

## **Report of the Secretary General, Indian Beverage Association for the year 2021-22 to be laid on the table during AGM**

I have great pleasure in presenting the report about the Indian Beverage Association (IBA) and its activities for the year 2021-22.

2. Having come into being on January 14, 2010 as a Society under the Societies Registration Act, 1860 and having commenced operations with the year 2010-11, the year under review is the twelfth year of the Association's activities.

3. The office of the Association continues to be located in the building of the PHD Chamber of Commerce and Industry, August Kranti Marg, New Delhi.

4. The Managing Committee of the Association met periodically four times in the course of the year to consider various matters and to give necessary directions for furthering the activities of the Association. Minutes of each meetings were circulated to all the members of the Managing Committee soon after each meeting.

5. The bank account of IBA continues to be at the Hauz Khas branch of HDFC Bank. The monies received from time to time by way of Entry Fee, Annual Subscription and Contribution (under Rule 5), etc. are deposited in this account. The audited Annual Account for the year under report have been placed on the table of the AGM for taking note of by the IBA members.

6. In the course of the year 2021-22, the Association continued endeavours for discharging its role as a focal point for the beverage industry in general and its Members in particular, in respect of issues that arise periodically relating to the Government of India and different State Governments, apart from regulatory authorities like the Food Safety and Standards Authority of India (FSSAI), the Bureau of Indian Standards (BIS) the Central Pollution Control Board, the Central Ground Water Authority, Department of Consumer Affairs, etc.

7. Central Pollution Control Board (CPCB), under the Ministry of Environment, Forest & Climate Change (MOEF&CC) issued notice to brand owners for environment compensation under PWM Rules imposing heavy fine for not meeting their EPR obligations. An IBA delegation had a meeting with the Chairman CPCB on the issues arising out of the notices issued by the CPCB. It was submitted that as the EPR Framework was still in development process in the MOEF&CC, the Urban Local Bodies (ULBs) are not aligned to their role in waste management collection, including endorsement. The current legal framework doesn't prescribe ULB endorsement and therefore the industry feels that they should not be penalised retrospectively if ULB endorsement is included in the future framework. It was mentioned that brand owners and producers submitted plan for collection of 30:70:100 % waste over three years which has been disregarded and CPCB has taken the third-year volume as year one obligation and calculated the penalty accordingly. The period for calculating the non-compliance doesn't appear to be from the date of registration received by the companies.

Finally, Industry requested to be given time to respond and establish compliance through a personal hearing. Chairman, CPCB acceded to the request and said that additional time may be sought by the industry to submit documents to establish compliance. Chairman CPCB acknowledged Industry concerns and the fact that there are several emerging implementation challenges in Plastic Waste Management, both from the Government and as well from the Industry. Chairman CPCB mentioned that they are working on a SOP for Collection & Recycling which will be ready soon.

8. During the year under report, the IBA has very actively pursued the matter of allowing recycled rPET material in packaging of food items to promote circular economy for better management of plastic waste in the country. In this connection a representation was submitted to the Ministry of Environment, Forests and Climate Change (MoEF&CC) which was followed by an online meeting of IBA delegation with concerned officers of the MOEF&CC. The information on the Regulations in many developed and developing economies such as USA, Europe, Japan, Australia, South Korea, Bangladesh, Nigeria and several Latin American countries allowing recycled plastics such as rPET

in food contact applications (food packaging), to effectively reduce the use of virgin resin in plastic manufacturing , was collated and shared with the MOEF&CC along with evidence based justification on circular economy. In the light of the consumer usefulness, recyclability, environmental friendliness, water conservation and contribution to the economy of the rPET, MOEF&CC and FSSAI were requested to modify the relevant provisions of the Act and Regulations to permit use of the rPET in food packaging.

9. Ministry of Environment, Forests and Climate Change (MoEF&CC) has on 17<sup>th</sup> September 2021 amended the Plastic Waste Management Rules 2016 to allow recycled plastics in food packaging. Subsequently, FSSAI has also amended its regulation to allow use of rPET in food packaging. IBA is now pursuing the matter with BIS to amend its relevant standards to allow the use of recycled plastics in food packaging. IBA is hopeful of removing this last obstacle in the way of the circular economy of the plastic waste management soon.

10. During this period, Governments of Sikkim and NCT Delhi issued draft notifications on Plastic Waste Management Rule/Bye laws banning use of PET bottles one liter and below for packaged drinking water in their States. The matter was taken up vigorously with both the Governments and detailed representations were submitted to the concerned authorities of these states. IBA delegation was the first to have a meeting with the Addl Chief Secretary, Government of NCT Delhi on this issue on 9<sup>th</sup> September, 2021. The IBA delegation was accorded a patient hearing on the matter. This meeting was followed by another meeting along with other stakeholders. IBA collaborated with ARC to prepare a detailed representation with evidence-based justification which was submitted to the concerned authority in Delhi Government in accordance with the discussion took place in the meetings.

