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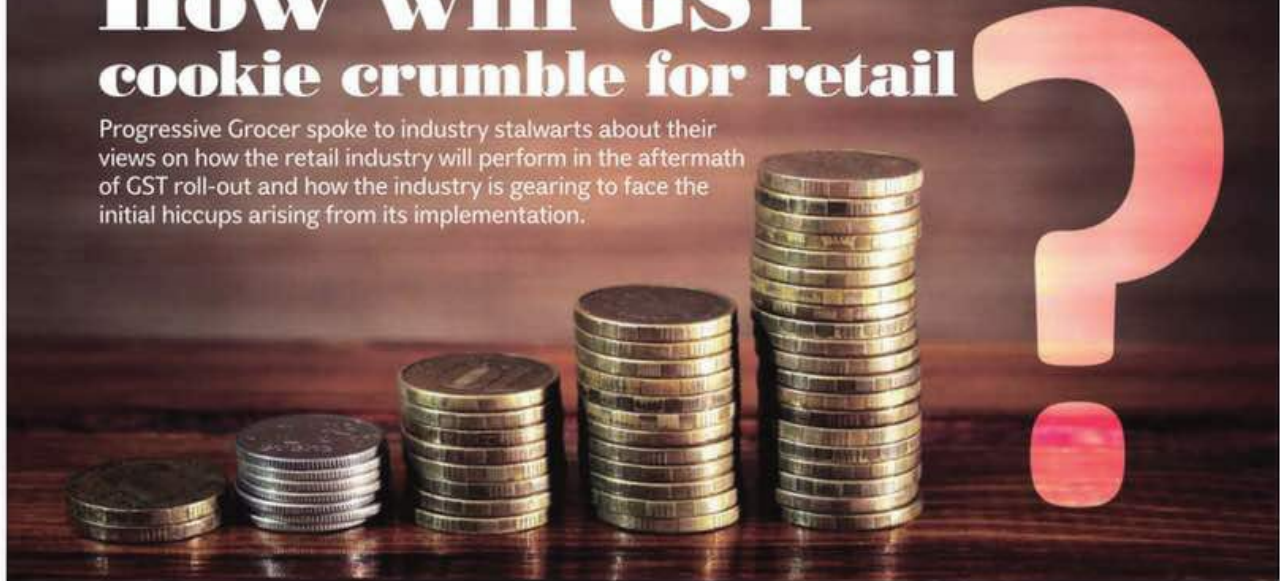
— DEVYANI JAIPURIA, MD, J MART



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How will GST cookie crumble for retail

Progressive Grocer spoke to industry stalwarts about their views on how the retail industry will perform in the aftermath of GST roll-out and how the industry is gearing to face the initial hiccups arising from its implementation.



What are retailers and producers doing to evaluate their Goods and Services Tax (GST) compliance levels and prepare for transition to the GST regime?

Sanjana Desai, Head Business Development, Desai Brothers Ltd - Food Division: A lot of analysis is being done with taxation experts/consultants in coordination with the CFO and sales team to evaluate the impact on every product category. We are also analysing the impact at every level of stock change in order to ensure smooth working with minimum loss of sales and profits from July 1st. Retailers and distributors are reducing their risk of business exposure by reducing their inventory, thereby reducing the overall billing. Also, price corrections are anticipated with an increase in taxes by 10 per cent (from 8 per cent to 18 per cent) for various categories. We will align our overall production with the changes and anticipated sales demand.

Abhinav Biswas, Sales & Marketing Head, Goldfogg India: The changes in software, registration with GST authorities and understanding and training self as well as staff to comply with the new regulations are all a big challenge. Also, a lot needs to be done especially with regard to clarity about the law and its implementation. Almost 60 per cent of MSMEs

have not been able to register themselves with GST due to glitches in the GSTN network.

Manoj Gupta, Executive Director, AFP Manufacturing Co. Pvt. Ltd: Under the GST regime, tax is to be paid by the taxable person on the supply of goods/ services. Most retailers are not prepared for it and are in a wait and watch mode. It is something eerily similar to what happened during the implementation of the VAT system.

As far as the producers are concerned, they are bracing up but there remains many vexing questions to be answered on various aspects of GST.

Under the new GST regime, how do you foresee the impact on growth and profitability?

Sanjana Desai: We anticipate the business to take a hit for the initial few months because of reduction in inventory. Volumes may be impacted for categories where taxes have been increased. Currently, the taxes levied are in the range of 6-8 per cent VAT plus 2 per cent excise. With the roll-out of GST, taxes applicable in most cases will be higher. An increase in taxes will directly impact business growth and profitability, especially for price-sensitive food categories. For example, pickles and fruit juices are product categories that see mass consumption and they will come under the 12 per cent tax bracket.

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One of the key concerns for us is the losses that the company will incur on pending stocks with distributors and warehouses as on July 1st.

— **Sanjana Desai**
Head Business Development, Desai Brothers Ltd

Abhinav Biswas: For the first few months it may be chaotic. However, subsequently it would start improving and positive growth should take place. Profitability depends on the manufacturer's price structure. Normally, there should not be any increase, barring exceptions. However in the long run, prices would stabilize and may even reduce because of competition and input costs.

Manoj Gupta: The introduction of GST will be a significant step toward indirect tax reforms in India. It will merge a large number of Central and State taxes (currently estimated at 25-30 per cent) into a single (reduced) tax under HSN Code & SA Code. It will help offset prior-stage taxes, will mitigate the ill effect of cascading taxes, and pave the way for a Common National Market. There will be revenue gain for Central and State governments. But economic growth will initially go down as businesses will take time to adjust to the new order. However, growth is sure to pick up after an initial lag. So initially, the profitability of entrepreneurs will likely go down in some cases.

What are your key concerns regarding the roll-out and the possible fall-out of GST?

Sanjana Desai: One of the key concerns for us is the losses that the company will incur on pending



stocks with distributors and warehouses as on July 1st, on account of the increase in taxes on various product categories. At the back-end, the proposed unified tax system will reduce transportation cycle times, enhance supply chain decisions and result in a consolidation of warehouses.

Abhinav Biswas: Post GST implementation, wholesalers and retailers will not be able to evade tax as the complete value chain will be tracked online. This may also result in a change in the way of executing the businesses and margins might grow thinner for both wholesalers and retailers. Also, there could be a situation where there is a steep rise in the demand for goods as a result of re-stocking by wholesalers and retailers.

Manoj Gupta: GST has a Harmonized System of Nomenclature Code (HSN Code) for classification of Goods and Service Accounting Code (SAC) and for classification of Services. At present, approximately 80 per cent of business in our country is transacted in cash. GST will help to replace cash trade and promote digital transactions thus bringing more of the unorganised trade into the formal economy. The roll-out of GST might have bigger implications and repercussions for the un-organized trade segment and they will need to get their act together fast. In the short term, the resultant disruption in business is likely to cause inflation and consumers might come to feel the tax load. Small manufacturers in the un-organized trade will find it difficult to cope with the changes. Some might even have to shutter their manufacturing operations and shift to trading.

Will there be any impact on the premiumization trend? Do you anticipate such a fallout and what will be your strategy to counter it?

Abhinav Biswas: As GST is a simple, efficient and successful form of indirect taxation, its introduction will contribute significantly to more robust economic growth, which will boost consumer sentiment and market confidence. The uptick in consumer and business sentiment will boost the premiumization trend.

Manoj Gupta: Premium goods and services have market support backed with the power of higher buying capacity of consumers. There will be no impact on production, sale and purchase of premium goods and services. **PG**



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