



# THE GROWING power of india

The potential of the Indian wine market is such that international wine judges and foreign investors are starting to take note. By Peter Csizmadia-Honigh

**EVEN THOUGH** India's GDP growth rate is down to 4.99%, the slowest for almost a decade (see Table 1 – GDP and Interest Rate in India, 2006-2013), their wine industry has witnessed an average annual growth of 25-30% during the noughties according to a report published by the Indian Grape Processing Board (IGPB), an industry body. Karishma Grover, the third generation of the well-respected Indian wine family, explains that the demand-inflected necessity to expand would endure even if the Indian wine industry's growth has "declined" to a mere annual 20% by 2013.

For Bangalore based Grover's Vineyards to keep their position of number one quality associated brand in India and to satisfy customer demand, they had to acquire Zampa, a boutique winery in Maharashtra state's Nashik district. An even more astounding growth has turned Sula Vineyards, the brainchild of Silicon Valley groomed businessman Rajeev Samant, into the largest winery just slightly over ten years with its 6.5 million bottle-per-year production.

The seismic transformation has seen casualties too. Just think of Omar

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Khayyam, which used to be the best-known traditional method Indian sparkling wine until Chateau Indage – whose production accounted for 43% of all Indian wines before it was delisted from the Bombay Stock Exchange – went into liquidation in late 2011. The potential of the Indian market does not go unnoticed by foreign investors either; most notably this year Diageo has increased its packet of shares to 25.02% in United Spirits Ltd., owner of Four Seasons, a winery in the Pune district of Maharashtra state.

**Table 1: GDP and interest rate in India, 2006-2013**

GDP growth (%)		Interest rate (%)	
2012-13	4.99	2013	7.25
2011-12	6.21	2012	8.5
2010-11	9.32	2011	6.5
2009-10	8.59	2010	4.75
2008-09	6.72	2009	9
2007-09	9.32	2008	7.5
2006-07	9.57	2007	7.5
2005-06	9.48	2006	6.5

Source: Compiled by the author based on the date from Reserve Bank of India

### Feature findings

- ▶ The Indian wine industry has witnessed an average annual growth of 25-30% since 2000.
- ▶ Sula Vineyards has grown into the largest winery in just slightly over ten years with its 6.5 million bottle per year production.
- ▶ The Maharashtra region accounts for 76% of the growing area for the Indian wine industry.

**Table 2: Areas of grape production in India, 2009-2010**

Source: Indian Grape Processing Board (2010-11)

Rank	State	Area ('000 ha)	% Total area	Production ('000 tonnes)	% Total production
1	Maharashtra	82.0	76.6	440.0	47.558
2	Karnataka	16.1	15.0	289.3	31.269
3	Tamil Nadu	3.1	2.9	89.2	9.638
4	Andhara Pradesh	3.0	2.8	62.2	6.723
5	Punjab	0.5	0.5	15.5	1.672
6	Mizoram	1.2	1.2	13.7	1.485
7	Madhya Pradesh	0.5	0.5	12.5	1.351
8	Hayryana	0.1	0.1	2.1	0.224
9	Jammu & Kashmir	0.3	0.3	0.5	0.059
10	Nagaland	0.2	0.2	0.1	0.011
11	Chhattisgarh	0.01	0.01	0.1	0.011
<b>Total</b>		<b>107.0</b>	<b>100</b>	<b>925.2</b>	<b>100</b>

### GRAPE ESCALATION

India is primarily an agricultural country; nearly 60% of the workforce is employed in the sector and related industries.

Commercial grape growing is widespread. The 2009-10 figures of the Indian Horticultural Database showed 106,400 hectares under vine in 11 states from Jammu & Kashmir in the far northwest or Nagaland adjacent to Bangladesh right down to the southernmost Tamil Nadu (see Table 2).

