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GST in India – Deal Maker or Breaker for Distributers

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Abstract**:** ***When GST was implemented in India in the year 2017, there was a sea of change in the way in which tax was collected. In the Distribution process where there was different levels of partners involved there was collection of taxes in different stages which was followed till the implementation of GST. In this case study in order to familiarize the students with the evolution of the GST system and the impact of it on the channel partners we are looking at the case of Mr.Kumar , he had started his distribution agency Pitambar Distributors in 1986 the tax structure for a distributor in India had - value added tax, octroi and service tax .In 2006 the first step towards the implementation of GST - Goods and Services Tax was taken which became a reality and came into being by July 2017.The Post GST Scenario changed the playing field for FMCG companies which automatically reflected on their channel members namely distributers like Pitamber Industries. In this context with the data available from Pitambar agencies in the past year Mr.Kumar has to now rethink his strategies and decide whether to continue in the same business or not. This case can be used to identify the impact of GST on The FMCG Sector, Chart the progress of GST till date, to familiarize students regarding distribution processes and the implication of GST on the same, to identify impact on sales of different category of FMCG products after the implementation of GST***

Key Words: GST, FMCG Sector, Distribution, Supply Chain

I. INTRODUCTION

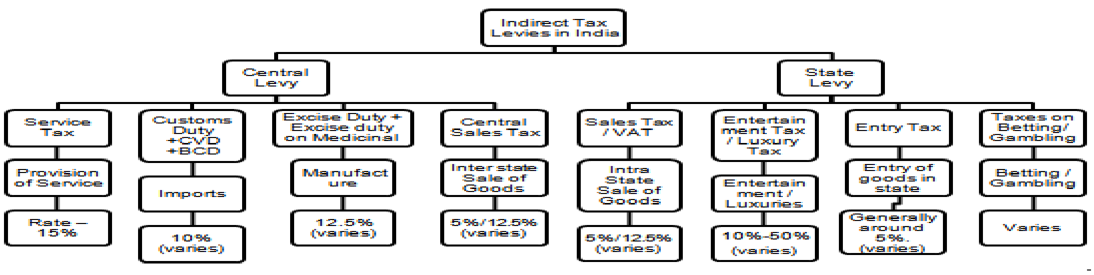
Unlike the usual peace the financial year end brings; this year found Mr. Kumar pouring over the various sales reports on his table. His brow was furrowed with worry as he saw the closing numbers for the year. Goutham Kumar, started Pitambar Distributers in a small way in 1986. Mr. Kumar started his distribution business with only one company and now they were channel partners for more than 30 FMCG companies in Chennai. It has become one of the largest distribution houses in Chennai, with a turnover of 100 crores. They have been awarded best distributor award from many a company they have collaborated with. With 30 years of experience in the FMCG industry, Mr. Kumar has created a brand name that is a trusted partner for distribution and retailing. They have been successful in associating with the right partners who make quality products and in turn they ensure best Sales and Business network to serve the dealers efficiently. They have been in this industry for three decades and by now they dealt with all category of FMCG products.

A. The Indian Economic System - Pre GST

A tax policy which takes care of the total income distribution in the country and generates revenue for both central and state is considered to be a good tax system. This tax system is the one which in turn gets reflected in the nation's overall development.

Article 246 of Indian constitution provides the entire framework about indirect taxes, in which schedule seven gives the total rights to the central and state government to levy taxes and collect them on the basis of different goods and services. This framework varies from industry to industry, depending upon the point of sales and level of imports and exports. Indirect tax is a comprehensive multistage tax system, because it is imposed during the stages of production than the end user.

Figure1: Tax System in India before GST



Source: Complied for the study

B. GST – The Journey till Now

The comprehensive tax levied on products and services sold in the domestic market are termed as Goods and Service Tax (GST). The amount is added to the price of final products and services, the customer pays the GST at the time of purchasing the products or utilizing the services. The vendor collects the GST from the customer and pays it pay to the government. GST is a unified tax system which is common. Single tax rate and applied throughout the country.

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This unified system merges both central and state taxes together as a single tax.

In 1954 France implemented GST for the first time and till date 160 countries have adopted this method in various forms. Halakhandi, (2007) in his study states that India was planning to introduce GST as early as 2010 but it has been postponed due to various reasons. He also states that factor of trust between the state and the central for compensation as a reason and also cost effectiveness of GST implementation.

In the Ehtisham Ahmed and Satya Poddar (2009) study it was found that an increase in output and productivity was brought about by the implementation of GST. But how the process is actually executed in practice contributes to a great extent of its success.

