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Begur Bulletin

FMCG

Whitepaper 2025

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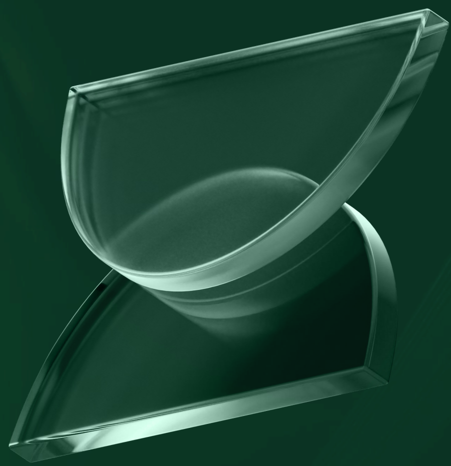

Managing Partner's Foreword

Welcome to this edition of the **Begur Bulletin**, where we strive to bring you insightful, relevant, and timely analyses on the legal and business developments shaping our industries today. At **Begur & Partners**, we take pride in our multifaceted expertise, which spans across multiple ***"Focus Areas"*** and a diverse range of ***"Sectors"***, reflecting the depth of our practice established over three decades. In an ever-evolving global landscape, it is imperative to stay informed about the legal nuances and trends that impact businesses, individuals, and institutions alike. Through the **Begur Bulletin**, we aim to share not only our knowledge but also our perspective on these critical developments, empowering our readers to navigate challenges and seize opportunities with clarity and confidence.

Each **Begur Bulletin** is carefully curated to address pressing topics, offering deep analysis and insight that is not only legally sound but also practical and actionable. From corporate mergers to emerging technologies, our insights reflect our commitment to the pursuit of legal excellence and thought leadership in the legal domain. I invite you to explore this edition and reflect on the ideas shared within. As always, we welcome your feedback and look forward to continuing this dialogue with you, our esteemed readers, and hope to contribute to the ever-dynamic legal and business landscape.

Thank you for your continued trust and engagement.
Warm Regards,

Rajesh Begur
Managing Partner, Begur & Partners

White Paper

on

FMCG SECTOR

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BIRD'S EYE VIEW

The Fast-Moving Consumer Goods ("**FMCG**") sector in India saw significant growth, driven by increased consumer demand and higher prices, particularly for essential goods. Key growth drivers for the sector include supportive government initiatives and policies, an expanding rural market and youth population, the introduction of new branded products, and the rise of e-commerce platforms. Credit Rating Information Services of India Limited (CRISIL) forecasts a 7-9% revenue growth for the FMCG sector in FY25, driven by increased volumes and a recovery in rural demand. The FMCG sector is India's fourth largest economic sector valued at US$154.77 billion.

Driven by rising disposable incomes, a growing young population, and increasing brand awareness, the sector has been experiencing steady expansion and with a projected Compound Annual Growth Rate (CAGR) of 8.3%, the FMCG market is expected to reach US$317.27 billion by 2034.The total revenue of India's FMCG market is expected to grow at a CAGR of 27.9% through 2021-27, reaching nearly US$ 615.87 billion.

Sources: Market Research Future, IBEF

GOVERNMENT INITIATIVES

India has launched various key programs/policies to promote FMCG:

GOI INITIATIVES

PLI SCHEME FOR FOOD PROCESSING INDUSTRY

Under the production-linked incentive scheme, beneficiaries are reimbursed 50% of overseas branding and marketing costs, capped at 3% of annual food sales or Rs 50 crore, whichever is lower.

SETU SCHEME

- Launched under NITI Ayog in 2015,
- Self-Employment and Talent Utilization (SETU) Scheme provides financial and technical support to new startups, and small businesses

PRADHAN MANTRI FORMALISATION OF MICRO FOOD PROCESSING ENTERPRISES (PMFME) SCHEME

Provides financial, technical, and marketing support to SMEs, facilitating capacity expansion, innovation, and formalisation

PRADHAN MANTRI KISAN SAMPADA YOJANA (PMKSY)

Through financial assistance and other benefits, PMKSY provides significant support and incentives to food processing SMEs and promotes technology adoption in the food processing sector.

