month, has been selling over 800 cases. Naka Wines is also selling above 800 cases a month. Each case of wine contains twelve 750-ml bottles.

“Sales have shown a healthy increase after the duty was imposed. We were suffering from a similar policy followed by Maharashtra. We are upbeat about the sales this season (October to February),” said K.S. Kumar, general manager of Grover Vineyards.

The flip side is that the duty has brought down sales of non-Karnataka wines. If the total sale of non-Karnataka wines was about 3.9 lakh litres in 2007-2008, it slumped to 2.5 lakh litres in 2008-2009, and this figure is likely to decline further this year.

Industry sources said Sula, a leading brand from Maharashtra, saw its fortune dwindling with its monthly sale registering 1,200 cases against 2,000 cases, following the increase in tax.

“A bottle of wine that would cost about Rs. 270 before the duty is now about Rs. 520, taking away the competitive pricing that we had. The wine culture has been affected by this policy,” a Sula executive said.

According to the Area Sales Manager of Big Banyan Babno Machaiah C., the policy has affected the sales in the entry-level labels, while it has not affected the premium segment much.

In all, the total sale of wine in Karnataka during 2008-2009 was about 17.79 lakh litres of which Karnataka-based companies sold 13.95 lakh litres. In 2007-2008, the total sale was 16.6 lakh litres of which wine from Karnataka was about 11.5 lakh litres.

Defending the special excise duty, Wine Board Managing Director B. Krishna said the fresh levy had not resulted in decline in sale of wine in the State. “Although the sale of imported (from other States) wine has come down, the new duty has helped the local wine brands improve their sales. Overall, wine sales have improved,” Dr. Krishna said. In fact, he said Maharashtra had imposed a 200 per cent duty on wines manufactured outside the State besides levying a hefty registration fee.

On the other hand, he said the new policy has resulted in the increase in the number of wineries from two to 11 in Karnataka, as many Maharashtra-based wineries are setting up wineries here.

“Since the wineries have increased in Karnataka, the area under wine grape cultivation has increased from 600 acres to about 1,800 acres now,” he added.

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