More recent study by R. Vasanthagopal (2011), suggests that Indian economy will get a boost due to the switch from the previous tax system to GST. After discussing the impact of this implementation on the Indian economy he also stated that through this implementation our system becomes acceptable to around 130 countries across the world.

Tripathi, et.al, (2011) in his study looks at the impact of GST from the experience of implementing VAT. VAT was implemented on all goods produced while GST would be on all goods and services. So even through it will increase the revenue it will impact even the poorest of the poor.

In Herekar, (2012) the study looks at GST and its impact on the common man; businesses and in general the economy. This was published in the context of a task force being set up under Mr. V. Kelkar to study the impact of the proposed implementation on Indian Economy. He concludes that if implemented in a phased manner GST would have a positive effect on Indian economy.

In a more recent study by Pinki, S.Kamma and R.Verma (2014) they found that as the government has a positive outlook towards the implementation of GST it will be beneficial for the central government , state governments and the final consumers if it is backed by a robust IT infrastructure in the country.

A. Mawuli (2014) in his study states that the GST may not suitable for the development of under developed countries because it will not provide an opportunity to grow unless they maintain the GST rates below 10 percent.

Nitin Kumar (2014), conducted a research study about GST and its way forward, he concluded that the economic bias caused by the current trickle down indirect system would be eradicated by the implementation of GST. This unbiased tax structure will bring central and all the states together.

Garg (2014), studied the current tax system and analyzed the impact of GST system, how it will strengthen the free market economy. He concluded that this system will be beneficial in the long run. The results shows that GST will be affecting different industries in the economy and there would be double tax liability on food items and they argue that this will affect the purchasing power of the common mam. Meantime this tax structure is essential to the growth and expansion of the sectors like real estate, housing, FMCG, etc,

S. Venkadasalam (2014) has studied the magnitude of GST implementation in ASEAN Nations on the growth of their economies. Seven out of ten ASEAN nations have already implemented the GST system, the study brings out that the household expenditure and government consumption expenditure are directly related to the GDP (Gross Domestic Product). The aftermath of GST implementation varies from country to country. While Singapore shows a positive relationship, Philippines and Thailand show a reverse in national growth and GST.

S. Dani (2016) studied the Impact of GST implementation on Indian Economy and found out that this will make the collection of tax straightforward, reduce inefficiencies and this tax structure has been followed and is successful in over 150 countries, but it may show a negative impact in India due to inflation rates.

R.Kumar(2016) in his study found that if we compare different taxes and duties levied under present tax system and under GST, GST will simplify the process involved , higher transparency, better output, opportunities for employment and growth of economy.

F.Lourdunathan and P.Xavier (2017) observed that GST will make 'one tax for one nation 'and thereby will provide relief to producers as well as consumers through input credit set-off which should result in resource and revenue gain at both state and central levels.

GST system was introduced in India from 1 July 2017.

Table 2: GST: A Chronology

Month and Year	Particulars
2006- 07	GST Proposal in Budget Speech
2008	Constitution of Empowered Committee (EC)
2009	First Discussion paper released by EC
2011	Constitution of Amendment Bill on GST
August 2013	Reports submitted by EC
March 2014	Revised bill sent to EC
December 2014	Introduction of Amendment bill in Lok Sabha
May 2015	Amendment bill in Lok Sabha passed
August 2015	Capping of GST rate
July 2016	Agreement of capping of GST by centre and state
August 2016	Bill passed in Rajya Sabha
July 2017	GST implemented

Source: Complied for the study

II. FAST MOVING CONSUMER GOODS IN INDIA

Consumer industry is one of building blocks of India economy. Even though there have not been any remarkable growth in the past 3-4 years in this segment , but it has managed to keep itself safe from the global macro-economic shifts unlike other vulnerable sectors. FMCG division consists of 50 percent which is basics products in Food and Beverages and 30 percent discretionary products and the rest seasonal products.

Reports propose that the segment contributes USD 6.5 billion in immediate and backhanded duties (Subramanian, 2015).Around 50 percent of the FMCG sector in India constitutes of the food and beverage industry while personal care and household products contributes another 30 percent. Indian FMCG industry contributes to almost 2.5 percent of the nation's GDP.

