



ALCOHOL PROFILE 2019/2021

An Insight of alcohol industries in Sri Lanka

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Introduction

Alcohol is a drug, classified as a depressant, meaning that it slows down vital functions. As a result of that, slurred speech, unsteady movement, disturbed perceptions and inability to react quickly. Alcohol reduces a person's ability to think rationally and distorts his or her judgment, and also the amount of alcohol consumed determines the type of effects. Most people drink for the stimulant effect, along with a beer or glass of wine taken to "loosen up." But if someone consumes more than the frame can handle, they then experience alcohol's depressant effect. They begin to experience "stupid" or lose coordination and management.

Alcohol overdose causes even more severe depressant outcomes (incapability to sense pain, toxicity where the frame vomits the poison, and subsequently unconsciousness or, worse, coma or death from severe poisonous overdose). These reactions rely on how lots is consumed and the way quick. There are distinctive forms of alcohol. Ethyl alcohol (ethanol), the only alcohol utilized in liquids, is produced by using the fermentation of grains and culmination. Fermenting is a chemical manner wherein yeast acts upon positive ingredients in the food, developing alcohol.

Key facts

- The harmful use of alcohol is a causal factor in more than 200 disease and injury conditions.
- Worldwide, 3 million deaths every year result from harmful use of alcohol. This represents 5.3% of all deaths.
- Overall, 5.1% of the global burden of disease and injury is attributable to alcohol, as measured in disability-adjusted life years (DALYs).
- Beyond health consequences, the harmful use of alcohol brings significant social and economic losses to individuals and society at large.
- Alcohol consumption causes death and disability relatively early in life. In people aged 20–39 years, approximately 13.5% of total deaths are attributable to alcohol.
- There is a causal relationship between harmful use of alcohol and a range of mental and behavioural disorders, other noncommunicable conditions and injuries.

Alcohol Consumption

Per Capita Alcohol consumption

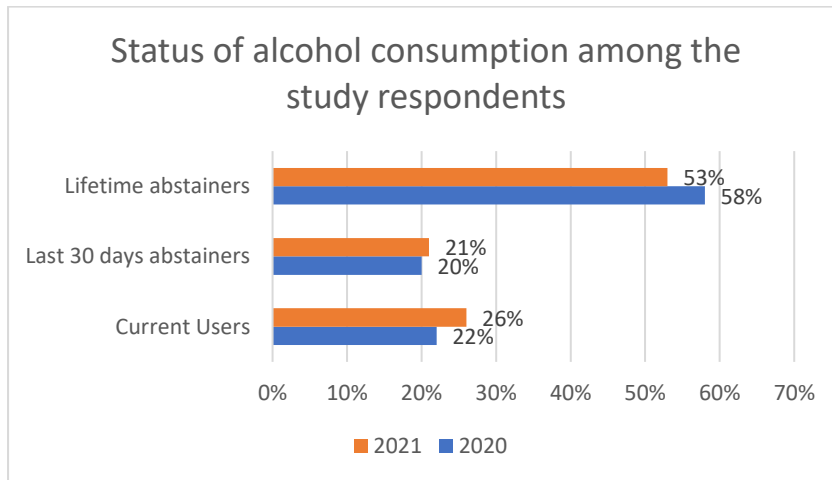
The table below mention per capita Alcohol consumption in Sri Lanka. The table shows the amount of alcohol consumed in the following years and shows whether the consumption has increased or decreased during those years. Per capita Alcohol consumption in 2005 was 2.6 litres, in 2010 it was 4 litres, in 2015 it was 4.1liters, in 2016 it was 4.3 litres and in 2018 it was 41 litres again. Although alcohol consumption has been steadily increasing from 2005 to 2016, alcohol consumption has decreased by 2018 compared to 2016. It is 4.2 as a litres per annum.

Source - Statista 202125

Year	2005	2010	2015	2016	2018
Per capita alcohol consumption in liters per annum	2.6	4	4.1	4.3	4.1

Alcohol Consumption in Sri Lanka

Status of alcohol consumption among the study respondents



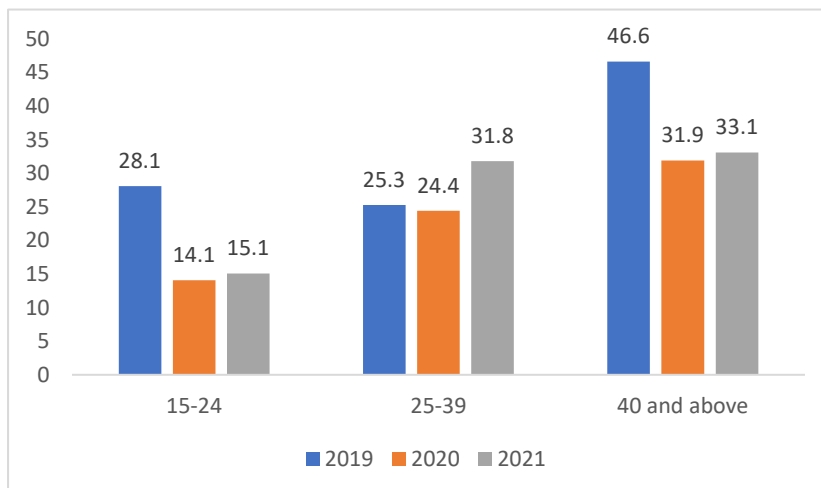
Source : ADIC Trend Survey on Alcohol 2020, 2021

	2020	2021
Current Users	22%	26%
Last 30 days abstainers	20%	21%
Lifetime abstainers	58%	53%

Comparing alcohol consumption percentage from 2020 to 2021, current users increased by 02% , Last 30 days abstainers 01% and Lifetime abstainers decreased by 05%.

Comparison of alcohol among 3 consecutive years

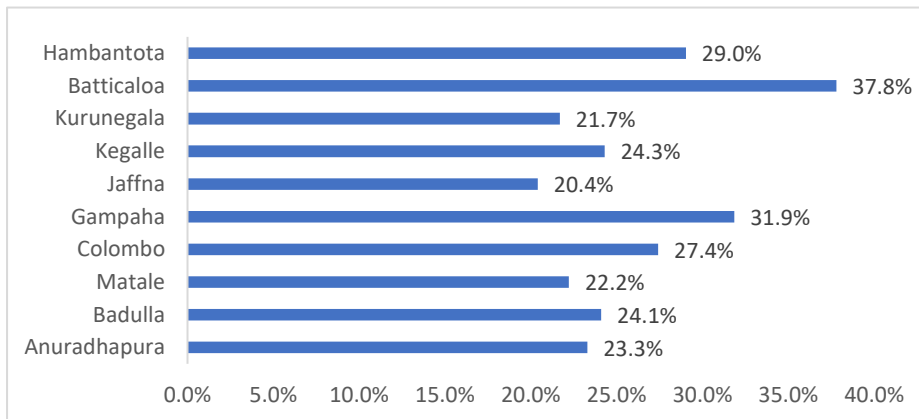
Source : ADIC Trend Survey on Alcohol 2021



The above figure shows a comparison of the consumption of alcohol in the years 2019, 2020 and 2021. A significant increase in alcohol use in the age group 25-39 years can be observed in the year 2021 when compared to the previous years. In the other two age groups, alcohol use shows a decrease when compared to year 2019, but there is a slight increase when compared to year 2020.