RECENT TRENDS IN INDIA

CLASSIFICATION OF FMCG SECTOR

The FMCG sector includes a wide range of products characterized by high consumer demand and short shelf lives. These products are purchased frequently, consumed quickly, and typically have low profit margins but high sales volume.

The four main segments of the FMCG Sector are as under:

FMCG SECTOR

Food & Beverages

Includes agricultural products, packaged foods, non-alcoholic soft drinks, dairy products and meat products, etc.

Personal Care and Hygiene

Includes products related to personal hygiene, skincare, and toiletries such as oral care, hair care, skin care, personal wash (soaps), etc.

Household Products

Includes fabric wash, dish/utensil cleaners, floor cleaners, toilet cleaners, air fresheners, etc.

Health & Wellness Products

Includes health drinks, vitamins and supplements, etc.

REGULATORY FRAMEWORK

a) **FEMA:** The Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (NDI Rules), and the Consolidated Foreign Direct Investment Policy, 2020 (“**FDI Policy**”) govern foreign investments in India’s FMCG sector by prescribing the sectoral limits, approval routes, and specific guidelines pertaining to the investment to promote fair competition, safeguard consumer interests, and foster the growth of the FMCG industry. Key aspects of the FMCG sector in the FDI Policy are as under:

FOREIGN DIRECT INVESTMENT

SINGLE BRAND RETAIL TRADING (“SBRT”)

MULTI BRAND RETAIL TRADING (“MBRT”)

Eg: Marks & Spencer's, Ikea, Uniqlo, Nike, Apple, Starbucks, Sony, Nokia, LG, Adidas, etc.	**Eg:** Hindustan Unilever (Dove, Boost, Brook bond, etc.), Meta (Facebook, Instagram, WhatsApp, etc.)
• 100% FDI allowed under automatic route. • Conditions for FDI in SBRT: (i) Products must be of a 'single brand' and should be sold under the same brand internationally. (ii) If FDI exceeds 51%, 30% of goods must be sourced from India, preferably from Indian MSMEs.	• FDI allowed up to 51% through government approval. • Conditions for FDI in MBRT: (iii) Minimum investment of US $100 million, 50% of which must go into back-end infrastructure within three years. (iv) Atleast 30% of goods must be sourced from Indian MSMEs.

b) **Bureau of Indian Standards ("BIS"):** Established under the Bureau of Indian Standards Act, 2016, the BIS is the national standard body responsible for developing and promoting standards for goods, including quality certification and marking. BIS certification is typically voluntary but mandatory for certain products specified by the Central Government to ensure public safety, health, and national security. These goods must meet Indian standards, and manufacturers must obtain a license or certificate of conformity from BIS to bear the Standard Mark.

c) **Food Safety and Standards Authority of India ("FSSAI")**: The FSSAI, established under the Food Safety and Standards Act, 2006, is the regulatory authority responsible for setting food safety standards in India. It formulates regulations for food production, processing, distribution, and sale, ensuring that food products are safe and free from contaminants. FSSAI also oversees the licensing and registration of food businesses, sets labeling and packaging standards, and works to align Indian food standards with international norms to ensure public health and promote global trade.

d) **AGMARK (Agricultural Marketing)**: AGMARK, established under the Agricultural Produce (Grading and Marking) Act, 1937, certifies the quality of agricultural products in India. Regulated by the Directorate of Marketing and Inspection ("**DMI**"), it ensures products like grains, pulses, and spices meet safety and quality standards. AGMARK certifies compliance with purity, safety, and quality, including special labels for organic products, with the DMI overseeing inspections to maintain national and international standards.