The business contribution of FMCG industry has tripled in the recent years. Over the last 5 years it has increased by 17 percent driven by the four elements of economy namely rising wage levels, solid provincial request, urbanization and great statistic patterns. Between April 2000 and September 2012 FMCG segment garnered 1.9 percent of India total FDI flow. Out of this 9,000 crores was in nourishment segment. After China and Indonesia India has the cheapest workforce giving it an upper hand over other nations. Fast moving consumer goods ranks 4th in the Indian economy in generating revenues, with in this the main three segments are food and beverages; home and personal care; confectionary, edible oil and Pooja products.

A. Food and beverages

The Food and Beverage (FAB) industry is one of the highest grossing industries in the hospitality sector. While considering this industry it consists of all the operators involved in processing raw food, packing and distributing. And these include fresh food, processed food, packaged food both alcoholic as well as non-alcoholic beverages. The F&B industry commands a major share of service sector and hospitality industry.

B. Home and personal care

The next segment which holds a prominent share in the FMCG sector is the household and personal care products which consists of companies producing cleaning supplies, batteries, light bulbs, cosmetics, razors, soaps and detergents. Within this segment the target contributors are cosmetics and personal products most of these companies are global players and follow multiple retail format and compete on product quality, performance, pricing and packaging.

C. Confectionary

When we are considering confectionary market it consists of manufactures of chocolates, candy's, raw pastes and various sugar products. It also includes therapeutic and confectioneries that differ from the traditional ones. The global market for confectionary is growing at a steady rate due to higher demand from middle income customers. The demand is also depended upon the geographical region due to the various tastes, preferences and regulatory norms existing in that region.

D. Edible oil

Edible oil industry registers an increase in demand due to rising population and disposable income. India is one of the largest producers as well as exporters of edible oil across the world. This is because in India there is a variety of oil seeds being cultivated from which edible oil can be extracted. Due to the growing population and also the income levels there is an increase in the imports and exports of edible oil and also ensures that this **segment** thrives in the future.

E. Pooja products

In comparison to other segments the Pooja product segment seems to be smaller but it is estimated to be over $30 billion. Because of which it is considered to be the fastest growing industry in India. This is due to the fact that 80 percent of Indian population consists of Hindus who follow certain tradition since 500 BC which is part of their daily routine and for which they use pooja products.

Due to the inherent defects like multiplicity of laws and taxes, tax cascading, non-fundability of credits between goods and services and shifting of base to take advantage of low tax regime, the government has introduced GST. Incidentally, with the enactment of GST, the location of warehouses will need to be reevaluated. Many producers have constructed their divisions in areas proposing tax incentives (Himachal, Uttaranchal, etc.). Such considerations will no longer hold any relevance now that GST is in force. The producers using imported raw materials have to revisit their strategy because the imports will attract IGST.

After the implementation of GST, the manufacturers have started to invest more in warehouses because this will help them in direct selling than sending to various locations or outlets. This will help to address the problem of stock discrepancies and eliminate the accumulation of unsold stocks. Customers' expectations, will determine the demand and supply which will in turn lead the producers to organize a better supply chain system. Managing larger volumes will also become better organized owing to consolidated warehousing. Automation and Information technology like Enterprise Resource Planning (ERP) and Warehouse Management System (WMS) will increase the level of outputs and enhancement of the skilled workforce. On the other hand, more numbers of skill enhancement bodies will be encouraged to establish their base.

Table 3: New tax rates under GST

Product	Previous Tax Structure (%)	Current Tax Structure (%)	Companies facing issues
Food and beverages Branded paneer Butter, Ghee, Cheese Others	 3 – 4 % 4 – 5 % 5 – 14 %	 4 – 5 % 12 % 18%	 Amul, Nestle, Mother Dairy
Home and personal care Shampoo, Hair Dyes and Skin Care, Detergents	24-25 % 10-11%	28 % 18%	HUL, P&G, Jyothy Laboratories, Dabur, Himalaya, Godrej Consumer Products, HUL, Colgate-Palmolive, Karnataka soaps

Sanitary napkins Toothpastes, Soaps, Hair oil	22-24%	18%	
Confectionary	NIL	5 – 10 %	All Top Brands
Edible Oil	0 - 5 %	5 %	VVD, Dalda, Marico
Pooja products	NIL	5 %	Cycle Brand, ITC, Parimal Mandir

Source: Compiled by the authors for the Study

III. THE WAY AHEAD

The sales figures looked disheartening, Kumar had asked his CFO and team for some answers for the following questions to take decisions and move forward: What was the impact of GST on The FMCG Sector? Is there an impact on sales of different categories of FMCG products after the GST implementation? What are the implications for distributors? How would the operations be affected?