Status of alcohol consumption by district

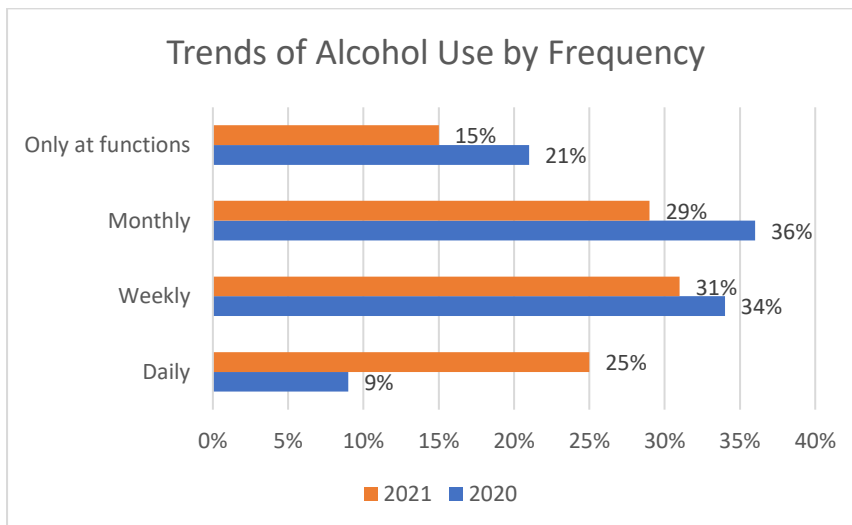
Source : ADIC Trend Survey on Alcohol 2021



When considering the districts included in the survey, the highest percentage of alcohol users was reported from Batticaloa district (37.8%) while the second highest percentage was observed in Gampaha district (31.9%). The lowest number of alcohol users was observed in Jaffna district (20.4%).

Trends of Alcohol Use by Frequency

Source : ADIC Trend Survey on Alcohol 2020, 2021

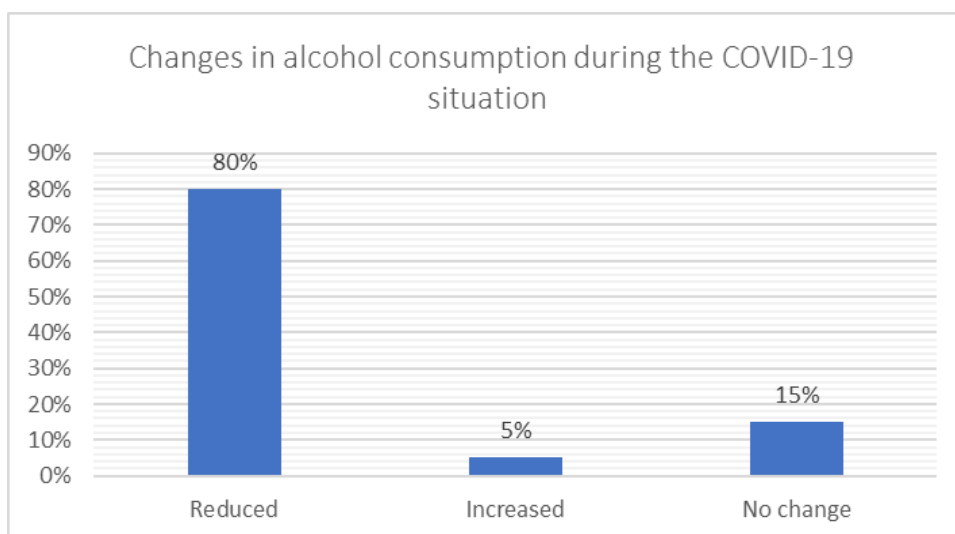


Frequency	2020	2021
Daily	9%	25%
Weekly	34%	31%
Monthly	36%	29%
Only at functions	21%	15%

Comparing alcohol consumption percentage from 2020 to 2021, daily usage increased by 16%, weekly usage decreased by 03%, monthly usage decreased by 07% and usage only at functions decreased by 06%

Alcohol and tobacco consumption during the COVID-19 pandemic in Sri Lanka

- The overall results of the study found during the COVID-19 situation in Sri Lanka alcohol consumption among 80% of alcohol users reduced and smoking among 68% of tobacco smokers reduced.
- Out of the individuals who quit/reduced alcohol consumption during the COVID-19 situation 37% claimed they were prepared to continue their change in future even after the situation normalizes.
- Among the wives of men who consume alcohol, 49% reported family problems reduced due to husband quitting alcohol consumption. A further 40% reported there was an increase in family savings.
- Therefore, the results of this study show that restricted availability of alcohol and tobacco led to users' reducing/ quitting use of these two substances. While it may be difficult to quit/ reduce use and experience its benefits under normal circumstances, this study shows that the situational influences during COVID-19 provided a chance to experience the benefits of being free from use.
- Globally, the alcohol and tobacco industries are against sales restrictions and reduced availability of their products because users will quit use by realizing that they can live without these substances and specifically by understanding that it is more comfortable to live free from these substances



The study found that during the COVID-19 situation 80% individuals who consume alcohol reduced their alcohol consumption

Source : ADIC, Survey on alcohol and tobacco consumption during the COVID-19 pandemic in Sri Lanka

Types of Alcohol in the market

Alcohol types available in the Sri Lankan market include arrack, beer, toddy and other locally manufactured alcohol products. The report analyses arrack and beer in depth since both are account for the largest proportion of the alcohol market in Sri Lanka.

Arrack, There are many varieties of arrack. It could be ordered as follow:

- Molasses Arrack.
- Coconut and Processed Arrack.
- Special Arrack.
- Palmyra Arrack.
- Arrack manufactured using imported alcohol.

Arrack * Production According to the Types

Sri Lanka's alcohol enterprise is based totally on "Arrack", its manufacturing spanning many years. Similar to Scotch Whisky in Britain, Vodka in Russia, Sake in Japan, Arrack has emerged as the alcohol trademark for Sri Lanka.

Discovered a long way back as the 5th Century A.D. In Sri Lanka, Coconut Arrack is a unique alcoholic beverage obtained with the aid of tapping the *Cocos Nucifera* or coconut palm. Lush coconut plantations in the island, spanning thousands of acres, had been the muse for the tapping of Toddy or coconut sap and its next distillation to provide the lots relished Coconut Arrack.

Once the toddy is gathered in the earthenware pot, it undergoes speedy fermentation due to the natural variety of wild yeasts and microorganism. It is then poured into massive timber casks made from Halmilla wood after a minute filtration method. These timber casks are then lightly transported to factories for distillation. The liquid from lots of bushes is transported in wood barrels to collection centers, examined for satisfaction, and brought to the distillery and poured into washbacks made from teak or Halmilla; all this inside 3- 4 hour of the sap being drawn from the flower. Then starts the sensitive manner of distillation.

There are classes of Beer production inside the USA namely, Beer with alcohol content underneath 5 in keeping with cent and above 5 per cent. Beer with an alcohol content material above 5 in keeping with cent accounted for a share of eighty-three consistent with cent of the whole beer production in 2011. There were 3 Beer producers within the USA. Constantly and in current years possession of MacCallum Brewery and United Brewery modified their ownership to Millers Brewery and Asia Pacific

brewery, respectively. Sri Lanka's Beer industry is supportive of deliberate authorities' projects designed to acquire a sustained reduction in line with capita alcohol consumption through transferring purchasers from tough to gentle liquor, in keeping with reputable resources.

It advocates reducing excise taxes on beer and liberalizing licensing requirements to make beer more to be had while cracking down on illicit alcohol manufacturing and distribution." The marketplace for beer in Sri Lanka is extremely small but the capacity for the increase is considerable if the right guidelines are carried out via the government," in line with a brewery legit. Sri Lanka's per capita beer consumption is liters 12 months as compared with a hundred liters in the US and 20 in Singapore. The nature of Sri Lanka's market is the exact opposite of worldwide traits where eighty according to cent is beer, and the best four-five in line with cent is hard liquor. Brewers are constrained by their ability to distribute. In other international locations, beer can be offered relatively freely at the same time as difficult liquor sales are confined. In Sri Lanka, both beer and difficult liquor are sold through confined sale practices. Hence illicit alcohol consumption is on the growth. Since illicit alcohol is not taxed, customers can buy a bottle with 30-40 consistent with cent alcohol content for Rs.60. Considering that a person consumes about a quarter of a bottle, the charge is about 1/8th of a bottle of beer.