LEGAL FRAMEWORK

The legal framework governing the FMCG sector in India is robust, designed to protect consumer interests and ensure that companies comply with ethical standards and regulations. These include:

Sr. No.	Act/ Regulations/ Rules	Overview
1.	**Food Safety and Standards Act, 2006**	The Food Safety and Standards Act, 2006 consolidates various food-related laws and establishes the FSSAI. It mandates licensing and registration for all food business operators and FMCG entities, sets food safety standards for quality, hygiene, and additives, and enforces labelling requirements, ensuring products display ingredients, nutritional information, allergens, and expiry dates.
2.	**Food Safety and Standards (Licensing and Registration of Food Businesses) Regulation, 2011**	FSSAI has notified the Food Safety and Standards (Licensing and Registration of Food Businesses) Regulation, 2011 ("**FSS Licensing Regulation**") with detailed provisions regarding the application, renewal, and suspension of licenses. There are two types of licenses under the FSS Licensing Regulation – A Central License and a State License. Businesses may get either a Central or State License as per the criteria laid down under the FSS Licensing Regulation.
3.	**Food Safety and Standards (Food Products Standards and Food Additives) Regulations, 2011**	These regulations set standards for food products and categorize them into three types: Standardized Foods, Proprietary Foods (made from standardized ingredients), and Others (novel foods needing FSSAI approval). These regulations specify the permissible limits, safety requirements, and labelling norms to ensure food quality and consumer safety. Foods that don't meet the standards or contain unauthorized additives are considered "sub-standard" or "unsafe."
4.	**Food Safety and Standards (Import) Regulations, 2017**	These regulations govern the import of food products into India, ensuring compliance with FSSAI standards and outline procedures for clearance, inspection, sampling, and labelling to ensure imported food is safe and meets Indian food safety requirements. The regulations also outline storage requirements to prevent cross-contamination and ensure the integrity of the food.
5.	**Food Safety and Standards (Advertising and Claims) Regulations, 2018**	These regulations set standards for advertising and claims made about food products, ensuring that all claims are truthful, clear, meaningful, and not misleading, helping consumers understand the information. Claims related to nutritional, or health benefits must be scientifically substantiated. Additionally, specific criteria must be met for using terms like "natural," "fresh," "pure," "traditional," and "original" in advertisements or claims.
6.	**Food Safety and Standards (Labelling and Display) Regulations, 2020**	These regulations mandate labelling and display requirements for pre-packaged and non-packaged food products and ensure transparency by specifying guidelines for nutrition information, allergen declaration, vegetarian/non-vegetarian logos, and font size, helping consumers make informed choices.
7.	**Consumer Protection Act, 2019**	The Consumer Protection Act, 2019 establishes a framework for addressing consumer grievances with the Central Consumer Protection Authority (CCPA) acting as the regulatory body to safeguard consumer rights, with the authority to conduct investigations, impose penalties, and recall unsafe products.
8.	**Legal Metrology Act, 2009**	The Legal Metrology Act, 2009 read with the Legal Metrology (Packaged Commodities) Rules, 2011 ensures the accuracy and standardization of

		weights and measures, directly affecting the packaging, labelling, and marketing of consumer goods.
9.	**Competition Act, 2002**	The Competition Act, 2002 governs FMCG entities in three areas: anti-competitive agreements, abuse of dominance, and mergers/acquisitions. Section 3 bans agreements that restrict prices, production, or markets, including horizontal (competitor) and vertical (supply chain) agreements. Section 4 prohibits abuse of a dominant market position, such as unfair pricing or denying market access. Section 5 regulates mergers and acquisitions, requiring reporting of deals exceeding certain thresholds for scrutiny by the Competition Commission of India (CCI).
10.	**Environmental Protection Act, 1986**	The Environment Protection Act, 1986, regulates activities impacting the environment, including those in the consumer goods sector. It requires companies to obtain environmental clearances for manufacturing units and mandates proper waste management, including hazardous and electronic waste, with guidelines for disposal, recycling, and reuse. It also enforces pollution control standards for air, water, and soil, compelling companies to manage emissions and effluents from their operations.
11.	**Plastics Waste Management Rules, 2016**	The Plastic Waste Management Rules, 2016, aim to reduce the environmental impact of plastic waste. They include Extended Producer Responsibility (EPR), making producers, importers, and brand owners accountable for managing plastic waste. Companies must follow guidelines for the collection, segregation, and disposal of plastic waste, while a ban on certain single-use plastics encourages sustainable waste management.
12.	**Intellectual Property Laws**	In the FMCG sector, intellectual property compliance primarily falls under Trademark Law. Trademark registration grants exclusive rights to owners for words, logos, numerals, slogans, and devices, governed by the Trademarks Act, 1999 in India.