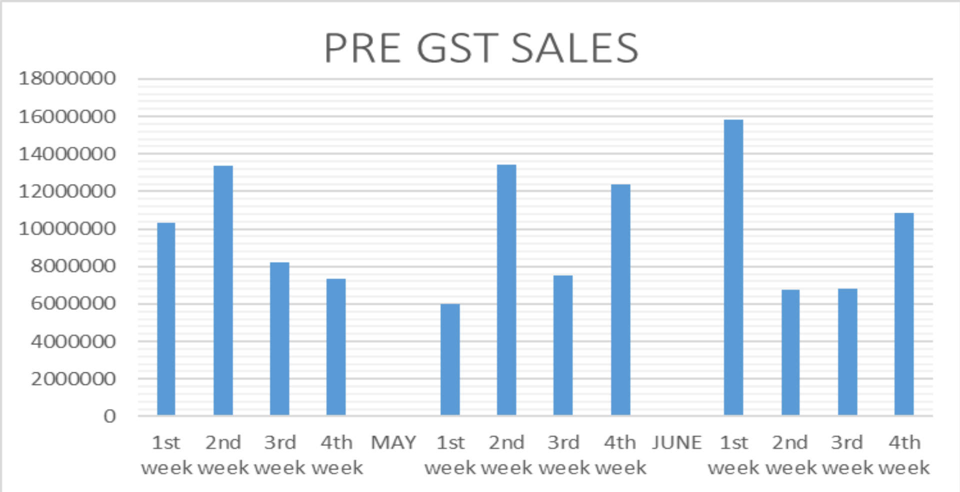

Figure 1: Pre GST sales details

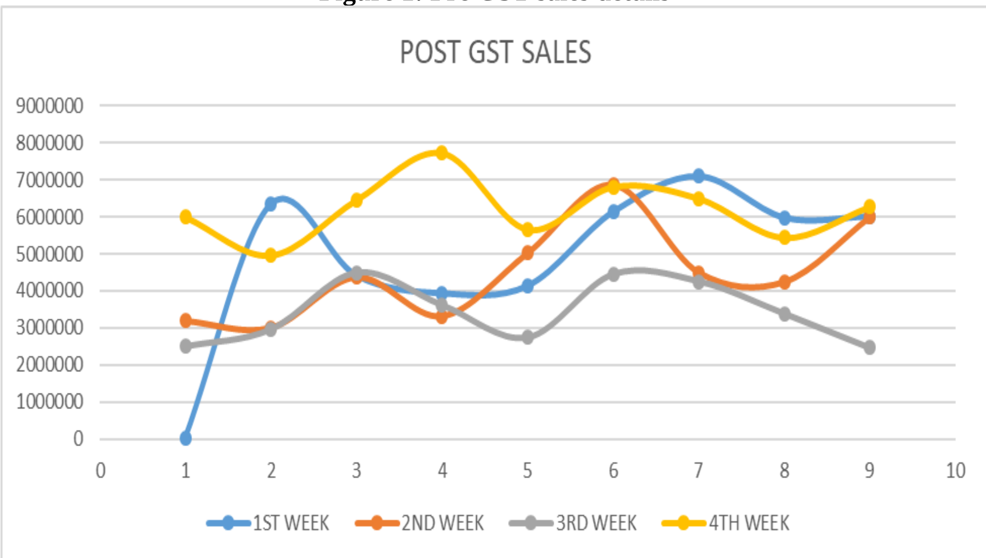

Figure 2: Post GST sales details

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Table 4: Pre GST product wise sales details

	CONFECTIONERY	EDIBLE OIL	FOOD & BEVERAGE	HOME AND PERSONAL CARE	POOJA PRODUCTS	TOTAL
APRIL						
1st week	620695	6000055	724145	2172434	827594	**10344923**
2nd week	2008710	4954819	2008710	2008710	2410452	**13391402**
3rd week	1973548	3289247	164462	1480161	1315699	**8223118**
4th week	1544447	3235985	441271	1544447	588361	**7354511**
TOTAL	**6147401**	**17480106**	**3338588**	**7205753**	**5142106**	**39313954**
MAY						
1st week	1135323	1732861.7	1314584.7	1254830.85	537784.65	**5975385**
2nd week	2684515	1879160.4	1610708.88	5369029.6	1879160.36	**13422574**
3rd week	1204603	2710357.6	1656329.62	978740.23	978740.23	**7528771**
4th week	2224982	2966642.9	2843032.76	2101372.04	2224982.16	**12361012**
TOTAL	**7249423**	**9289022**	**7424656**	**9703973**	**5620667**	**39287742**
JUNE						
1st week	1738334	6479244.4	1422273.15	1896364.2	4266819.45	**15803035**
2nd week	1558457	2032769.7	677589.9	1965010.71	542071.92	**6775899**
3rd week	2920088	1290271.6	203727.09	1969361.87	407454.18	**6790903**
4th week	1190825	4222016.4	649540.98	4222016.37	541284.15	**10825683**
TOTAL	**7407704**	**14024302**	**2953131**	**10052753**	**5757630**	**40195520**

