TeamLease RegTech®
Helping India Comply

Simplifying Compliance Management for the

FAST-MOVING CONSUMER GOODS SECTOR(FMCG)

Contents

02 EXECUTIVE SUMMARY

04 OVERVIEW OF THE FMCG SECTOR

05 CLASSIFICATION FOR THE FMCG SECTOR

08 REGULATORY FRAMEWORK FOR THE FMCG SECTOR

1. Licenses and Permissions

2. Level of Compliances

3. Categories of Compliances

4. Types of Compliances

37 RECOMMENDATIONS FOR ENABLING EASE OF COMPLIANCE

Executive Summary

The fast-moving consumer goods (FMCG) sector encompasses a wide range of consumer products. It is the fourth largest economic sector and boasts a 3 million strong workforce. The sector's growth can be attributed to consumer-driven factors such as a rise in rural consumption, an increase in disposal income, and higher standards of living.

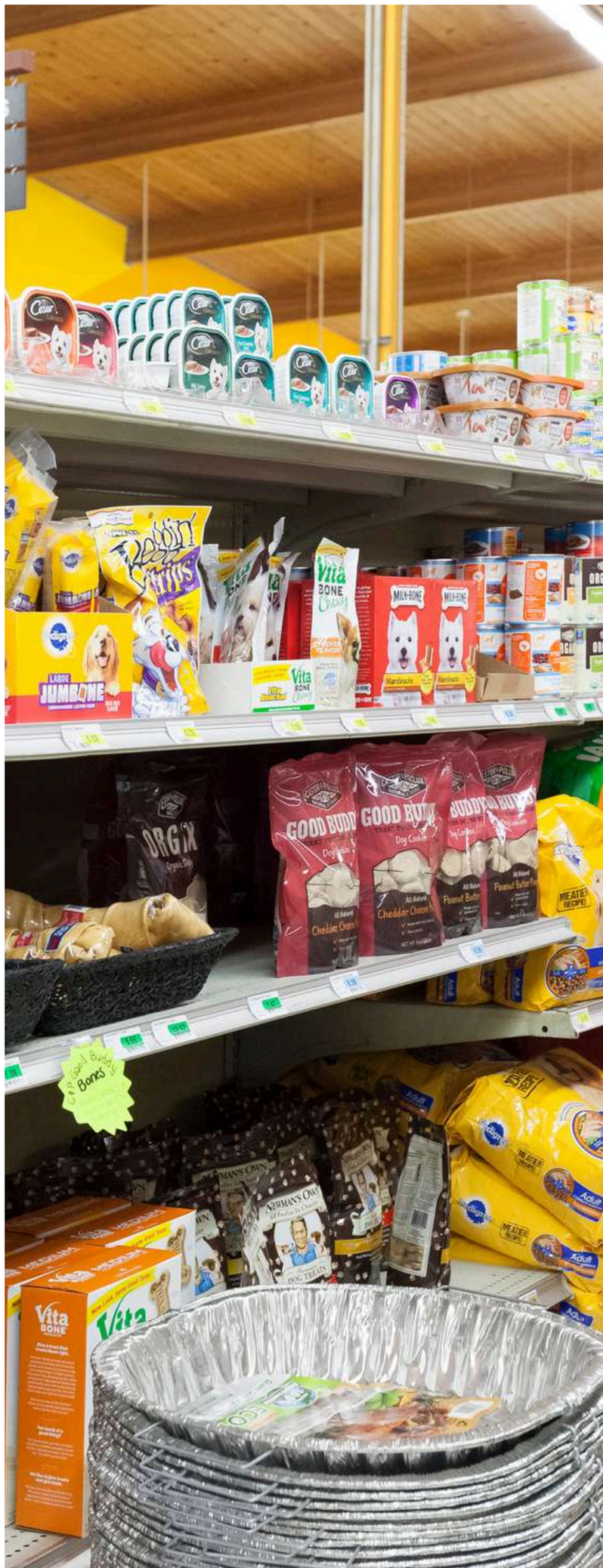
In FY22, the Government of India (GoI) implemented a Production Linked Incentive (PLI) Scheme valued at $1.4 billion, specifically targeting the Food Processing Industry (FPI). This initiative was devised to stimulate domestic manufacturing. This aligns with the 'Make in India' initiative aimed at facilitating export growth and India's transition into a prominent global manufacturing hub.