Toddy Tapping Industry

As mentioned in advance, Toddy is the foremost delivery resources of spirit for the liquor industry in Sri Lanka amongst other sources together with rectified spirits from Pelwatta and Sevanagla Sugar Companies and rectified spirits that are imported. Sri Lankan liquor manufacturers who've progressed the first-class in their merchandise through the years are aware of retaining a constant taste in their merchandise, and to conquer the trouble of uneven delivery of fine neighborhood spirit, have entered into long-term agreements with spirit producer's remote places to acquire everyday materials similarly to their selected neighborhood supplies. This has deprived the neighborhood toddy industry of a sustainable life.

Toddy supply for the enterprise flows from the northern tapping belt, and the southern tapping belt. The toddy tapping enterprise within the Kalutara district from Panadura to Beruwela, which affords employment to greater than twenty thousand humans, is going through a number of problems and therefore is in a declining fashion. Due to the excessive shortage of toddy, each certified and unlawful liquor had grown to become to guy-made toddy the usage of sugar and an aspect used in bread making. This man-made toddy has additionally entered the market as bottled toddy depriving the fame of the genuine industry.

Alcohol production

Locally Produced Liquor As per the latest available data in 2019, Exhibit 6 below lists the total quantity of alcohol produced for the year 2019 by alcoholic beverage. Arrack production takes up the largest share of the industry.

Alcohol Beverage	Year 2019 (In Litters)
Arrack	22,409,379
Country Made Foreign Liquor	1,866,572
Malt Liquor (Beer)	12,119,404
Wine	4,205
Sake	190,233
Bottled Toddy	4,068,270

In bulk litres (Source: Department of Excise, Sri Lanka)

The total number of alcohol manufacturers in the country has varied over the years. In Sri Lanka, the number of alcohol manufacturers differs based on the alcoholic beverage manufactured. The market share of each alcohol manufacturer has also varied across different alcoholic beverages over the years

Arrack Production

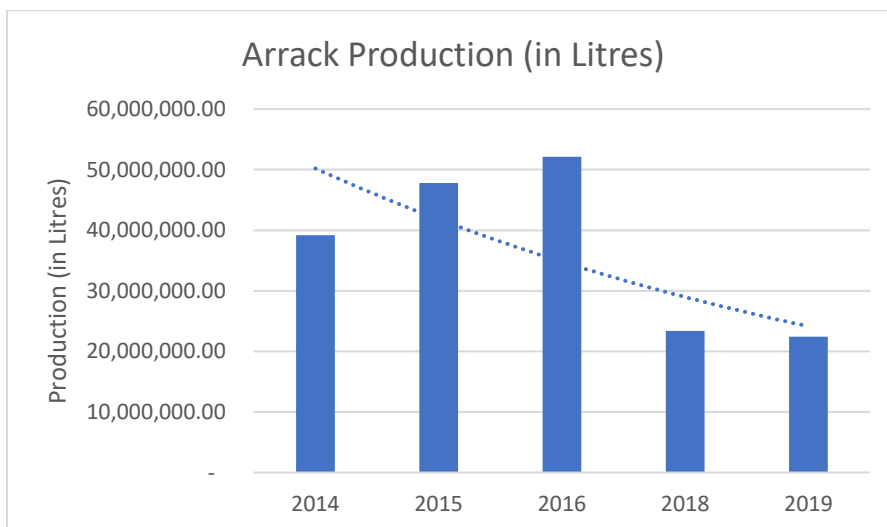
Exhibit 7: Manufacturers of arrack, number of litres produced in 2014-2019

Source (Desk Research on alcohol taxation in Sri Lanka)

Name of Manufacturer	2014	2015	2016	2018	2019
	Quantity (PL)	Quantity (PL)	Quantity (PL)	Quantity (AL)	Quantity (AL)
Periceyl Company (Pvt) Ltd	1,589,582	1,989,799	2,077,665	483,446	444,271
Synergy Distilleries	104,150	34,992	34,745	47,034	61,325
Scotland Distilleries	155,265	291,608	293,280	136,515	145,236
Hingurana Distilleries	751,819	660,784	528,230	500,121	53,468
International Distilleries Ltd (IDL)	4,218,453	4,447,237	4,156,655	1,762,042	1,611,407
Uva Glen Company (Pvt) Ltd	129,936	162,994	187,298	126,297	107,359
Manori Lanka (pvt) Ltd	68,488	63,763	97,519	32,175	11,895
Distilleries Company of Sri Lanka Ltd	26,896,665	30,588,247	33,689,658	16,890,254	16,445,953
Mendis- Moragalla	-	-	-	-	121,649

V.A. Distilleries (Pvt) Ltd	267,808	350,183	586,353	359,990	342,365
Nippon Expo Company Ltd	149,628	186,479	201,139	128,554	128,674
W.M Mendis and Company	1,491,077	5,019,094	5,466,856	515,558	536,715
Rockland Distilleries Ltd	2,305,449	2,317,077	2,826,533	1,247,498	1,183,017
Randiya Ltd	48,111	10,338	-	-	16,548
Acme Lanka Ltd	564,882	1,260,965	1,522,127	892,352	927,059
Randenigala Distilleries	226,253	85,507	137,832	70,591	82,156
Classic Distilleries Ltd	64,828	81,838	73,639	32,520	32,422
Wayamba Distilleries (Pvt) Ltd	102,049	1,808	-	-	-
Distilleries Company Ltd-Dompe	-	-	-	-	119,630
Royal Casks (Pvt.) Ltd.	-	182,990	218,762	91,862	-
Thikkam	2,005	2,033	-	7,805	1,163
Walikamam	10,494	24,550	27,454	25,078	30,760
Varani	17,782	21,304	26,611	8,319	6,307
Total	39,164,724	47,783,590	52,152,357	23,358,011	22,409,379

Production (in Litres)	2014	2015	2016	2018	2019
	39,164,727.00	47,783,590.00	52,152,357.00	23,358,011.00	22,409,379.00



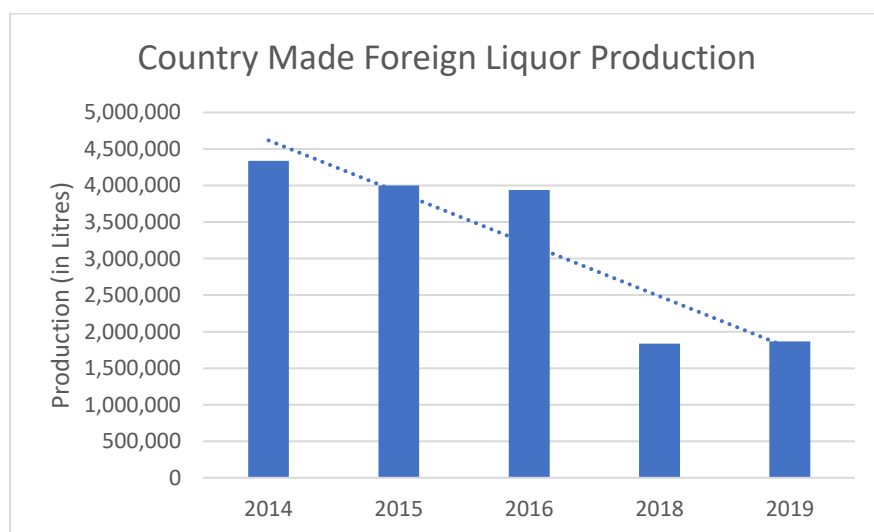
Country Made Foreign Liquor Production

Top manufacturers of country made foreign liquor, number of litres produced and market share (%) in 2014-2019