Table 5: Post GST Product wise sales

MONTHS		CATEGORY				
	CONFECTIONERY	EDIBLE OIL	FOOD & BEVERAGE	HOME AND PERSONAL CARE	POOJA PRODUCTS	TOTAL
JULY						
1ST WEEK	0	36576	0	0	0	36576
2ND WEEK	459008.83	1517855	53598.34	1077640.26	81958.4	3190061
3RD WEEK	616631.45	821972.2	259257.62	680596.43	136513.02	2514971
4TH WEEK	2197124.64	1308840	230196.94	2145211.41	115369.63	5996743
TOTAL	3272764.92	3685244	543052.9	3903448.1	333841.05	11738351
AUG						
1ST WEEK	571197.1	2580751	128792.21	2958350.32	100933.67	6340024
2ND WEEK	255489.16	962104.1	112282.54	1520292.72	152063.58	3002232
3RD WEEK	469752.51	929322.4	133726.66	1187610.54	249817.97	2970230
4TH WEEK	579413.4	1155691	210318.06	2847978.22	167100.32	4960501
TOTAL	1875852.17	5627868	585119.47	8514231.8	669915.54	17272987
SEPT						
1ST WEEK	450471.46	1313294	118654.7	2476392.86	53194.72	4412008
2ND WEEK	914576.29	1308255	99137.64	1949741.08	101035.62	4372746
3RD WEEK	614824.16	731458.3	80560.44	2816221.33	241927.04	4484991
4TH WEEK	2671598.68	960193	293600	2308844.71	213779.02	6448015
TOTAL	4651470.59	4313201	591952.78	9551199.98	609936.4	19717760
OCT						
1ST WEEK	1604876.53	1151757	120650.9	1026928.16	29660.42	3933873
2ND WEEK	430708.39	1185871	226646.98	1366481.88	108223.59	3317932
3RD WEEK	2812509.65	210290.3	167690	381355.91	49537.52	3621383
4TH WEEK	1186416.64	1005276	107649.66	5177464.02	242954.56	7719761
TOTAL	6034511.21	3553194	622637.54	7952229.97	430376.09	18592949
NOV						
1ST WEEK	1419598.51	732335.3	73925.6	1837327.05	73413.34	4136600
2ND WEEK	3015659.4	602838.6	378418.59	855683.28	170546.56	5023146
3RD WEEK	482733.19	501568.8	14756.51	1608755.53	147271.98	2755086
4TH WEEK	2282951.29	891935.1	165688.14	2248909.62	66868.6	5656353
TOTAL	7200942.39	2728678	632788.84	6550675.48	458100.48	17571185
DEC						
1ST WEEK	3170114.13	830650.2	86241.28	1821737.85	226772.18	6135516
2ND WEEK	3097329.33	695030.7	211030.68	2763178.81	100485.89	6867055
3RD WEEK	1849720.14	468099.5	80405.74	1803503.54	241647.25	4443376
4TH WEEK	2861220.52	1050696	37141.98	2516356.02	341377.09	6806791
TOTAL	10978384.12	3044476	414819.68	8904776.22	910282.41	24252739
JAN						
1ST WEEK	4076029.72	708396.2	75192.72	2043673.31	189569.48	7092861
2ND WEEK	2065521.19	1283307	372202.02	632908.13	139706.37	4493645
3RD WEEK	2068681.08	827918.7	264006	960744.74	131885.45	4253236
4TH WEEK	2119457.55	1364186	306080.37	2572471.14	128571.13	6490766
TOTAL	10329689.54	4183807	1017481.11	6209797.32	589732.43	22330508
FEB						
1ST WEEK	2202221.07	1676588	307390.2	1276149.67	510481.44	5972831
2ND WEEK	2505072.24	400257.1	169871.88	1085995.94	84897.44	4246095
3RD WEEK	844135.97	392505.6	124444.32	1729839.35	297880.3	3388806
4TH WEEK	2668042.7	544030.4	153114.22	1813568.18	258249.84	5437005
TOTAL	8219471.98	3013381	754820.62	5905553.14	1151509.02	19044736
MARCH						
1ST WEEK	2605220.18	1225235	148640.04	1877606.75	152542.65	6009245
2ND WEEK	3416498.52	961195.9	391648.67	1146139.66	85642.72	6001125
3RD WEEK	1363325.16	376093.6	293647.44	298614.51	142226.26	2473907
4TH WEEK	3183248.07	436376.2	1915075.14	689669.02	46517.03	6270885
TOTAL	10568291.93	2998901	2749011.29	4012029.94	426928.66	20755162