11. FSSAI mandated Calcium+Magnesium addition to packaged drinking water (other than mineral water) by prescribing minimum limits of 20 mg/L of Calcium (Ca) and 10 mg/L of Magnesium (Mg) in packaged drinking water standards. In response to FSSAI's proposal for high minimum limits of Ca & Mg in packaged drinking water (other than

mineral water), IBA had represented to FSSAI that with the proposed values of Ca & Mg, industry will face the challenge of consumer taste acceptability. It was also submitted that there is no regulatory requirements for minimum Calcium or Magnesium for bottled or packaged drinking water in the standards in many countries. Even there is no mandate in Codex for minimum Ca and Mg, which is followed by many countries across the world. FSSAI was requested to substantially lower the proposed value of Ca and Mg in the packaged drinking water and instead fix TDS limit. Having got convinced with the facts presented by IBA, FSSAI agreed to lower the proposed minimum values to half in case of Ca and Mg and proposed TDS limit of 75 to 500mg/l and subsequently issued an order to this effect.

12. FSSAI has issued draft Amendment regulations regarding Food Safety and Standards (Labelling and Display), 2021 for key editorial revisions required in the Sweetener labelling declarations. After consultations with its members, IBA submitted its comments on the draft proposals to FSSAI.

13. As decided by the Managing Committee, IBA commissioned the ICRIER to prepare a Study Report on the “Contribution of Non-Alcoholic Beverage Sector to Indian Economic Growth and Atmnirbhar Bharat”. A Sub Committee was constituted under the Chairmanship of Secretary General, IBA to coordinate with ICRIER and all the IBA Members for submission of the required information and industry comments and suggestions to ensure timely completion of the report. The Draft Report on the subject submitted by ICRIER was circulated to all the members seeking their comments, suggestions and views. Every effort was made to incorporate in the report, the valuable feedback received from the members. The progress of the Study Report was regularly monitored by the Sub Committee to ensure quality and timely completion of the report.

14. IBA has been continuing to represent against the unfair treatment meted out to the beverage industry by putting its most of the products in higher slabs of GST and categorizing some of the popular products as

‘sin products’ without any logic. It is a matter of regret that these efforts have not yielded desired results. The matter became worse in the light of the recent categorization of the Carbonated Fruit Drinks (CFDs) as demerit goods attracting highest slab of GST.

15. IBA has made and is making representations to the GST Council Members and Ministry of Finance, Government of India that fruit juice is added as an essential ingredient and not just for flavouring purpose in the CFDs. “Carbonated Fruit Drinkss” and “Carbonated Beverages with Fruit Juices” are considered as ‘fruit pulp or fruit juice-based drinks’ by the manufacturers under the GST Tariff Item 2202 99 20 attracting GST rate of 12 per cent but as per the current GST tax structure, aerated water flavoured and/or sweetened falls under the GST Tariff Code 2202 10 which attracts GST at 28 per cent plus a compensation cess of 12 per cent making it to 40 percent. The manufacturers started adding fruit juice in their beverages to help Indian farmers thrive. But due to current coding, manufacturer are finding it difficult to invest with higher taxes which in turn are affecting the farmers producing fruits in India. In view of above, it was requested to specifically classify “Carbonated Fruit Drink” and “Carbonated Beverages with Fruit Juice” under GST Tariff Code applicable for fruit juices with 12% GST and to put an end to the unwarranted disputes on classification of these products and applicable rate under GST.

IBA is relentlessly pursuing this matter with the concerned authorities both in centre as well as states. A meeting was held on 9<sup>th</sup> September, 2021 by the IBA delegation with the Addl Secretary, GST Council in which concern of the industry were explained in details. Subsequently, a series of online meetings were held with Commissioner Commercial Taxes of many states including Utter Pradesh, West Bengal, Kerala, Goa, Karnataka, Rajasthan etc. An online meeting was also held with Hon’ble Minister Commerce and Industry, Government of India on this issue. IBA will continue to pursue the matter to seek relief on GST on beverage products.

16. The Maharashtra Water Resources Regulatory Authority on 25<sup>th</sup> November 2021 issued a draft notification proposing very steep increase in tariff on use of water and regulating its uses. It was felt that it

will have serious implications on the beverage industry business particularly in Maharashtra and also adjoining States. IBA made detailed submissions to the concerned Authorities of Maharashtra Government with the request to keep in abeyance any increase in water tariff on industry consuming water as raw material and bring parity in defraying O&M cost with other industries in the State and the country. An IBA delegation also had a meeting with the senior officers of the Maharashtra Water Resources Regulatory Authority to explain the matter. Based on the IBA submission a major relief was granted on water tariff to the industry in the final notification of the state government.