However, the effectiveness of the PLI for FPIs and PLIs in general, is contingent upon the extent to which the business regulatory framework in the country is supportive or inhibitory. Evaluating compliance ecosystems across various economic sectors and industries is imperative to assess the ease of conducting business. While increasing awareness, accessibility, and lifestyle transformation have been the key growth drivers, ignorance of regulatory obligations, intricacies of compliance processes, and the sheer volume of updates have complicated the FMCG regulatory framework.

An enterprise involved in producing agricultural and dairy products must obtain 23 licenses, permissions, and approvals before it can start operations. These include registration as a food business operator (FBO), factory license, fire compliance certificate, approval for sewage discharge, municipal corporation license, PPL, IPRS, and ISRA, and a license to purchase produce directly from farmers. In addition, separate licenses have to be obtained for every unit wherein it manufactures, stores, sells, or exhibits food items for sale. All the raw materials, ingredients, and water used in the process need to be approved and certified annually by an FSSAI-approved laboratory. Such an Enterprise is required to abide by 831 regulatory requirements, of which 576 are enforced at the Union level, 250 are State-enforced and 5 are at the municipal level. In addition, 138 of these need to be complied with annually, while 156 have to be kept up with monthly. Furthermore, if such an enterprise operates warehouses for storage and distribution, it must adhere to 421 compliance obligations per warehouse. As a result, the business can end up with over 3,000 compliance obligations for a single production unit in a year.

The regulations extensively cover all aspects of the production process, including preparation of raw materials/ ingredients, processing, packaging, labelling, storage, and distribution spread across production and storage units. The enterprise must also ensure that the packaging and labelling of its food products conform to the regulatory requirements. This includes specifying the ingredients, their measurements, and dosage in the case of nutraceuticals, special dietary foods, and health supplements. It must also bear hygiene ratings, abstain from misleading advertisements, keep it free of adulteration and contamination, and take appropriate measures for producing and packaging vegan food items. Additionally, all employees must be trained per the Food Safety Training and Certification (FoSTaC).

This report delves into the existing regulatory framework for FMCGs and the challenges businesses face in the modern regulatory ecosystem. It recognises that the sector is further divided into several segments and, as such, focuses on agricultural and dairy products. It also briefly examines the numerous types of compliances that an enterprise must do and the complexities contained within. At its conclusion, the report suggests action items that need to be considered at the management level.



Overview of FMCG Sector

India is the fifth largest economy in the world in terms of Gross Domestic Product (GDP). It also stands as the second runner-up in terms of purchasing power parity (PPP). Becoming a $5 trillion GDP will translate into $16 trillion in terms of PPP. The explosive growth in middle and high-income households will boost consumer spending to $6 trillion by the end of the decade. This growth is not limited to tier 1 cities, as tier 2 and 3 cities have already overtaken metropolitan areas in retail consumption. The FMCG sector accounts for 50% of the total rural spending. It is set to experience increased demand as the average household in rural and semi-urban areas gets access to higher disposable income.

India's 7% GDP growth rate (FY23) is highest among the world's major economies. This sustained growth has resulted in the expansion of all economic sectors, more so those dependent on mass consumption. As such, it is no surprise that FMCG is the fourth largest sector, with a workforce of 3 million people. Consumer-driven growth based on a rise in rural consumption, an increase in disposal income, and higher standards of living has fueled growth in the sector.

Just the $963 billion processed food market is expected to reach $1.2 trillion in the next five years, growing at a CAGR of 7% through 2023-2027. In FY22, the Government of India (GoI) introduced a $1.4 billion Production Linked Incentive (PLI) Scheme for the Food Processing Industry (FPI) to promote domestic manufacturing as part of the 'Make in India' initiative. This is part of a series of PLIs to promote exports and ensure India's transformation into the 'Factory to the World'.

However, the success of the PLI for FPIs and PLIs in general will depend on whether the business regulatory framework in the country is conducive or deterring. Compliance management has become the centre of boardroom discussions with businesses evaluating existing compliance processes within their organisations. While increasing awareness, improved accessibility, and transformation of lifestyles have been the key growth drivers, ignorance of regulatory obligations, intricacies of compliance processes, and the sheer volume of updates have contributed to the complexity of the regulatory framework for the FMCG sector.

Similar to how resilience is a key component of the manufacturing process, day-to-day operations, logistical channels, consumer relations and insights, it is also a critical element for the compliance processes of a business. Only a robust compliance culture can enable FMCG businesses to ensure long-term value creation for their shareholders and quality service to their consumers. However, it is critical to ensure the safety and health of the consumers. Established businesses and new entrants both need to understand their responsibilities and be aware of the regulatory framework around the processed food segment. Without a sufficient understanding of the present guard rails, companies can open themselves up to legal and subsequent financial troubles.