TAXATION FRAMEWORK

a) ***Corporate Tax:*** Companies in India are taxed against profits earned by them during a given taxable period. The company's operating earnings, after depreciation have been deducted from revenues, come within the tax net. The following table captures the corporate tax rates applicable on companies in India for the Assessment Year 2026-27:

Sr. No.	Category	Rate of Corporate tax (excluding surcharge and cess)
1.	**Resident Companies (Turnover ≤ INR 4 billion in financial year)**	25% + applicable surcharge and education cess
2.	**Resident Companies (Turnover > INR 4 billion in financial year)**	30% + applicable surcharge and education cess
3.	**Non-resident companies**	35% + applicable surcharge and education cess

Resident FMCG Companies in India may also qualify for reduced tax rates under specific conditions as enumerated:

Sr. No.	Condition	Rate of Corporate Tax	Explanation
1.	**Total Turnover or Gross Receipts of the Company during the previous year does not exceed ₹400 crores**	25%	This rate applies to domestic companies with turnover or gross receipts under ₹400 crores in the previous financial year.
2.	**If opted for Section 115BA**	25%	Domestic Manufacturing companies opting for Section 115BA can benefit from a 25% tax rate if they meet certain conditions, including not claiming any deductions other than those specified under this section.
3.	**If opted for Section 115BAA**	22%	Section 115BAA offers a reduced tax rate of 22% for companies that forgo various exemptions and deductions. This section simplifies the tax process for companies willing to accept limited tax benefits.
4.	**If opted for Section 115BAB**	15%	Section 115BAB provides a tax rate of 15% for new manufacturing domestic companies that are set-up before and registered after the 1st day of October, 2019, and start production on or before the 31st day of March, 2024 and adhere to specific conditions mentioned under the provision.

b) ***Goods and Service Tax ("GST"):*** GST is applicable on the supply of goods or services, or both made for consideration in the course or furtherance of business, within the taxable territory, by a taxable person, except for exempted supplies under the Goods and Services Tax Act, 2017. In relation to the FMCG Sector, GST on FMCG products is levied based on the nature of the product, with rates ranging from 0% to 28%. Essential items like milk, cereals, bread, and certain fruits and vegetables are taxed at 0%, reflecting their necessity and low impact on consumers. Products such as packaged foods, soft drinks, dairy products, and personal care items are generally taxed at 5%, 12%, or 18%, depending on their classification. Luxury FMCG goods like chocolates, snacks, and high-end personal care products attract the highest tax rate of 28%. The following table is an illustrative list of FMCG products and their respective GST rates.