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TEACHING NOTE

Gst In India – Deal Maker Or Breaker For Distributers

Case Synopsis

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Teaching Objectives

This case has the following learning objectives

- Identifying the impact of GST on The FMCG Sector.
- Charting the progress of GST till date
- To familiarize students regarding distribution processes and the implication of GST on the same.
- To identify impact on sales of different category of FMCG products after the implementation of GST

Target Audience & Use Of The Case

The case can be used in management courses at graduate and postgraduate level and executive programs to bring forth the concepts related to Goods & Services Taxes with reference to distribution. Course work prior this regarding both the subjects is necessary to appreciate the key concept discussed in this case. Case questions may be handed out in advance that the class discussion can be guided through the questions and taken forward through the qualitative and quantitative data given in the case.

Teaching Approach And Startegy

Following questions can be adopted for a 90 minute class

1. What is the impact of GST on the FMCG industry? After the implementation of GST has there been an impact on the sales of different FMCG products? (30 minutes)
2. What has GST implementation accomplished? (20 minutes)
3. What are the implications for distributors? (20 minutes)
4. How would the operations be affected? (20 minutes)

Analysis

1. **What is the impact of GST on the FMCG industry? After the implementation of GST has there been an impact on the sales of different FMCG products?**

GST is a consolidated indirect tax which was introduced in India on 1st July, 2017 and is applicable throughout India. It is an end point based consumption tax which aims to eliminate several cascading taxes which have been till now separately by central and state governments. And it would replace almost all the indirect taxes levied.

No doubt, GST has bought several non-tax payers into the Tax bracket. But, what about some genuine and necessary sectors which have been affected because of the GST? It has vitalized some FMCG companies, but what about the rest? More or less of the FMCG sectors have been touched by this new regime. FMCG sector is the fourth biggest economy in India, which is sectioned into three categories as Food and Beverages, Household and Personal Care and Health Care, and their rates getting accounted are 19%, 50% and 31% respectively.

Major players like HUL, P&G, Jyothy Laboratories, Nestle, Dabur, Himalaya etc. are the companies impacted because of GST implementation as shown in the Table 6.

TN - Table 1: List of Companies affected by the current GST system.

	HUL, P&G, JYOTHY LAB	**AMUL, NESTLE, MOTHER DAIRY**	**HUL, P&G, DABUR, HIMALAYA, PATANJALI**	**HUL, DABUR, HIMALAYA, P&G**
Product	Detergents	Butter, Ghee, Cheese	Shampoo	Skincare
Previous Rates	23%	4-5%	24-25%	24-25%
Post GST Rate	28%	12%	28%	28%

Source: Compiled by the authors for the Study

Most of the FMCG products were impacted because of GST.As it effected the main players in the market they started revising their rates according to this need and implemented it at different levels - they started with cost cuttings at the factory, transportation costs with the distributors, and benefited the consumers who availed the products at a low rate.

2. **What has GST implementation accomplished?**

The Indian government has taken an initiative to control inflation and to elude the negative influence on the customers by implementing the GST rates in the place of indirect taxes. The basic need of the citizens like cereals, milk and other essentials were placed at the rate of 5%; medicines, stationaries and other next level of needs were fixed at 12% slab rate; cosmetics and other related items were placed at 18% slab rate; and all the luxury products were fixed in 28% slab rate.

These GST tax rates invariably affected the customers, but the manufacturer, distributors and the customers interfered in this and the government has taken initiative to reduce the GST rates for the essential products from 28% to 18% and some from 18% to 12% and it got implemented from November 2017. The firms have to file their GSTIN invoice with the government according to their tax regulations. Most of the bigger organizations were able to fulfil the formalities by getting the help from consultants, but the real problem arise only for the small and medium enterprises who are struggling to bring about these new regulations.