Source (Desk Research on alcohol taxation in Sri Lanka)

Name of Manufacturer	2014	2015	2016	2018	2019
	Quantity (PL)	Quantity (PL)	Quantity (PL)	Quantity (AL)	Quantity (AL)
Periceyl Company (pvt) Ltd Warehouse-Seeduwa)	940,204	804,766	922,386	486,469	431,053
Hingurana Distilleries	120,687	20,048	-	12,889	7,063
International Distilleries Ltd (IDL)	1,691,527	1,615,990	1,526,250	707,756	755,814
V.A. Distilleries (Pvt) Ltd	-	-	6,431	52,035	145,855
Nippon Lanka Company Ltd	-	-	-	-	40
W.M Mendis & Company Ltd	249,354	296,226	288,205	52,396	32,372
Rockland Distilleries Ltd	1,316,244	1,262,200	1,193,597	522,576	494,376
Nippon Expo	509	-	-	422	-
Sri Lanka Distilleries Ltd.	20,795	-	-	-	-
Total	4,339,320	3,999,230	3,936,868	1,834,542	1,866,572

Production (in Litres)	2014	2015	2016	2018	2019
	4,339,320	3,999,230	3,936,868	1,834,542	1,866,572



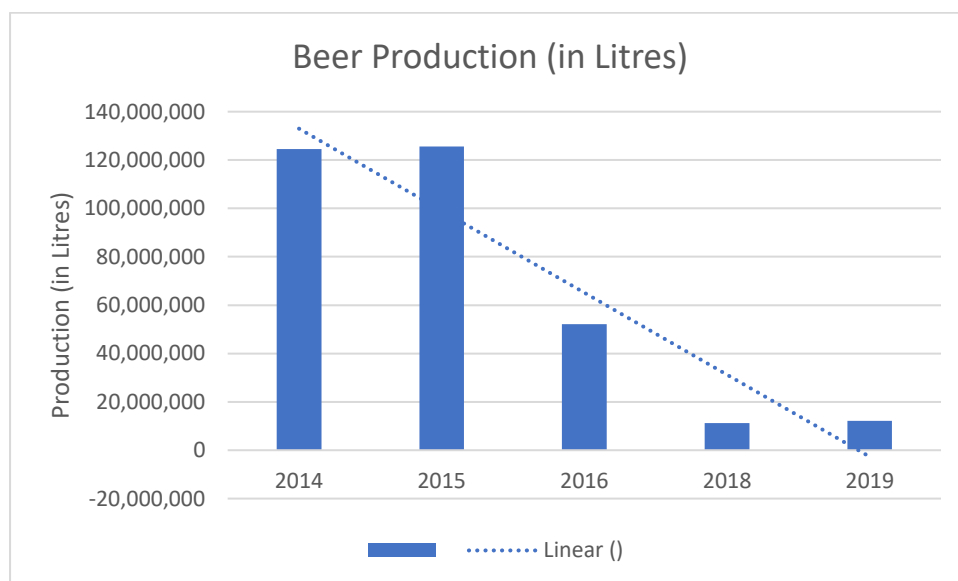
Beer Production

Manufacturers of beer (below and above 5%), number of litres produced and market share (%) in 2014-2019

Name of Manufacturer	2014	2015	2016	2018	2019
	Quantity (PL)	Quantity (L)	Quantity (BL)	Quantity (AL)	Quantity (AL)
Lion Brewery Ltd	103,086,656	106,263,283	33,204,296	9,644,057	10,635,776
Asia Pacific Brewery Lanka Ltd. (Heineken Lanka)	16,972,630	19,386,132	18,956,774	1,613,880	1,483,628
Millers Brewery Ltd.	4,461,453	-	-	-	-
Total	124,520,738	125,649,416	52,161,070	11,257,937	12,119,404

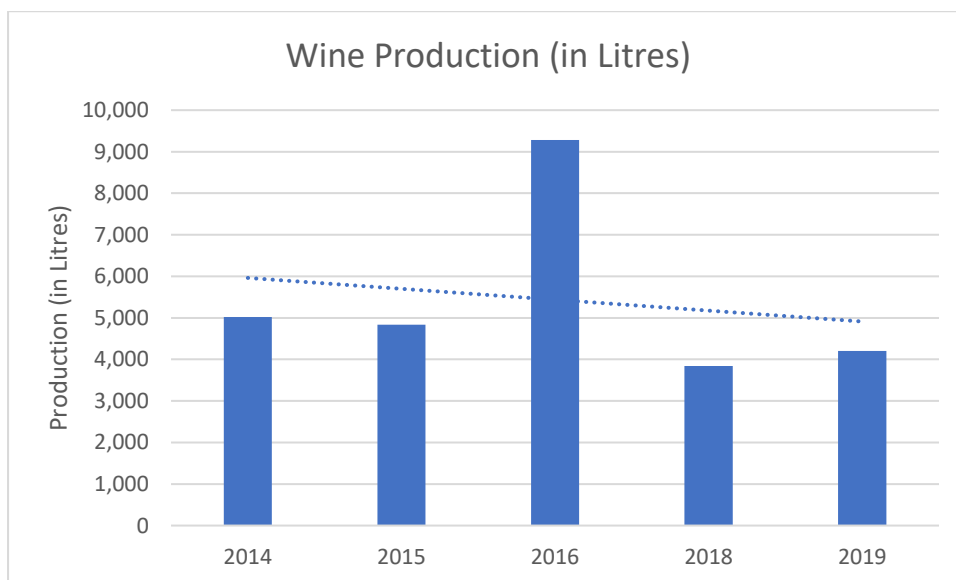
Beer Production

Production (in Litres)	2014	2015	2016	2018	2019
	124,520,738	125,649,416	52,161,070	11,257,937	12,119,404



Wine Production

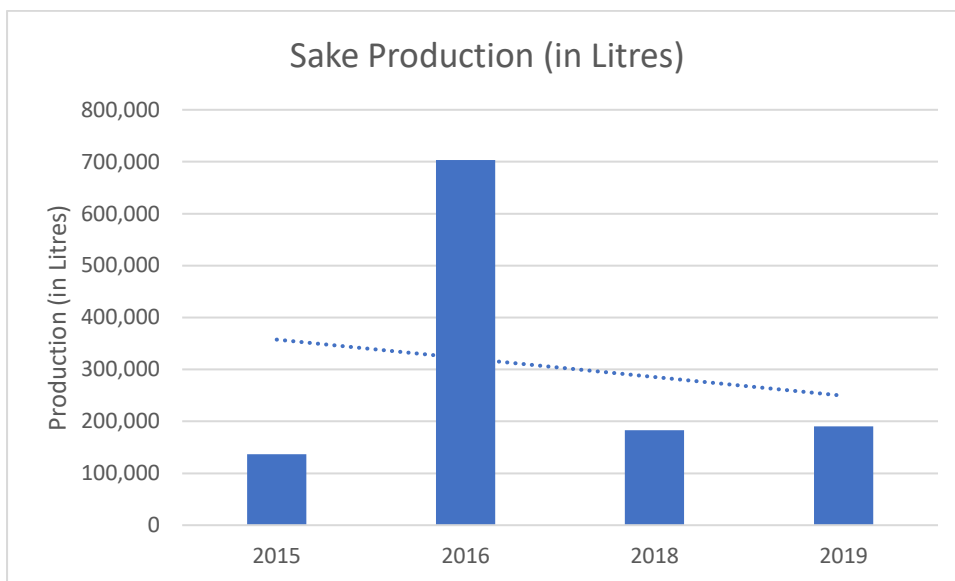
Name of Manufacturer	2014	2015	2016	2018	2019
	Quantity (PL)	Quantity (PL)	Quantity (PL)	Quantity (AL)	Quantity (AL)
Lanka Wine Company- Local	4,493	2,416	4,539	3,842	4,205
Lanka Wine (Pvt) Ltd - Foreign	-	2,416	4,539	-	-
Mayfield(Pvt) Ltd	528	-	203	-	-
Total	5,022	4,833	9,281	3,842	4,205
Production (in Litres)	2014	2015	2016	2018	2019
	5,022	4,833	9,281	3,842	4,205



