

## UK-India Trade Pact Sets Stage for Premium Spirits Shake-Up

August 2, 2025

— Categories: Finance



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Tariff cuts under the Free Trade Agreement may reshape India's liquor market, but costs, competition, and taxes remain key hurdles.

The newly implemented India–United Kingdom Free Trade Agreement (FTA) is poised to reshape India's premium spirits market by lowering import duties on British-made whisky and gin. Under the deal, tariffs on UK-origin spirits will be reduced from the current 150% to

75% in the early years and ultimately down to 40% by the tenth year. However, industry leaders caution that retail price cuts may not be immediate, as cost pressures and regulatory hurdles could dilute the intended benefits.

India remains the world's largest whisky market by volume, but high import duties and fragmented state regulations have long restricted access to premium foreign labels. The FTA seeks to ease these restrictions, providing UK-based distillers with a clearer route into the Indian market while potentially expanding consumer choice in India's evolving alco-bev (alcohol and beverage) landscape.

According to Abhishek Modi, Managing Director of Modi Illva, the reduced tariffs offer clarity for Scotch producers, but a significant drop in shelf prices is unlikely in the short term. He pointed to rising raw material and energy costs, along with currency fluctuations, as continuing challenges. "Most global brands will prioritise margin stability over aggressive discounting," Modi said, noting that benefits may emerge more prominently in the lower end of the premium market through blended variants.

British distillers see opportunity, but so do Indian producers. Sanjiv Kumar Puri, Regional Director for the Indian Subcontinent at Angus Dundee Distillers Plc, described the agreement as mutually beneficial. British distillers gain access to a fast-growing, quality-conscious market. Simultaneously, Indian producers can explore UK and European Union markets with craft spirits based on local ingredients," Puri said.

Varun Gupta, CEO of 55North Whisky, believes Indian brands will need to innovate to remain competitive. "With foreign labels becoming more accessible, Indian spirits in the ₹1,000–₹5,000 range will face pressure," he stated. Gupta also sees the FTA as a gateway to collaboration, citing opportunities in joint ventures and co-branded blends that could strengthen Indian brand presence abroad.

The phased tariff cuts also support bulk imports, creating potential efficiencies for Indian distillers that blend imported Scotch with domestic spirits. Ankur Sachdeva, CEO of UBD, known for the SOORAH brand, sees this as a chance to boost quality offerings and branding efforts, especially as Indian producers continue to gain recognition for their premium whiskies.

Outside India's major manufacturing hubs, the FTA may open new export avenues for emerging players. Vicky Chand, CEO of Assam-based Radiant Manufacturers, believes the

deal offers regions like the Northeast an opportunity to build a global footprint. “If infrastructure and policy support align, lesser-known regions can rise in global rankings,” he said.

Nonetheless, caution persists. Major General (Retd.) Dr Rajesh Chopra, Director General of the Indian Malt Whiskey Association, warned that domestic producers could face threats if the agreement lacks safeguards. He advocated for measures such as a Minimum Import Price to prevent undercutting and urged balanced implementation to protect local jobs and industry growth.

Retail pricing, often influenced more by state excise taxes than customs duties, remains a sticking point. Debashish Shyam, Director at Ardent Alcobev, noted that the real-world impact on shelf prices will vary by state. “The reduction from 150% to 75% in basic customs duty is welcome, but retail prices also depend on local levies and distribution margins,” he explained. In states like Maharashtra, however, even modest reductions could boost accessibility.

Ultimately, while the FTA marks a pivotal moment for the alco-bev sector, experts agree that its success hinges on strategic responses from both domestic and international players. The tariff cuts alone are not a silver bullet, but they may catalyse greater consumer choice, heightened competition, and new investment in branding and quality.

As the changes take hold, Indian shelves may begin to reflect a more global mix, while Indian producers prepare to compete not just domestically, but on the international stage. The full impact, however, will unfold gradually, shaped by policy execution, market dynamics, and industry readiness.