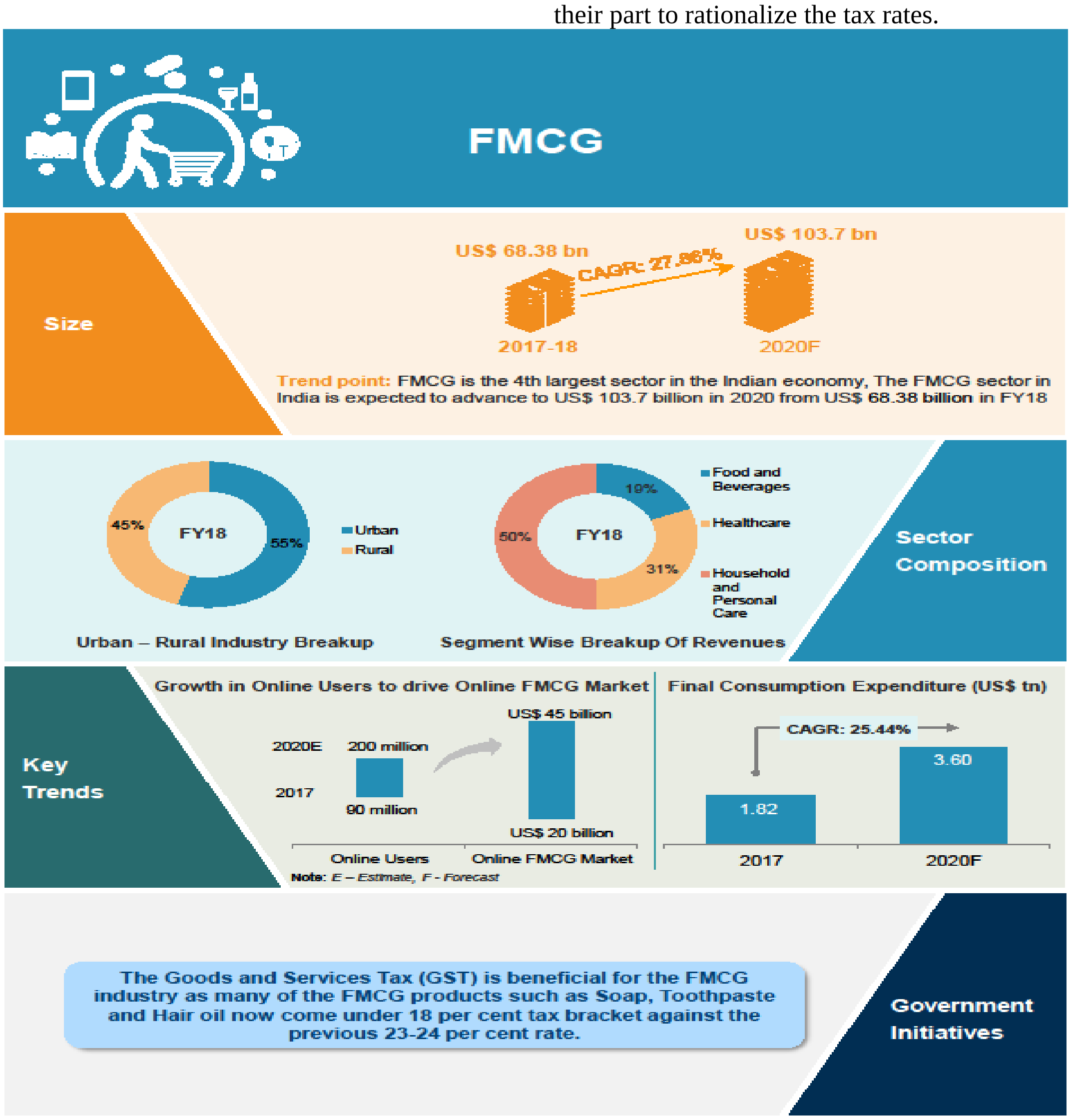
This move by the government has bought awareness about the branded and unbranded products among customers and they are also shifting to branded products and this results in huge volume growth for FMCG firms. At the same time, GST has brought operational competency by removing the bottlenecks by streamlining the supply chain and logistics.

After all these amendments also the FMCG sector on a whole faces certain issues in terms of the tax slabs under GST regulations. As far as transactions related to goods given as free gifts to the distributors, free sample, goods used for promotional activities etc. the input tax credits aren't clear yet.

The most recent GST compliances is the necessity to generate e-way bill for the goods transported. It has been mandatory to have e-way bill while transporting the goods, if the consignment is not supported by a valid e-way bill the consignment could be seized and will lead to disruptions in the business. Hence, the e-way bill acquiescence has been considered very important and this has a great impact on the process of supply chain and logistics of the companies. FMCG sector is slowly but gradually gearing up to the said requirements.