Sake Production

Name of Manufacturer	2014	2015	2016	2018	2019
	Quantity (BL)	Quantity (BL)	Quantity (BL)	Quantity (BL)	Quantity (AL)
Nippon Lanka (Royal Casks)	-	136,899	703,469	182,960	190,233
Total	-	136,899	703,469	182,960	190,233

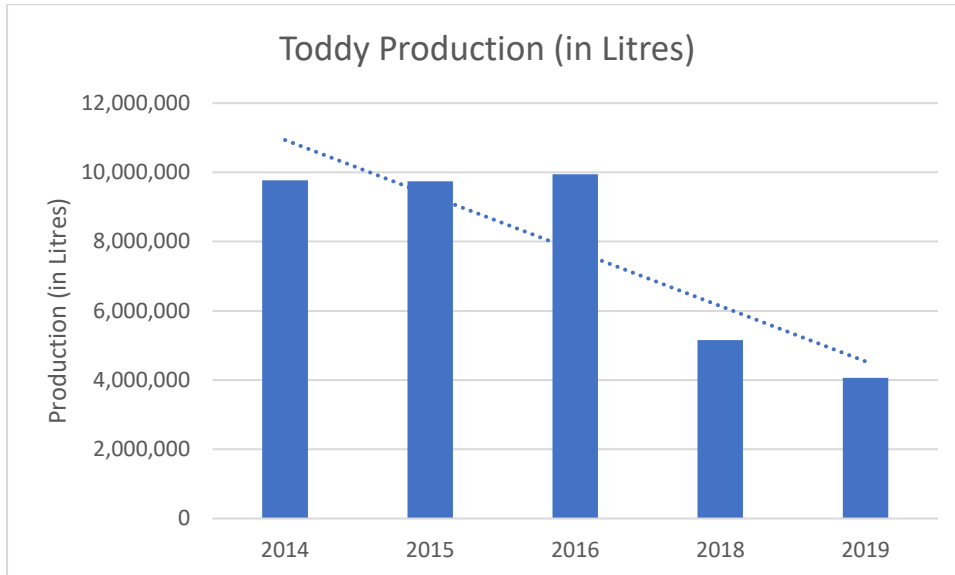
Production (in Litres)	2015	2016	2018	2019
	136,899	703,469	182,960	190,233



Toddy Production

Manufacturers of bottled toddy, number of litres produced and market share (%) in 2014-2019

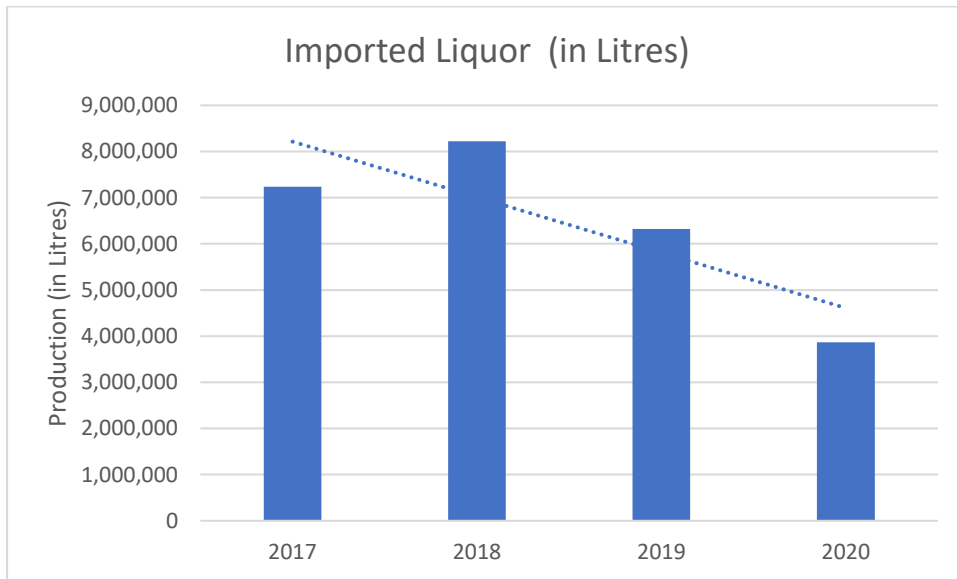
Toddy Production	2014	2015	2016	2018	2019
Total litres	9,769,524	9,742,926	9,946,508	5,158,933	4,068,270



Imported Liquor

Quantity of liquor (in litres) imported into the country 2017-2020

Production (in Liters)	2017	2018	2019	2020
	7,238,064	8,222,177	6,322,472	3,864,061



Inflation in Sri Lanka

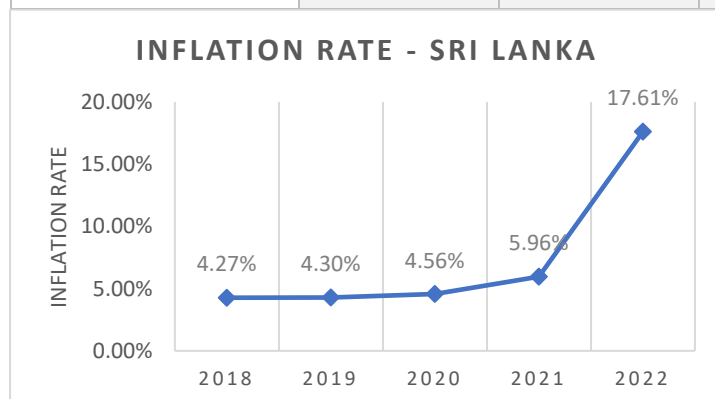
Inflation refers to the rise inside the expenses of maximum items and services of daily or not unusual use, such as meals, apparel, housing, exercise, shipping, patron staples, etc. Inflation measures the average rate alternate in a basket of commodities and offerings over time. The opposite and rare fall within the price index of this basket of objects is called 'deflation'. Inflation is indicative of the lower inside the purchasing power of a unit of a country's foreign money. This is measured in percentage. Inflation is the maximum suitable and comprehensible size to degree the changes in rate levels of a rustic. In extra simple words, inflation is the extent of charge boom of a specific us of a primarily based on its preceding 12 months charge ranges. The Colombo Consumers Price Index (CCPI) is the reliable measurement of inflation of Sri Lanka that's produced by using the Department of Census and Statistics Sri Lanka. Due to a few fundamental inadequacies of the approach that had calculated the inflation, a new method has been added to triumph over the effects of the ones.

The vintage technique of CCPI turned into centered because the base 12 months 1952 which means that rate boom contrast commenced from 1952 because of the base. It became calculated using looking at the working-magnificence household within the Colombo region according to the circle of relative's price range survey of 1949/1950. It can also be cited that even though meantime revisions and upgrades were made to the index sometimes over time, such revisions have been rather restricted. The alternate had caused the subsequent reasons.