Despite the India-wide dispersion of the growing areas, there is a large concentration with Maharashtra accounting for 76% and Karnataka for 15%. Kapil Sekhri, co-proprietor and CEO of Fratelli Vineyards, commented that the whole agricultural sector is still very socialist with the exception of

Maharashtra, where progressive land ownership legislation catalysed private investment, possibly explaining the state's large share of grape plantations. While 80% of the national grape production is consumed fresh, a quickly increasing proportion is exported to Europe and the Middle East earning over US\$200m (HK\$1551m) year.

Only 1.2% of the national grape production is crushed and made into wine. Latest figures show wine is produced on 9,000 acres (3,650ha) of vineyards in Maharashtra, which is three times higher than the national average, but it is still at a modest 4.5% only.

The concept of Indian terroir may seem to be a far-flung idea, yet there are significant climatic and topographic differences shaping wine styles and



impacting businesses. Jagdish Holkar, chairman of the IGPB, points out that the identification of superb terroirs will contribute to the establishment of provenance, seen as key to increasing added value in the Indian wine industry.

Based on current production statistics, four major wine regions may be differentiated: the vicinity of Chennai in Tamil Nadu, Bangalore in Karnataka; and Pune and Nashik located in Maharashtra (see Table 3).

The Nandi Hills, 40km north of Bangalore, is a world apart from both

## **The concept of Indian terroir may seem to be a far-flung idea, yet there are significant climatic and topographic differences shaping styles**

Pune and Nashik as far as climate is concerned. Once the summer retreat of the British, Bangalore is 1,000km south of Mumbai, India's commercial capital, but at an altitude of 1,450m it has a benign cooler subtropical climate with an average temperature of 26-29°C during the monsoon. It was probably one of the reasons why the experiment of the late

Kanwal Grover, in co-operation with George Vesselle, formerly of Champagne Mumm; resulted in the selection of moderate climate varieties, such as Cabernet Sauvignon, Shiraz, Sauvignon Blanc, Viognier and Chenin Blanc, when establishing Grover's Vineyards in Karnataka in 1988. Karishma Grover states that Chardonnay was not planted because simply it would not crop.

In contrast, both Pune and Nashik enjoy far warmer average temperatures, around 40°C during the monsoon, due to lower altitudes of 800m and 550m respectively. Consequently, Shiraz and Cabernet Sauvignon tend to be riper, lusher, denser and bigger here. Mr Balakrishna, the general manager of Four Seasons, the wine arm of United Spirits Ltd. remarks that blue grapes, sourced from Baramati, a sub-region of Pune, result in red wines of significantly deeper colour than those made from Nashik fruit.

Sub-regional differences exert influence on the choice of variety. The village of Roti, home to the 5m-litre-per-year capacity Four Seasons winery, is located in the vicinity of Baramati, but due to its high diurnal temperature it is more suited for crisp white varieties, such as Sauvignon Blanc and Chenin Blanc.

Travelling further down National Highway 9, connecting Pune and Solapur, is the village of Akluj, which was chosen,

for the low fertility of its soils, by Tuscan consultant Piero Masi when looking for an ideal site in 2006 to establish Fratelli

Vineyards, a venture by the Indian Sekhri and Mohite-Patil, and the Italian Secci brothers. The communes and the surrounding vineyards along Highway 9 still have an enormous amount of work ahead to establish themselves as a vine trail

attracting thousands of tourists as

Nashik does. Of course, there are plans, some more ambitious than others; Fratelli is aiming to follow the smaller scale Italian "agriturismo" model, whilst Four Seasons aspires to attract luxury hotel operators the Taj Group or Oberoi Group to invest into the operation of suite style residence property contained in their building reminiscent of a French château.

### **CLIMATE FOR GROWTH**

Annual precipitation varies 300-400mm between the four regions. The variance on the one hand is due to the protection provided by the ranges of the Western Ghats in Maharashtra and the Nandi Hills in Karnataka; and on the other hand it is due to difference in latitudes. The northern-most of the four regions is as far from the southernmost region as Rheingau in Germany is from Piedmont in Italy. The concentration of the annual rainfall within three months makes the use of rather expensive drip irrigation a necessity. It is, however, not the only cost factor to bear in mind if one is considering setting up a winery in India.