FMCG sector could expect further amendments in the near future which would be constructive for both the sector and the consumers. The government has to focus on the simplified GST return model and streamlined matching process for the online transactions.

In the Retail and FMCG sector GST has created an impact by realigning the tax slabs and thereby potentially reducing the costs of distribution for different establishments in the long run. Some businesses have lower taxes and distribution costs, and thus have responded by increasing the volume of production and decreasing the prices, while others who face higher taxes responds by increasing the prices. This is GST authority's attempts on their part to rationalize the tax rates.



TN – Figure 1: Snapshot of FMCG Sector

3. What are the implications for distributors?

According to Federation of **All** India Distributors Association (FAIDA), GST will affect all of 3.5 lakh product distributors across the country who supply to four crore retailers and will also affected by the influx of multinational companies (MNCs), distributors opined.
With the implementation of GST, the distribution model followed currently would be removed and IGST will be applied on interstate transactions. Thus there would be only one intermittent tax that would be applied on the goods. This also means that the current structure followed by all the businesses to hire 3rd party warehouse providers would be of no use then. The new tax structure will eventually push the companies for a new form of distribution model so that they don't shell unnecessary cash to the WSPs (Warehouse Service Providers).
It is perceived that the margin obtained in the channel of distribution, i.e. earnings for the wholesaler, distributor, retailer and stockiest will have to be re-worked because the base price would change due to the implementation of GST and in turn it will affect the percentage of margin.
Prior to GST to ensure efficient tax management the distribution model was changed several times i.e. to minimise the incidence of tax in the distribution. With the implementation of GST – with its intra state and inter-state transaction supported by ITC, the entire distribution model may require to be revisited, to find a balance in tax efficiency in channel operations.
Finally, there are a lot of other tax related game changing moves that may take place in the distribution ecosystem. Eventually, everything depends on the final GST bill that will be implemented. The most vital thing is that the firms have to modify their distribution model to fulfill and earn most out of the new structure. The maximum benefits are taken by the customers and they enjoy a much higher stake in this new system. The channel conflict which occurs due to variation of local taxes would be reduced because of the one nation one tax structure.

4. How would the operations be affected?

As GST has an impact on every facet of the business , it takes a comprehensive approach to ensure a smooth transition from the previous tax regime to GST.While implementing GST one of the main problems was adaptation of the technology in order to overcome the slow response rate as well as other performance related issues.
Implementation of GST has undoubtedly been one of the biggest events in the highly fragmented FMCG and retail industry. It has made companies re-examine their supply chain networks to optimize their number of warehouses, locations and linkages. The typical value chain is highlighted below for ready reference:

TN - Figure 2: Distribution Value Chain

Apart from the changes made in Value chain the retailers and distributors have to face the biggest challenge after implementation of GST are:

1. Rate rationalization
2. Classification related issues
3. Marketing/ discount schemes
   - Tax treatment of different types of schemes
   - Promotional schemes, off take discounts
   - Free samples given to potential customers/ Gifts to dealers/ distributors –
4. Combo packs
5. Loyalty points redemption
6. Vouchers
7. Sales returns, customer refunds and other miscellaneous transactions
   - Excess collection of money from customers
   - Sales return from a different State
   - Sales return in case of closure of branch/ warehouse in a State
   - Refund provided to customers
   - Compliance requirements for credit note/ debit notes
8. Return of expired goods
9. Input Service Distributor vs. Cross Charge
10. Area based exemptions/ Benefits under State Industrial policy

IV.CONCLUSION

After the implementation of GST there has been a great difference in the way a business is conducted. In India the main objective of introduction of GST was to bring transparency as well as to bring equality to doing business across the different states. It is an unwritten rule that the business decisions are taken only based upon the business constraints and not on the tax efficiency. GST has significantly impacted Retail as well as FMCG industry by restructuring tax ranges and hypothetically decreasing the overheads connected to supply chain for a number of businesses over the long run. Some firms have "profits" with lesser taxes and costs associated with delivery, they have reacted by increasing the quantity of the product and decreasing the prices, while some others who might have "lost" with the current tax structure needs to compensate this by increasing the product's price. This case successfully processes the evolution and implementation of GST in India. And from the analysis of the data given it can be concluded that the distributers are facing quite a challenge in keeping up their margins. It is also able to bring forth how the operations of distributers are affected through this revamping of taxes .And as a result before the final implementation of the GST Bill the government should be sensitized to these factors.

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