- Inadequate representation of the true price changes in line with the changing consumption patterns, as the index was based on an outdated basket of goods and services. The significant changes in consumer habits and income levels since 1949/50 have substantially altered the size, content and composition of the market basket of goods and services consumed.
- Although the range and availability of goods and services had enhanced over the years, these new items were not included in the index.
- The index was highly sensitive to the prices of a few items, due to the outdated consumption pattern and unrealistic weights attached to such items based on the outdated consumption pattern. Hence, even a marginal price change of some of those items led to a disproportionate change in the overall index.
- It was limited in scope, both in terms of geographical and income group coverage.

Inflation in Sri Lanka during 2018 – 2022 : Source : Statista – Sri Lanka inflation Rate

Inflation Rate	2018	2019	2020	2021	2022
	4.27%	4.30%	4.56%	5.96%	17.61%



Producer prices in Sri Lanka jumped 75.9% year-on-year in May of 2022, following an upwardly revised 53.8% rise in the previous month. It was the highest producer inflation since at least January 2015, as prices accelerated for both manufacturing (83.5% vs 60.6% in April) and agriculture (56.2% vs 35.4%). Within manufacturing activities, prices rose the most for coke and refined petroleum products (159% vs 86.6%); other non-metallic mineral products (149.5% vs 110.3%) and food products (101.7% vs 83.7%). On the other hand, costs fell further for utilities (-3.4% vs -2.8%). On a monthly basis, producer prices rose 13.5%, slowing slightly from a 14.5% jump in April



Source: Trending Economics (<https://tradingeconomics.com/sri-lanka/producer-prices-change>)

Price incensement according to the inflation in Sri Lanka During 2021 - 2021

Goods	2021 (Rs)	2022 (Rs)	Difference (%)
Rice (01Kg)	101	211	109%
Flour (01Kg)	91	253	175%
Dhal (01Kg)	209	528	153%
Dry Fish (01Kg)	721	1486	106%
Petrol (01L)	117	420	250%
Diesel (01 L)	121	400	230%
cigarette (Gold Leaf)	65	70	8%
Arrack bottle (750ML)	1650	2030	23%

Industry rivalry

Barriers to entry into the market are higher in the liquor industry compared to the Beer industry. Competition is restricted by the regulation of Federal, State, and Local governments. A high amount of capital is required to become a major player in the market. Existing firms do possess trademarks and have a well-established brand reputation. Customer switching cost is low and customer loyalty can be swayed. There are many rivalries and the market are constantly growing.

Threat of substitutes

In Porter's model, substitute products refer to products in other industries. To the economist, a threat of substitutes exists when a product's demand is affected by the price change of a substitute product. A product's price elasticity is affected by substitute products - as more substitutes become available, the demand becomes more elastic since customers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise prices.

The threat of new entry is low in the alcoholic beverage industry because there is strong product differentiation, large economies of scale/high operating costs, expensive capital costs, limited access to distribution channels, a large amount of government regulation and difficulty in obtaining technology. Because of these factors, the degree of rivalry is low and reduces the threat of new entry. Summary: The threat of substitutes is high in the alcoholic beverage industry due to many viable product/offering substitutes, the high value of potential substitutes for available price and low-price elasticity of demand. Because of these factors, the degree of rivalry is high.

Buyers Power

Supplier bargaining power is high inside the alcoholic beverage enterprise due to high dealer concentration, purchases with the aid of group simplest, no deliver substitutes, many specialized investments utilizing a group with providers, the large hazard of forwarding integration and confined differentiation of elements. Because of those factors, the diploma of rivalry is high and there's expanded supplier bargaining power. Buyer bargaining energy is high in the alcoholic beverage industry because of high buyer awareness, a big quantity of purchases by using customers, many possible substitutes, many specialized.

Suppliers Power

Supplier bargaining power is high inside the alcoholic beverage industry due to excessive provider attention, purchases using the group only, no deliver substitutes, many specialized investments with the aid of a collection with providers, the massive hazard of forwarding integration and restricted differentiation of elements. Because of these elements, the diploma of competition is high and there's elevated provider bargaining power.

Industry network of Alcohol Beverage

Sri Lanka's legal alcohol beverages consist of hard liquor and soft liquor. There are various types of Arrack and can be classified as hard liquor and foreign liquor. The term hard liquor use for locally made foreign liquor and malt liquor mainly Beer as soft liquor. Further, Toddy production through Coconut, Palmyrah and Kitul trees is in existence. Among Alcohol Beverages companies, DCSL is the leading producer with a share of 76 per cent in 2011 of the production of Arrack totaling 46.9 million proof liters.

The DCSL Group is a few of the pinnacle 5 corporate conglomerates in Sri Lanka with property over Rs. Fifty-two billion and an annual turnover of about Rs. Forty-seven billion. The DCSL has records spanning from 1913 as part of the Excise Department. In 1913, whilst the Excise Department of Ceylon which was initially created because the enforcement authority and to distribute and promote liquor products in Sri Lanka, branched out, the distillation and manufacture of liquor products went to the Distillery Company. Since the privatization in 1992, the Company has been converted into the ideal distiller, producer and distributor of neighborhood liquor products in Sri Lanka.

Established in 1960 through Mr. E.M. Mendis, an expert in the training of local liquors, the Company has a record of manufacturing high-quality liquor for well over 4 decades. The ultra-cutting-edge Distillery is located on Sri Lanka's southwest coast. It is surrounded with the aid of Coconut plantations, from which the Company obtains its most important uncooked material - the sap of the coconut flower. The bottling factory located within the Northern outskirts of Colombo homes 5 fully computerized bottling lines synthetic in Germany. The Company produces 27 kinds of merchandise comprising of natural Coconut Arracks, Old Arracks, Blended Arracks, and Foreign Liquors.

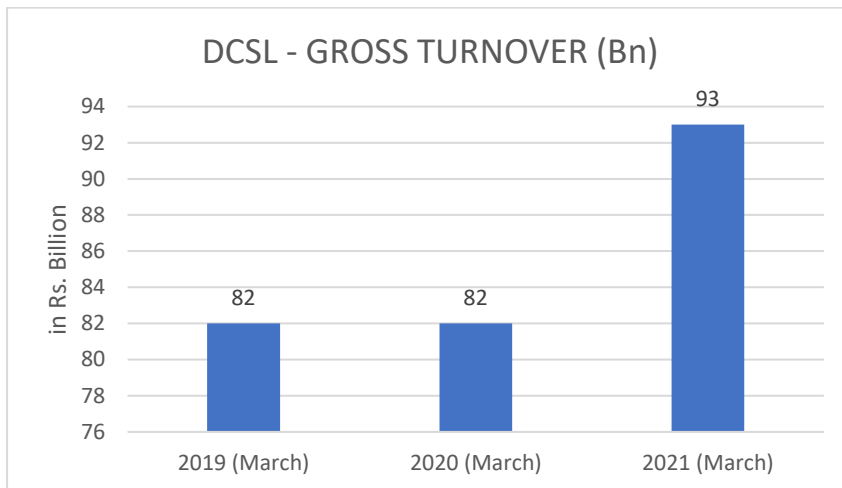
Rockland Distilleries began on a family property in 1924. A pioneering task, it was installed to supply outstanding Arrack for the primary time in Ceylon's records and nearly a century, Rockland Distilleries remained a privately owned family business. Rockland has initiated to make their distillery as distillation to produce an awful lot relished Coconut Arrack.