Land can be eye-wateringly expensive. Nashik, the best-known region located 175kms northeast of Mumbai, is the most expensive, with \$250,000 (HK\$1.94m)/ha rumoured to be the going rate for an established vineyard. Mr Sekhri of Fratelli said that barren land in Pune was valued at \$12,000 (HK\$93)/ha in 2006, but probably more telling is the dynamics of price increases, which Mr Balakrishna of Four Seasons estimated to be five-fold between 2006 and 2012. Therefore, contract growing and processing bought-in grapes are widespread practices except for Fratelli, whose philosophy is to vinify domain-grown fruit only.

Then, of course, there are the state specific characteristics of legislation pertaining to land ownership too. No matter what the philosophy of the proprietor is, Karnataka does not allow corporations to own land, which makes long-term lease the general form of arrangement between landowners and vintners, who wish to grow their own fruit. The formula to calculate the cost of the lease is complex, but according to figures from Keerthi L R, the viticulturalist at Grover's Vineyards, the leasing of land for 25 years costs around £20k (HK\$249,000)/ha.

Acquiring or leasing a piece of land is as much the start of the journey of growing grapes as its cost is only the first item on the list of expenses that vineyards incur. With blissful Western ignorance, it could be easy to assume that grape growing is a cheap pastime in India, but adding another IR65,000 (HK\$8000)/acre for

Table 3 – Indian wine regions and major producers

Source: Compiled by Peter Csizmadia-Honigh

	Maharashtra	Karnataka	Tamil Nadu
Area under grapes	82,000 ha	16,100 ha	3,083 ha
Area under wine grapes	2,850 ha	730 ha	80 ha
Major regions and sub-regions	Nashik: - Nipadh - Dindori - Pimpalgaon Pune: - Baramati - Roti - Akluj Solapur	Bangalore: - Nandi Hills	
Number of wineries	69	13	1
Major producers	Chandon India (Moët Hennessy India)* Deccan Plateau Winery Fratelli Vineyards Four Seasons (a United Spirits Ltd. subsidiary) Nine Hills (of Seagram, a Pernod Ricard subsidiary) Raveilo Renaissance Winery Sula Vineyards York Winery Vallonné Zampa	Alpine Wineries Grover's Vineyards Heritage Winery KRSM Estates SDU Winery Season Vineyards	Cumbum Winery
Varieties Grown	Sauvignon Blanc Chenin Blanc Viognier Chardonnay Riesling Shiraz Cabernet Sauvignon Merlot Malbec Tempranillo Zinfandel Sangiovese	Sauvignon Blanc Chenin Blanc Viognier Grenache Shiraz Cabernet Sauvignon Merlot Tempranillo Zinfandel	Muscat Chenin Blanc Shiraz Sauvignon Blanc

\*Currently custom crushing at York, precise name to be confirmed and product to launch in late 2013 or in 2014. Moët Hennessy India facilities being constructed and completed by 2014

labour, fertilisation and spraying brings the total cost of producing a kilo of grapes to approx. IR25 (HK\$3). To appreciate the business relations between growers and wineries better, it is good to know that the price vintners pay for average quality grape is IR35-45 (HK\$4-5)/kg, whilst premium is sold at IR45-50 (HK\$5-6)/kg.

Possibly the most intriguing in the concept of terroir is the human element. It discovers, interprets, defines and crafts a drink from what a particular growing area has got to offer. The individual plays as much role as the community with their traditions and that is exactly why new wine countries, like India, have got a hard

nut to crack. There is no real lack of technical knowledge as far as grape growing is concerned. A winery can be small and boutique as Vallonné Vineyards in Nashik or large as Grover's, the vineyard managers all tend to hold a Master degree in agriculture and are well trained to combat the challenges of the

# india

subtropical climate. The most remarkable is double cropping and the lack of dormancy, which necessitate what is called “back” or “foundation” pruning in May before the monsoon.

