

‘Unified tax will improve business model for consumer benefit’

Surya Phadke, Founder, Quale Magni

Quale Magni Founder Surya Phadke finds a lot of good for the consumer as well as the industry in the regulations of the Food Safety and Standards Authority of India (FSSAI). But he also has some reservations about these regulations.

First, Phadke's reservations on FSSAI regulations. "The need for sampling every shipment and lack of communication/feedback on labelling have created an information vacuum that unduly increases the risk of promoting newer and innovative products. FSSAI regulations are prohibitive to new entrants and innovation. They also reduce the efficacy of boutique organizations wanting to sell high-quality low-volume products."

Another area of Phadke's concern is the execution of FSSAI regulations which he terms as "less than efficient" and suggests "a rethink on its execution to ease and promote business."

Talking about the positive side of FSSAI regulations, he says, "The Food Safety and Standards Act has highlighted the need for consumer awareness and protection, regulating and standardising packaging and labelling, and quality control. The Act has the interest of people in mind, and with a number of counterfeit products in the market, this Act has had a positive impact."

Phadke is an MBA from INSEAD, France and the Wharton School (University of Pennsylvania). He holds the WSET Level 2 Award in Wine. Before starting Qual Magni, he had a brief stint with Russian Standard Vodka in New York. He describes the experience at Russian Standard Vodka "very enriching and helped open my horizon to the idea of setting up a wine and spirits busi-



ness." Now, his company is focused on bringing high-quality beverages from around the world to India.

When asked about his views on the restrictive nature of liquor business in India, he says, "The liquor sector has traditionally had unfriendly policies as our Constitution mandates that this sector not be promoted actively. So, it can never (or not in the near future) be given a role independent of regulations because alcohol abuse does have social and health implications.

But he feels the liquor sector may be given some concessions as "Change in India's social structure and rising middle class have given rise to greater demand for lifestyle products and liquor is a big part of this demand."



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Comparing the liquor industry's problems with other industries in India, Phadke says, "The unease of doing business in India is systemic and does not affect the liquor industry only. But, in essence the liquor industry is affected more because liquor importers, manufacturers and distributors have to deal with many different Central and State departments as opposed to other sectors that require dealing with far fewer departments."

Phadke has started his liquor business learning in the United States and he terms the marketing of alcohol in the USA "as prohibitive and tedious a task as in India. They have a federal system of governance that means each state may have different rules and regulations. So, organizations have to set up differently for each sector, a problem similar to India's." However, a positive in the USA, not present in India, is "the allowance on media and direct advertising. It does have a positive effect on the perception of products," informs Phadke.

Talking about the challenges he faced while starting his liquor import business, Phadke says, "Understanding the customs procedure and excise rules for sale of alcohol in Delhi posed a challenge. I believe our greatest strength in overcoming challenges has been our ability to listen to and learn from the existing players. Crowdsourcing requisite information initially and then appointing an industry expert in the business vertical especially with respect to liaising with Central and State departments has helped us run our operations smoothly."

Regarding the steps needed to ease the liquor business environment in India, Phadke suggests a unified tax structure for the entire country. His argument is: "With each state having own system of taxation, problems increase for the organizations operating in different states because it increases their operating costs. The idea of economies of scale loses relevance if importers have to look at each state as an individual profit centre. If we are able to come under a unified tax code (that looks highly unlikely under the current GST policy), we could reduce the inefficiencies within the business model and pass the benefits to consumers."

Another suggestion is to bring "greater responsibility in the government machinery for communicating policy changes to key stakeholders at the earliest to educate them. Changes in recent laws and procedures have caused delays in processing of documents."

Why the liquor industry bodies are unable to exert the required pressure on the government for some genuine policy changes? Phadke responds, "Ineffectiveness of industry bodies to coerce change is probably due to the structure of our Constitution. Each resolution and law must go through multiple stages of vetting and approvals. This delayed response system coupled with archaic and sometimes irrelevant laws/policies blunt any appeal whether just or otherwise."

He feels that despite some positive changes in the recent past, "Our governance must see a mountain of change before we can come close to sustained growth rates and comparisons with countries like Singapore that are pioneers in change and policy implementation."

Regarding the new government's business promotion efforts, Phadke says, "Prime Minister Narendra Modi has a huge task ahead of him. But, in line with his 'Make in India' campaign, it seems unlikely that customs or state excise tariffs will fall in accordance with WTO or other PTAs (preferential trade agreements). I do hope for a more transparent approach to governance and bureaucracy, and I hope the current government can help implement global best practices to deliver on its promises." 