Company Revenues

Company : DCSL

Source : DCSL Annual Report

GROSS TURNOVER (Bn)	2019 (March)	2020 (March)	2021 (March)
	82	82	93

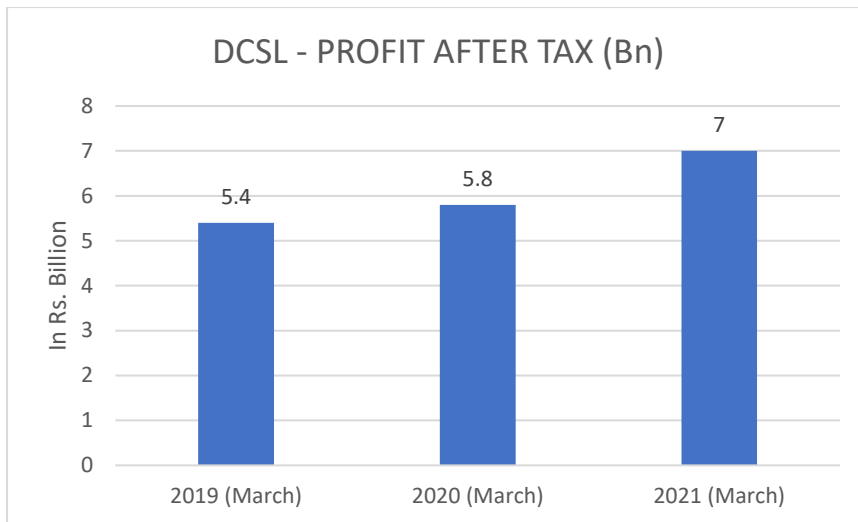


PROFIT AFTER TAX (Bn)

Company : DCSL

Source : DCSL Annual Report

PROFIT AFTER TAX (Bn)	2019 (March)	2020 (March)	2021 (March)
	5.4	5.8	7

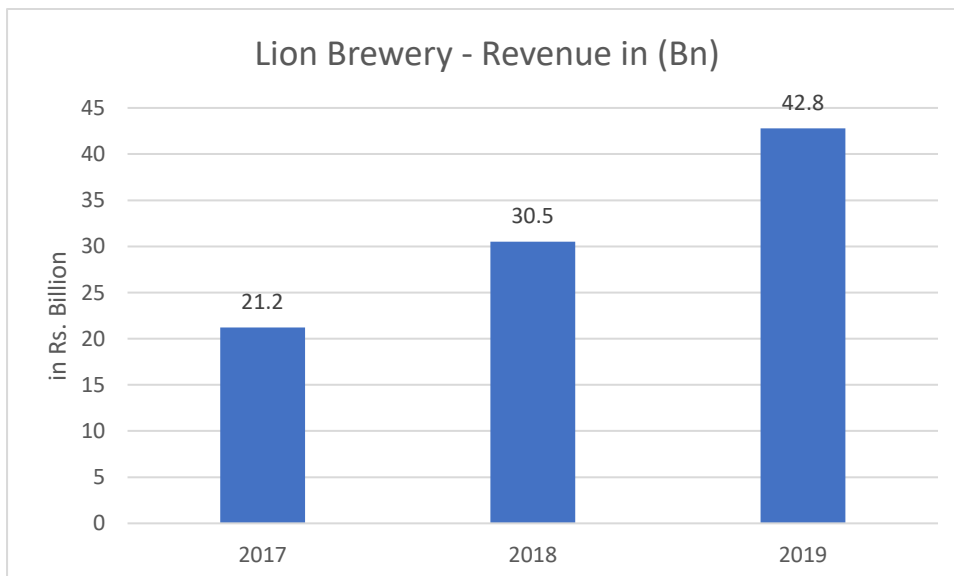


Revenue

Company : Lion Brewery

Source : Lion Brewery Annual reports

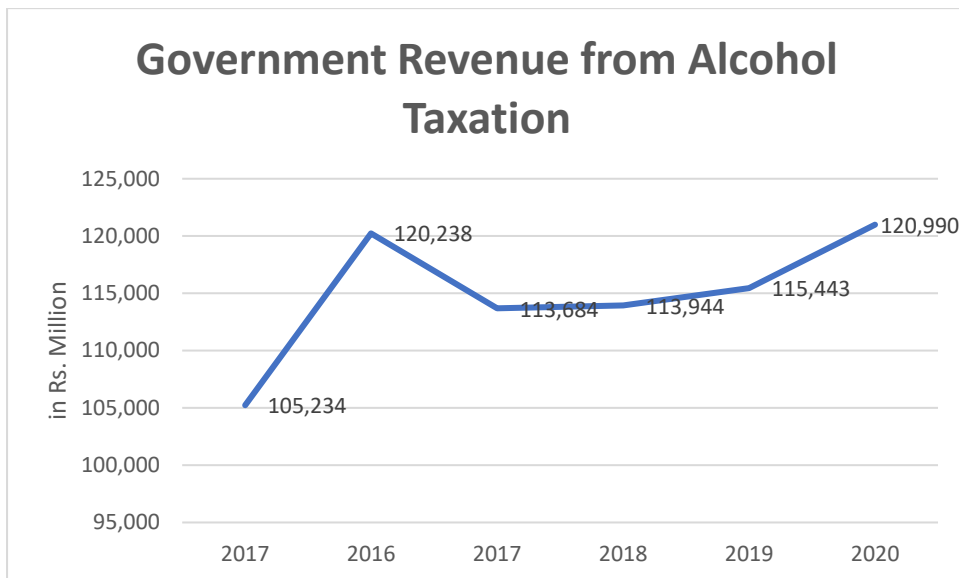
Revenue in (Bn)	2017	2018	2019
	21.2	30.5	42.8



Tax income on liquor production

Source - Excise Department of Sri Lanka / Performance Report – 2018,2019, Desk research on alcohol taxation in Sri Lanka

Tax on Liquor	2017	2016	2017	2018	2019	2020
	105,234	120,238	113,684	113,944	115,443	120,990



Latest price and Government Levies in 2019

Source – Movendi International

	Price Rs	Excise Tax Rs
Special Arrack 750ml	1600	829
Lion Larger 625ml	180	81
Lion Strong 625ml	300	148.5

Alcohol taxation system in Sri Lanka

Locally Produced Liquor

The production and sale of locally produced alcoholic beverages in Sri Lanka are mainly subjected to an excise duty. Primarily governed by the Excise Department of Sri Lanka, the excise duties currently in place in the country are considered a volumetric tax system (or specific tax), because the amount of excise duty imposed is dependent on the volume of alcohol contained in the product.

Previously, alcohol in Sri Lanka was taxed under the proof litre and bulk litre system. However, owing to its complexity, the proof litre system was abandoned in 2017. Currently, the systems used to tax different alcoholic beverages are as follows:

a. Absolute Litre System (ABV):

The ABV system of taxation is applied to the production of the following beverages: all types of arrack (molasses, coconut & processed, palmyra and special arrack), locally made foreign liquor, local wine, malt liquor above and below 5% (beer), and sake.

Under this system, alcoholic beverages are taxed by the specific volume of alcohol contained in the product. For example, if a type of arrack is produced with an alcohol content of 40%, that means 10 litres of arrack contains 4 litres of alcohol; and it is this specific content of alcohol (4 litres) that is subject to tax.

b. Bulk Litre System:

Under this system, alcoholic beverages are taxed by the entire volume of the beverage contained in the product. This system is applicable to alcoholic beverages that contain typically low concentrations of alcohol (5.5%-7.5%).

Currently, this taxation system is only applied to the production of bottled toddy, which takes up a very small market share of the liquor industry

The current tax schedule for different alcoholic beverages produced in the country is as follows:

Source : Department of Excise, Sri Lanka

Alcohol Beverage	Unit of taxation	Tax Rate (Rs.)
Molasses Arrack	For each absolute litre	4,460/=
Coconut & Processed Arrack		4,460/=
Palmyrah Arrack		4,460/=
Special Arrack		4,180/=
Locally made foreign liquor		4,570/=
Wine		900/=
Sake		3300/=
Malt Liquor (beer) below 5%		3300/=
Malt Liquor (beer) above 5%		3,450/=
Bottled Toddy		For each bulk litre

Imported Liquor

The main tax imposed on imported liquor is Customs Duty which is collected by Sri Lanka Customs (SLC). The system used to tax imported liquor is based on the bulk litre system. Other taxes imposed on imported liquor by SLC include cess, Ports and Airports Development Levy (PAL) and VAT.