Eight shoots per arm and one bud per shoot is the standard, which then produces 15 to 20 leaves by September – the beginning of the growing season for wine production – that are cut back to four to five buds per shoot. The most common pests and diseases are flea beetle and mealy bug, as the growing season is normally bone dry, thus downy mildew might cause some trouble in the first 30 days after back pruning before the monsoon only.

Another peculiarity of grape growing is the reverse cycle of the temperature graph. It starts to drop in September with the trough in December when it starts to increase again. No surprise that Ajoy

## Winemaking is a real craft and one that the young Indian industry is terribly keen to learn

Shaw, chief-winemaker of Sula Vineyards, attaches a great deal of importance to the type of trellis and method of training, as both greatly contribute to achieving a balance of sufficient phenolic ripeness, non-excessive sugar levels while retaining a healthy acidity.

Old plantations continue to be dominated by pergolas, as Grover’s Keerthi L R observes, and new blocks are mostly mid-high cordon allowing for VSP to optimise exposure to sunlight. Harvest starts in late January in Maharashtra, whilst only in April in Karnataka then in May in Bangalore; the opposite to what one would assume.

### SEEDS OF INTEREST

Winemaking is a real craft and one that the young Indian industry is terribly keen to learn. Kailash Gurnani, co-owner of the

Nashik-based York Winery, trained as a winemaker at the University of Adelaide and subsequently worked on vintages with Chandon and Hardy’s in the McLaren Vale as well as on Cyprus and in Bulgaria. There was no pressure on Karishma Grover to enter the family wine business, but she got the bug during a five-day winery trip while still at junior college, so she decided to study oenology at UC Davis in California graduating in 2007. Karishma had worked at Cakebread Cellars in the Napa Valley before returning to India to take charge of technical operations of the business. Sula’s Shaw had an adventurous journey into wine having decided that neither PhD research in science nor completing an MBA was giving him excitement. So, he completed the WSET Diploma through distance studies and honed his wine skills in California as well as in France.

The thirst for technical and marketing expertise is palpable everywhere. Michele Rolland, renowned Bordeaux consultant, has been advising Grover’s Vineyard since 1995; Piero Masi has been instrumental at Fratelli since its inception; and equally Kerry Damskey, the Bay Area based consultant, has had Sula Vineyards as a client for a long time. Getting headhunted from within the domestic wine scene is not rare either, as it happened to

Raghunath S., whose experience in achieving ISO202000 certification was seen as a valuable asset for Four Seasons to tempt him over from Grover’s. Respectable Champagne veteran Moët & Chandon is understood to be building its production facilities in Nashik and in the meantime it custom crushes at York Winery. Social and economic factors drive the growth for demand and consequently the expansion of Indian wine production despite the complicated and overly bureaucratic legislation on commercialising alcohol, which is supplemented with a punitive tax regime. Karishma Grover pointed out that the significant increase in disposable income along with Indians travelling more extensively initiated a cultural change of shifting attention from hard liquors to wines. The expat communities of

technology companies settled in Pune and Bangalore also contribute to the change. Shailendra Pai, founding CEO of Vallonné Vineyards and formerly vice-president of export sales at Chateau Indage, agrees that the biggest challenge is transition from spirits to wine.

He remains optimistic if transformation can keep the pace of change of the past five years. Mr Pai adds that lax regulation is due to come, he is not concerned in that respect. Trinity Vintners, the company set up by Ashwin Deo, a former Diageo and Moët Hennessey executive; also acknowledge the burgeoning market opportunity that is provided by the up and coming young middle classes.

The Trinity portfolio has been created to cater for both the young beer drinking crowds with their JLT wines, an easy to understand entry level range associated with mood marketing; and for more sophisticated consumers with the Turning Point range, an assortment of varietal wines. Mr Deo’s interest is in demographics rather than the high-end so that he can successfully sell to wine consumers, 65% of whom are female and between 25 and 40 years of age. Buying in grapes and custom crushing allows his range to remain flexible and ties down precious little in assets.