GST Rate	Names of FMCG Products
0%	Fresh Milk, Butter Milk, Curd, Cereals, Natural Honey, Flour, Besan, Puffed Rice, Papad, Bread, Salt, Prasad, Contraceptives, Fresh Fruits and Vegetables, Guar Meal, Sanitary Pads, Khandsari Sugar
5%	Millet Flour (Pre-Packaged), Pre-Packed Curd, Pre-Packed Lassi, Pre-Packed Buttermilk, Frozen Vegetables, Processed Spices, Rusk, Sabudana, Soyabean, Groundnut, Sunflower Seeds, Vegetable Fats & Oils, Cane Sugar, Bakery Mixes, Pizza Bread, Ice Cream, Cashew Nuts, Mango Sliced Dry, Khakra, Plain Chapati/Roti, Organic Fertilizers, Ayurvedic Medicines (Unbranded), Agarbattis
12%	Namkeen/Bhujiya, Butter, Cheese, Ghee, Fruits and Vegetable Juices, Tooth Powder, Toothpaste, Soap, Hair Oil, Shampoos, Perfumes, Toilet Articles, Biscuits, Jams, Jellies, Ice Cream, Instant Food Mixes
18%	Cornflakes, Pastries, Cakes, Jams, Sauces, Tea Concentrates, Sharbet, Mineral Water, Lpg for Domestic Consumption, Petroleum Jelly, Essential Oils, Dentrifices, Shampoos, Toothpaste, Household Cleaning Products
28%	Aerated Water, Instant Coffee, Instant Noodles, Protein Concentrates, Chocolates, Coffee, Sugar Syrups, Chocolates (Not Containing Cocoa), Tyres, Stoves, Aluminium Foil, Razors, Manicure/Pedicure Sets

HOW WE CAN ASSIST

BEGUR & PARTNERS has extensive knowledge of the legal framework that regulates the FMCG industry in India, and we are highly skilled in providing legal assistance to businesses operating in this dynamic and competitive market. Our expertise spans a broad array of regulations, such as those concerning product and food safety, advertising and marketing practices, consumer protection, intellectual property, packaging and labelling compliance, competition and trade. We offer comprehensive guidance on various facets and stages of the industry, including manufacturing, distribution and licensing, quality control, supply chain and logistics, product liability, legal metrology, consumer claims, franchising brand protection, enforcement issues, advertising, including comparative claims and registration and disputes related to trademarks, patents, and geographical indications. We cater for domestic and international clients on various FMCG and food and beverage related matters. Our primary objective is to assist clients in achieving their business goals while effectively managing any associated legal risks.

OUR CAPABILITIES

Regulatory Support & Compliance with guidelines issued by FSSAI support	Product Liability and Recall Management Advisory
Contract Drafting and Negotiation relating to Distribution, Supply Chain Agreements, Franchising etc.	Packaging & Labelling & Regulatory Compliances
Compliance with Consumer Protection Laws	Cross-Border Trade Advisory and Import/Export Compliance
Advertising and Marketing Laws	Compliance with Environmental Regulations and Sustainability Practices

Disclaimer: *The contents of this document are intended for informational purposes only and are not in the nature of a legal opinion or advice. It provides general information and guidance as on date of preparation and does not express views or expert opinions of Begur & Partners. They may not encompass all possible regulations and circumstances applicable to the subject matter and readers are encouraged to seek legal counsel prior to acting upon any of the information provided herein. Begur & Partners will not be liable for any damages of any kind arising from the use of this document, including but not limited to direct, indirect, incidental, punitive and consequential damages. It is recommended that professional advice be sought based on the specific facts and circumstances. This White Paper does not substitute the need to refer to the original pronouncements.*

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Latest Awards and Recognitions

RSGI Resight (RSG India)

IBLJ A List
A List (2023-2024)

ALB India Law Awards 2025
Notable Firm (2024)

Legal 500
Private Equity (including Venture Capital) - Tier 5 (2025)

IFLR1000 (34th Edition) 2024

1. Rajesh Begur B Ranking: Leading Lawyer – Highly Regarded
2. Firm Ranking: Recommended Firm
3. Southern Asia, Australasia and Central Asia Ranking: Highly Regarded

Corporate INTL Global Awards
Cross Border Private Equity Transactions Law Firm of the Year in India - 2025

Forbes India – Legal Powerlist 2023
Top Law Firm (above 10 years' experience)

Asia Law 2022
Notable Firm – Private Equity, Investment Funds, Banking and Finance, Corporate and M&A

Global Law Expert 2021
Cross Border Private Equity Transactions Law Firm of the year

RSG Consulting 2019
Top 40 Indian Law Firm

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