The current tax schedule³ for different taxes administered by SLC on alcoholic beverages imported into the country, by HS Code, is as shown in Exhibit 2. Therefore, under this combined system the total taxes amounts to around 15% of the sale price (assuming the sale price is a 50-60% markup from the CIF value), plus the bulk litre amount specified in Exhibit

Description	Unit		General Customs Duty	VAT ⁵	PAL ⁶	Cess ⁷
Beer made from malt	Per litre	bulk	550/=	8%	10%	-
Wine of fresh grapes, including fortified wines; grape must other than that of heading 20.09.	Per litre	bulk	440/=	8%	10%	-
Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances.	Per litre	bulk	440/=	8%	10%	-
Other fermented beverages (for example, cider, perry, mead, sake); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included.	Per litre	bulk	440/=	8%	10%	- ⁸
Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liqueurs and other spirituous beverages.	Per litre	bulk	2750/=	8%	10%	70%

Source: Chapter 22, Sri Lanka Customs National Imports Tariff Guide – 2021, incorporating amendments up to 11.03.2022

Acts and regulations related to alcohol taxation

The main acts and regulations that govern the taxation of alcohol in Sri Lanka are:

- 1) The Excise Ordinance of Sri Lanka
- 2) The Value Added Tax Act
- 3) Customs Ordinance
- 4) Sri Lanka Export Development Act
- 5) Ports and Airports Development Levy Act

Government departments and ministries vested with the authority to take decisions on alcohol taxation

There are mainly five government agencies that play an active role in making decisions with regard to alcohol taxation in Sri Lanka. They are:

- (a) The Ministry of Finance
- (b) The Department of Fiscal Policy
- (c) Sri Lanka Customs
- (d) The Department of Excise
- (e) The National Authority of Tobacco and Alcohol (NATA) **The Ministry of Finance**

Types of Liquor Licenses

Licenses Category	Description
F.L 1	License to Manufacture Malt Liquor
F.L A	License to Manufacture Foreign Spirits locally
F.L B	License to Manufacture, milk punch and or Wine
F.L C	License to Manufacture Country made foreign spirits from Spirits distilled from the coconut or any of its products other than Toddy.
F.L 3	Wholesale License
F.L 4	Retail License
F.L 6	Beer and Porter License
F.L 7	Hotel License
F.L 8	Hotel Bar License
F.L 9	Entertainment Bar License
F.L 10	Railway Refreshment Room License
F.L 11	Restaurant License
F.L 12	Rest House License
F.L 13 A	Club License
F.L 14	Occasional License
F.L 15	Supplementary Licenses to extend the hours of sale.
F.L 16	Auctioneer's License
F.L 17	Rectified Spirits License
F.L 18	Medicated Wine License
F.L 19	Special License

F.L 22 A	Beer, Ale, Stout & Wine License for retail sale.
F.L 22 B	Beer, Ale, Stout & Wine License for consumption in the premises.

Number of new licenses issued in 2018

Source - Excise Department of Sri Lanka / Performance Report - 2018

Year	Number of new licenses issued
2006	35
2007	42
2008	36
2009	40
2010	51
2011	41
2012	55
2013	62
2014	83
2015	52
2016	38
2017	10
2018	74

Alcohol Industry Profile

Source : Lion Brewery Annual report 2018/2019

NAME OF COMPANY : Lion Brewery (Ceylon) PLC (A Carson Cumberbatch Company)

SUBSIDIARY COMPANIES : Pearl Springs (Private) Limited Millers Brewery Limited

DIRECTORS :

Mr. D. A. Cabraal (Chairman)

Mr. H. Selvanathan (Deputy Chairman)

Mr. S. K. Shah (Chief Executive Officer)

Mr. D. C. R. Gunawardena

Mr. D. R. P. Goonetilleke

Mr. K. Selvanathan (Director / Alternate Director to H. Selvanathan)

Mrs. S.J.F.Evans

Mr. L. Lehmann (Resigned w.e.f. 20/05/2019)

Mr. R. H. Meewakkala

Mr. Lim C. K.

Mr. S. Selvanathan (Appointed w.e.f. 05/04/2019)

Mr. T. Akiskalos (Appointed w.e.f. 20/05/2019)

LEGAL ADVISERS

Messrs. F. J. & G. De Saram

216, De Saram Place Colombo 10,

Sri Lanka

Tel: +94 11 4718 200 Fax:+94 11 4718 220

MANAGERS & SECRETARIES

Carsons Management Services (Private) Limited

No. 61, Janadhipathi Mawatha Colombo 01,

Sri Lanka

Tel : +94 11 2039 200 Fax: +94 11 2039 300

REGISTERED OFFICE

No. 61, Janadhipathi Mawatha Colombo 01,

Sri Lanka Tel : +94 11 2039 200 Fax: +94 11 2039 300

CORPORATE OFFICE & BREWERY

254, Colombo Road, Biyagama, Sri Lanka

Tel : +94 11 2465 900 (10 Lines) Fax : +94 11 2465 901

Share Holders :

Source : <https://www.marketscreener.com/quote/stock/LION-BREWERY-CEYLON-PLC-6500546/company/>

Name	Equities	%
Ceylon Beverage Holdings PLC	41,798,788	52.2%
Carlsberg Brewery Malaysia Berhad	20,000,686	25.0%
Carson Cumberbatch PLC	5,509,853	6.89%
Bukit Darah PLC	1,300,000	1.63%
Al Mehwar Commercial Investments LLC	983,779	1.23%
Coeli Asset Management AB	683,116	0.85%
Rondure Global Advisors LLC	472,256	0.59%
GF Capital Global Ltd.	468,595	0.59%
Russell Investment Management LLC	303,516	0.38%
Priyani Dharshini Ratnagopal	300,000	0.38%

Source : DCSL Annual report 2020/2021

Company Name : Distilleries Company of Sri Lanka PLC

Registered Office : 110, Norris Canal Road, Colombo 10, Sri Lanka. Tel: +94 5507000 / 2695295-7 Fax: +94 11 2696360

Board of Directors

Mr. D. H. S. Jayawardena - Chairman | Managing Director
Mr. C. R. Jansz
Mr. N. de. S. Deva Aditya
Capt. K. J. Kahanda (Retd.)
Dr. A. N. Balasuriya
Mr. D. Hasitha S. Jayawardena
Mr. R. Seevaratnam
Mr. A. L. Gooneratne - (Alternate to Mr. N. de. S. Deva Aditya)
Ms. V. J. Senaratne- (Alternate to Capt. K. J. Kahanda)

Share Holders

Source : <https://www.marketscreener.com/quote/stock/DISTILLERIES-COMPANY-OF-S-6495013/company/>

Name	Equities	%
Melstacorp PLC	4,252,262,664	92.4%
D. Harold Stassen Jayawardena	147,520,592	3.21%
Lanka Milk Foods (CWE) PLC	44,991,407	0.98%
Muzaffar Ali Yaseen	30,665,360	0.67%
Carson Cumberbatch PLC	21,538,881	0.47%
Lorraine Estelle Marlene Yaseen	21,445,000	0.47%
Ceylon Investment PLC	5,939,727	0.13%
Jb Cocoshell Pvt Ltd.	4,409,201	0.096%
BlackRock Fund Advisors	2,098,320	0.046%
Cougar Trading LLC	40,000	0.0009%