The rupee has depreciated more than 20% over the past 8 months, almost a free fall, so the Government of India is tied down with monetary and fiscal policy not the wine industry. Attention is needed more than ever in order to build on the progress of the past 10 years. The institutional structure with the Indian Grape Processing Board and the National Research Centre for Grapes has its foundations laid, yet there is a tremendous amount of work ahead as IGPB President Mr Holkar points out when he emphasises the importance of creating domestic and export market awareness, in addition to increasing quality, enhancing productivity and ensuring product safety. With Indian wines now recognised at international wine competitions, it’s the right time for India to get serious about the industry. db

Table 4 – Indian Wines in International Competitions

Source: Compiled by the author based on competition databases.

	DWWA	DAWA*	HK-IWSC	IWC
2013	Fratelli Chenin Blanc '12 - commended	Fratelli Wines, Sette VII '10 – Silver Grover Vineyards, Art Collection Rosé '13 – Bronze Grover Vineyards, La Reserve '11 – Bronze Grover Vineyards, Art Collection Sauvignon Blanc '13 – Bronze Nashik, Sula Zinfandel '12 – Bronze Ritu, Sauvignon Blanc '13 – Bronze Sula Vineyards, Rasa Shiraz '11 – Bronze Vallonné Vineyards (VV), Cabernet Sauvignon Classique '09 – Bronze VV Malbec '11 – Bronze Zampa, Soirée Brut NV – Bronze	Zampa Soirée Brut NV – Bronze Dindori Reserve Shiraz '11 – Bronze Grover La Réserve '11 – Bronze Krsma Cabernet Sauvignon '12 – Bronze Krsma Sauvignon Blanc '13 – Bronze Ritu Barrique Reserve Viognier '12 – Bronze Ritu Rosé Wine '13 – Bronze Ritu Sauvignon Blanc White Wine '13 – Bronze Sula Zinfandel '13 – Bronze York Cabernet Merlot '12 – Bronze York Shiraz '12 – Bronze Zampa Chêne '11 – Bronze	Fratelli Chenin Blanc '12 – bronze Fratelli Chardonnay '12 – commended Fratelli Merlot '12 – commended Fratelli Sette '09 – commended Alpine Winery Vindiva Reserve Sauvignon Blanc '12 – commended Sula Dindori Reserve Viognier '12 - commended
2012	Fratelli Chardonnay '11 – commended	Vallée de Vin Zampa Reserve 2010 – bronze Four Seasons Barrique Reserve Cabernet Sauvignon '09 – bronze Four Seasons Barrique Reserve Shiraz '09 – bronze Sula Sauvignon Blanc '12 – silver Sula Riesling '12 - silver	Ritu Barrique Reserve Shiraz '09 – bronze Ritu Blush Rose '12 – bronze York Chenin Blanc '12 – bronze York Sauvignon Blanc '12 – bronze	Fratelli Chardonnay '11, Sauvignon Blanc '11 and Chenin Blanc '11 – all commended Zampa Syrah 2010 – commended Zamap Soirée Brut Reserve 2010 - commended
2011	Sula Sauvignon Blanc 2010 – silver		Sula Dindori Reserve Viognier '11 – bronze	Zampa Syrah Cabernet '09 – commended Zampa Syrah '08 – commended Fratelli Chenin Blanc '10 – commended
2010	Sula Sauvignon Blanc 2010 – silver			York Cabernet Sauvignon Reserve '08 – commended
2009	Sula Sauvignon Blanc 2010 – silver			Sula Sauvignon Blanc '08 – commended Zampa Rose '08 - commended
2008	Mercury Winery Chenin Blanc '07 – commended Indage Merlot '06, Chardonnay '07, Chenin Blanc '07, Merlot '06 and Marquis de Pompadour NV – all commended			Chateau Indage: – Chantillion Chenin Blanc '07, Ivy Brut NV, Marquis de Pompadour NV – all commended

NB – Ritu is the export brand of Four Seasons \* Decanter Asia Wine Awards