17. IBA submitted a representation to the Department of Consumer Affairs, Government of India for amendments in the entry at Serial no.16 in the Second Schedule of the Legal Metrology (Packaged Commodities) Rules 2011. IBA submitted the proposal that in the pack size 65 ml, 100 ml, and 125 ml restrictions to fruit based drinks only may be deleted and these pack sizes may be allowed for all non-alcoholic beverages. Further, between 750 ml and 1 liter pack size, 850 ml and 900 ml pack size may also be inserted. It was argued that the in the entry 16 of the Second Schedule, the smaller pack sizes have been restricted to fruit juices and no pack size between 750 ml and one litre has been allowed for fruit juices. This has become a constraint in consumer base expansion for these beverages. The industry would like to encourage consumers to transit to different pack sizes, based on the affordability. The raw material for most of these drinks is sourced locally which directly benefits the farmers. This also leads to transfer of new technologies and modern practices of cultivation to farmers through backward linkage with industry. Mango and Sweet lime cultivation and dairy sector is the shining examples of the farmers and industry connect in the country. An IBA delegation also had a meeting with the concerned Addl Secretary in the Department to explain the matter in detail. During the discussion it was suggested that there is no justification in prescribing the different pack sizes as such and government may think of doing away this provision in the interest of ease of doing business. Subsequently, Department of Consumer Affairs had a two-day conference on this issue with industry where IBA

representative was one of the panelists. In accordance with the industry view, the restriction of different pack sizes has been done away with in the Legal Metrology (Packaged Commodities) Rules giving major relief to beverage industry.

18. For several years now, IBA has been a Member of the FAD 14 Committee of the Bureau of Indian Standards (BIS). Apart from participating in meetings of this Committee, IBA plays its role in providing comments relating to various proposals of BIS for prescribing standards for products relevant to this industry. This role is discharged by IBA invariably in consultation with Members.

19. IBA also intervened in the matter of arbitrary action of some of the local bodies impacting the business of the beverage industry in some of the states. The Municipal Corporation, Indore in Madhya Pradesh imposed restrictions on the transportation and distribution of non alcoholic beverages (soft drinks, carbonated drinks, energy drinks, fruits drinks, packaged water etc.) during COVID 19 pandemic. IBA immediately took up the matter with Chief Secretary, Madhya Pradesh to issue suitable instructions to concerned District Magistrate and Superintendent of Police to intervene in the matter and allow unrestricted movement of the beverage drinks including packaged drinking water, juices, fruit based drinks and other beverages which form an integral part of the F&B basket. As temperatures rise, ensuring safe food and hydration, including continued supply of packaged water, juices, fruit based drinks and other beverages, would help communities through the lock down. The Central Govt. Notifications/Orders containing clear directions to keep the food processing industries manufacturing packaged food stuffs, including beverages, in the exempted category from the lockdown under the Epidemic Diseases Act, 1897, were brought to the notice of the state government. Copies of the DO letter (23<sup>rd</sup> March 2020) from Secretary DPIIT, DO letter dated 26th May 2020 from Secretary Ministry of Food Processing and a Letter from CEO, Food Safety and Standards Authority of India dated 5<sup>th</sup> May 2020 to fight back unfounded perception issues were also made available to the concerned authorities. Similarly, Municipal Corporation Abohar in Punjab suddenly imposed a collection charge on each item

basis on plastic waste without giving any opportunity to the industry to explain its position and measures being taken to collect the plastic waste. The matter was immediately, taken up by IBA with the concerned Department of the Punjab Government to direct the Abohar Municipal Corporation to withdraw the levy of the collection charges on the brand owners. The concerned order was subsequently withdrawn.

20. Main issue of concern for us, as pointed by Hon'ble Chairman, is depleting strength of IBA Membership. In the last two/three years the number of Associate members which used to be around 25, has come down to 12 and even from the remaining members, three members are yet to respond for renewal of their membership for the current year. It is my request that each of us should be serious on this issue and ponder upon the ways to increase the strength of the Association and also actively involve Associate Members in the activities of IBA.

21. The Association is continuing to manage its affairs with a lean staff consisting of one Personal Secretary and one Office Attendant, apart from the Secretary General, and, in so far as maintenance of accounts is concerned, with the help of an Accounts Consultant.

21. M/s. G K Kedia & Co. Chartered Accountants, having its office at 812, Naurang House, 21, Kasturba Gandhi Marg, New Delhi-110001., were appointed as auditor of the Association in respect of the financial year 2021-22 and have audited the accounts for the year.

22. The Secretary General and other members of the staff of IBA are committed to continuing to strive for providing efficient and effective service to the Members in the years to come.

23. The Secretary General wishes to place on record his deep appreciation for the courtesy and consideration extended to him and to the other members of the staff by the Managing Committee and all the Members of IBA.

(J P Meena)  
Secretary General

September 30, 2022