

## **Report of the Secretary General for the year 2016-17**

I have great pleasure in presenting the report about the Indian Beverage Association (IBA) and its activities for the year 2016-17.

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 seventh 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 June 22, September 14, December 6, 2016 and March 17, 2017. 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. Since the last General Meeting on September 14, 2016, M/s Kali Aerated Water Works Pvt. Ltd. became Associate Member of the Association on October 26, 2016 and M/s ITC Ltd. on April 1, 2017. The Membership of the Association stood at 22 as on March 31, 2017 consisting of 8 Subscriber Members and 14 Associate Members (the total becoming 23 as on April 1, 2017).

7. In the course of the year 2016-17, 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, the Government of NCT of Delhi and the 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, etc.

8. It goes without saying that the chief endeavours of the Association during the year 2016-17 were focussed on the then ongoing exercise for roll out of the GST regime in the country. These efforts began with a severe handicap in the light of the December 4, 2015 report of the Committee headed by the Chief Economic Adviser to the Government of India. As mentioned at the annual meeting last year, the Report 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. A forceful and detailed representation was made to the Union Finance Minister in December, 2015 against the unfairness and lack of logic of the aforesaid recommendation. Efforts against the recommendation were undertaken in a two-pronged manner – with the Union Government and with different State

Governments to highlight the injustice and absence of logic in the recommendation of the CEA-led Committee. Besides, with a view to putting forth a third party (expert) viewpoint, a study was entrusted to PricewaterhouseCoopers. PwC's White Paper of September 14, 2016, which brought out the role and contribution of the aerated beverages industry in the economy as also the adverse impact of the recommendations of the CEA-led Committee, was furnished to the dignitaries that IBA delegations met in this connection.

9. IBA delegations called upon various functionaries in the Union and State Governments to present the case of the industry. Such visits were made to the Union Finance Minister, the Minister of State for Finance (Shri Jayant Sinha), the Minister of Food Processing Industries, the Chief Economic Adviser, the Chairman of CBEC and others in the Ministry of Finance. In so far as States are concerned, IBA delegations visited Kerala, Karnataka, Maharashtra and Uttar Pradesh to explain the industry's case to Ministers and/or senior officers of the State Government. IBA's requests for a meeting with the Union Revenue Secretary and an opportunity to appear before the GST Council did not elicit a response.

10. In the meetings with various Central and State functionaries, it was also urged that a constructive approach needs to be adopted in respect of the rate of GST for fruit juice and fruit-based drinks. Specifically, IBA representations in this regard requested that zero or concessional rate of GST should be considered for such beverages.

11. It needs no telling that the eventual treatment meted out to aerated drinks by the GST Council has been harsh -- with the imposition of not only the highest tax slab of 28% but also cess of as much as 12% under the GST (Compensation to States) Act, 2017. In respect of fruit juice and fruit-based drinks, the applicable slab is 12%.

12. A matter of considerable satisfaction for IBA was the culmination during the year of the process for notifying standards for caffeinated beverages by FSSAI. The Food Safety and Standards (Food Products Standards and Food Additives) Thirteenth Amendment Regulations, 2016 were operationalised by FSSAI on November 4, 2016 and were finally published on December 2, 2016 in the Gazette of India stating that they would come into effect on July 1, 2017. IBA played a significant and sustained role in the entire exercise (which extended over several years) leading to the laying down of these standards by the Regulator.

13. In connection with the Prime Minister's suggestion in 2014 for mixing of 5% fruit juice in carbonated beverages, the Association attended meetings (April 4, May 11, August 23 and November 8, 2016) in the Ministry of Food Processing Industries and provided such inputs as were required from the industry in order to take the matter forward. IBA was also consulted by MoFPI regarding a study entrusted to Yes Bank by the Ministry in the same context.

14. It is noteworthy in this regard that the Food Safety and Standards Authority of India (FSSAI) finalised and published in the official Gazette on October 25, 2016 the Food Safety and Standards (Food Products Standards and Food Additives) Eleventh Amendment Regulations, 2016 to put in place the regulatory framework for 'Carbonated Fruit Beverages or Fruit Drinks' by laying down the standards for this category. In the right spirit and keeping in mind the concerns of the Government for boosting farmers' income through increasing production and utilisation of fruit in the country, the industry has gone ahead and launched products to take the idea further. What is

now keenly required is the fiscal framework for this category of products. To this end, the Association has been interacting with and addressing the authorities concerned.

15. IBA was approached by the Authentication Solution Providers Association (ASPA) in early 2017 to support the 'Authentication Forum 2017' organised by ASPA in New Delhi on February 8-9, 2017. The event was held to discuss a 360-degree approach required to fight fakes, to evaluate and discuss an overview of counterfeiting in India, the problems and challenges faced across sectors, the anti-counterfeiting strategies beyond solutions and an insight into new generation anti-counterfeiting solutions available globally. Apart from IBA's extending non-financial support to the event, some Members of IBA took part in the same.

16. As Members are aware, on February 29, 2016 the Central Pollution Control Board issued the final document on the revised classification of industrial sectors in Red, Orange, Green and White categories. The preceding exercise undertaken by CPCB and the document issued by it were a matter of satisfaction for IBA because its repeated requests for CPCB to put in the public domain the basis and criteria on which industries are classified into one or the other category had been accepted and acted upon. At the same time, the final document, on account of application of some of the criteria prescribed, left this industry still in the Red category. Accordingly, on May 24, 2016 the matter was taken up with Chairman, CPCB through a letter and also by means of a meeting with him on June 2, 2016. It was urged that taking into account the size of boilers used in the industry, the marks assigned to the industry appeared to be an inadvertent error and should be rectified at the earliest. The decision of CPCB in this regard continues to be awaited.

17. Some trade associations of Tamil Nadu gave a call in January, 2017 to their members not to sell the products of some Members of IBA with effect from March 1, 2017. Since such a call was clearly illegal and unwarranted, an IBA delegation called on the Chief Secretary and the Industries Secretary of the Government of Tamil Nadu in early February, 2017 to seek the support and protection of the State Government. The response of the State Government was positive and held out the assurance that any attempt at coercion or violation of law and order will be dealt with by the authorities concerned in the State. The step taken by these trade associations was clearly an unfortunate development and did lead to adverse commercial consequences for Members concerned of the 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 invariably discharged by IBA in consultation with Members.

19. IBA continues to be an active member of the International Council of Beverages Associations (ICBA) based in USA. Useful material received periodically – some of it every week -- from the ICBA Secretariat is being disseminated among members of IBA. IBA attended the bi-annual in-person meeting of ICBA members held in Dubai in November, 2016.

20. 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 Mukul & Ganesh, Chartered Accountants were appointed as auditor of the Society in respect of the financial year 2016-17 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.

(Arvind Varma)  
Secretary General

September 12, 2017