

Report of the Secretary General for the year 2015-16

I have great pleasure in presenting the report about the Indian Beverage Association (IBA) and its activities for the year 2015-16.

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 was the sixth 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 in the course of the year to consider various matters and to give necessary directions for furthering the activities of the Association. Meetings of the Managing Committee took place on May 27, September 18, December 14, 2015 and March 17, 2016. Minutes of each meeting 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, etc. are deposited in this account.

6. M/s Hector Beverages Private Limited, Narang Danone Access Pvt. Ltd. and Monster Energy India Pvt. Ltd. became Associate Members of the Association on, respectively, July 27, September 18, and December 14, 2015. The Membership of the Association stood at 22 as on March 31, 2016 consisting of 8 Subscriber Members and 14 Associate Members. .

7. In the course of the year 2015-16, 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 from time to time relating to the Government of India, the Government of NCT of Delhi and different State Governments, apart from regulatory authorities like the Food Safety and Standards Authority of India (FSSAI) and the Bureau of Indian Standards (BIS).

8. Members will recall that the Ministry of Food Processing Industries had called upon IBA to examine and submit a report on the issue of mixing 5% fruit juice in carbonated beverages. The Association had submitted a report dated November 27, 2014 to the Ministry after wide consultation with stakeholders. In the course of the year under review, meetings were taken by the Secretary, Ministry of Food Processing Industries to examine the matter in the light of IBA's report. IBA, along with members of the industry, participated in these meetings that took place in February and March, 2016 to play its part in arriving at a feasible and practicable course of action. The matter is under consideration of the Government.

9. Increase in the rate of VAT by various State Governments continued to plague the industry. A hike in the rates of VAT on aerated drinks was made by Maharashtra with effect from October 1, 2015 (20% to 25%), by Madhya Pradesh with effect from December 18, 2015 (14% to 20%) and by Rajasthan with effect from March 8, 2016 (15% to 20%). The Union Territory of Daman & Diu raised, with effect from January 13, 2016, the rate of VAT on juices (4% to 5%). Besides, with effect from March 3, 2016, the Government of

Uttarakhand introduced a Cess @ 2% applicable only on first sale of pre-packed soft drinks, fruit drinks, flavoured drinks and beverages other than pre-packed lassi, buttermilk and milk.

10. Representations by the Association in this regard were made to the State Governments. In the case of Madhya Pradesh, this resulted in the State Government limiting the increase (from 14%) to 20% rather than the proposed 26%.

11. The approval accorded by Parliament in early August, 2016 to the constitutional amendment relating to the Goods and Services Act has set in motion the sequence of events to put the crucial economic measure in place in the country. The industry joins limitless others who look forward to the tax reform becoming effective from April 1, 2017. It is hoped that in the period before the measure becomes effective, the industry would be spared the hardship of ad hoc measures on the part of States to increase rates of VAT from time to time.

12. In this context it would not be out of place to mention that the Report dated December 4, 2015 of the Committee headed by the Chief Economic Adviser to the Government of India recommended inclusion of aerated drinks in the category of sin goods and for the same to be taxed at the rate (around 40 per cent) for such goods. This recommendation of the committee was entirely out of line with the step of the Union Government through the Budget for 2015-16 to take this category of products out of the Seventh Schedule to the Finance Act, 2005 where these goods had been unfairly placed in July, 2014 in the company of items of health hazard. Accordingly, a forceful and detailed representation was made to the Union Finance Minister on December 22, 2015 against the unfairness and lack of logic in the aforesaid recommendation. IBA delegations have met several key functionaries in the recent months to put forward the industry's viewpoint and concerns.

13. The Association took up various issues and matters with relevant authorities with a view to projecting the view point of the industry. These are being briefly indicated.

13.1 The Central Ground Water Board came up with ground water utilisation guidelines on November 16, 2015. Comments on these guidelines were immediately submitted to that Authority. The Guidelines do not seem to have been made effective so far.

13.2 The matter relating to the exercise in the Central Pollution Control Board for harmonisation of the categorisation of industries in the Red/ Orange/ Green categories was vigorously pursued by the Association during the year through interaction with the CPCB, the Expert Committee set up by the Ministry of Environment, Forests and Climate Change as also with the Ministry itself. The point stressed during the interactions was that the prevailing system and basis of categorisation was not available in the public domain and seemed to be based essentially on perception, with the result that an industry like the non-alcoholic beverage industry has been included in the Red category without being informed effectively as to the grounds on which it was so classified. It would seem that this aspect was appreciated by the relevant authorities. The final guidelines that were issued by the CPCB on February 29, 2016 spelt out the various parameters, scientific criteria and scores on the basis of which a particular industry had been categorised. The guidelines have, unfairly, placed this industry in the Red category. IBA's efforts continue to achieve categorisation of this industry in the Orange category.

13.3. Detailed comments were submitted by IBA to MoEFCC on July 23, 2015 with regard to the draft of the Waste Management Rules. These Rules were eventually notified by the Ministry on March 18, 2016.

13.4 Detailed comments to project the industry's concerns were submitted by IBA on September 23, 2015 to the Department of Consumer Affairs in respect of the notification of May 14, 2015 to amend the Legal Metrology (Packaged Commodities) Rules, 2015. The matter for extension of time to utilise the existing inventory held by members was taken up by IBA. In December, 2015 the Department gave time up to June

30, 2016 for such utilisation notwithstanding the coming into effect of the amended Rules from January, 2016.

13.5 The matter relating to finalisation and publication of standards for energy drinks/caffeinated beverages was followed up by IBA with FSSAI following the decision of the Bombay High Court of April 29, 2015 removing the constraint on finalisation and publication of the standards. The issue of final publication received a set-back in FSSAI soon thereafter and was strongly taken up with the Authority to ensure appreciation of the rational view point. The matter progressed considerably during the year under review and it is expected that the standards will be finally notified soon.

14. During the course of the year, the Association took up with FSSAI from time to time other issues of concern to Members of IBA. These included extension granted to FBOs for conforming to FSS Regulations, 2011 regarding standards for caramel. Also taken up were issues relating to extension of time by the Authority for using up the huge inventory of labels and like products in the light of the modification of the contents of the labels by the Authority in the intervening period.

15. Following interaction with the Ministry of Environment, Forests and Climate Change, IBA prepared a short film to project the efforts and steps of the industry towards preservation and conservation of the environment. This short film was part of the audio-visual material that was displayed by India at the Conference of Parties 21 (CoP21) on Climate Change in Paris in November, 2015.

16. Delegations of Members of IBA made calls on senior functionaries of the Government of India as well as the incumbents assuming charge as Secretary to the Ministries/Departments like Health & Family Welfare, Food Processing Industries, Consumer Affairs and others. These visits helped to effectively convey the role and activities of the Association.

17. IBA continues to be an active member of the International Council of Beverages Associations (ICBA) based in USA. Useful material received periodically from the ICBA Secretariat is being disseminated among members of IBA.

18. 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.

19. M/s Mukul & Ganesh, Chartered Accountants were appointed as auditors of the Society in respect of the financial year 2015-16 and have audited the accounts for the year.

20. 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.

21. 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.

(Arvind Varma)
Secretary General

August 20, 2016