Classification of the FMCG Sector

The FMCG sector covers many categories with a high consumer demand and a short shelf life. These products are purchased frequently, consumed promptly, and have low-profit margins and high-volume sales. The sector can be categorised into 14 segments, which can again be classified into more sub-segments.

1. Food and Beverages

Food and beverages are the most popular FMCG category and cover all types of packaged and processed food items. The category can be further divided into -

- **Agricultural products:** Agricultural products are food items produced through agricultural practices. It includes food grains, flour, edible oil, fruits, and vegetables.
- **Packaged food items:** These are processed food items that are packaged for longer shelf life. Examples include biscuits, potato chips, snacks, frozen food, pasta, and soups.
- **Soft drinks:** These are non-alcoholic beverages prepared using carbonated water.
- **Juices:** These are beverages created using extracts from fruits and vegetables. The juice can either be of a single fruit/ vegetable or a mixture of several fruits/ vegetables.
- **Dairy:** These products include milk and milk products sold for daily usage and consumption.
- **Meat:** These are protein-rich food products harvested from livestock. The meat of the animals is processed and packaged to extend its shelf life.

2. Personal Care and Hygiene

The personal care and hygiene category consists of a wide range of products related to personal hygiene, skincare, and toiletries.

- **Toiletries:** Essential personal care products, including body soaps and shampoos, conditioners, body lotion, and shaving kits, among others.
- **Skincare:** These are skincare products used to nourish skin and address skin-related issues. These include creams for acne, hyperpigmentation, anti-ageing, and various skin conditions.
- **Haircare:** Beyond everyday shampoos and conditioners, haircare products include serums, oils, sprays, masks, and gels.
- **Dental care:** These products include items suitable for maintaining oral hygiene and include floss, mouthwash, toothpaste, toothbrush, and teeth whitening, among others.

3. Household Products

The household product category includes items used for maintaining the cleanliness and hygiene of the living environment.

- **Detergent:** These are cleaning products used in the laundry process to wash fabrics and clothing items.
- **House cleaning products:** These are specialised products used for cleaning washrooms, tough stains, grease, grime, and other contaminants from surfaces inside the house.
- **Air fresheners:** Aerosol products are used to improve indoor spaces' scent and smell.
- **Disinfectants:** Specific cleaning products designed to kill harmful bacteria, viruses, and other micro-organisms inside the house. These are used to reduce the risk of infection or transmission of diseases.

4. Health & Wellness Products

There is an ongoing rise in consumer health awareness. From taking note of the ingredients used in food products and packaged food items to moving towards healthy food items, more and more people are looking for health supplements.

- **Vitamins & supplements:** These are food products rich in specific vitamins, minerals or complex compounds that are necessary for the body to function.
- Health drinks are food items taken in liquid form to supplement lifestyle habits. These drinks include protein shakes, herbal teas, and probiotic drinks.

5. Childcare

The childcare market is an extensive space that caters to every need of your child from newborn to school age.

- **Diapers and wipes:** These are specialised products that provide convenience and ease in maintaining the cleanliness and hygiene of the baby.
- **Baby food:** These are nutritional items and supplements designed to help the baby transition from mother's milk to solid foods.
- **Baby skincare:** These are also specialised skincare products formulated to be suitable for babies' sensitive skin. These include soaps, oils, lotions, powders, and shampoos.

6. Petcare

Petcare products are specialised daily-use items made for pets.

- **Pet food:** Specifically formulated foods that are designed keeping in mind the dietary needs of various pet animals.
- **Grooming products and accessories:** Similar to grooming products for humans, these are created for pets. Accessories include toys, leashes, clothes, and feeding utensils, among others.

7. Confectionery

Confectionery are food items rich in sugar and are shared and consumed on special occasions. These include baked sweet products, chocolates, candies, and several kinds of sweets.

8. Tobacco and Alcohol

While tobacco is a narcotic, alcohol is a psychotropic drug. Both these items have the ability to affect the chemical and hormonal levels of the body. These products include cigarettes, cigars, chewing tobacco, and alco-beverages.

9. Stationery

These products are commonly referred to as school/ office supplies. It includes pens, pencils, erasers, papers, notebooks, markers, and other items used for writing, drawing, and sketching.

10. Home Decor & Furnishing

This category includes items used for decorating and furnishing interior and living spaces. It consists of wall decor items such as paintings, posters, wallpaper, table decor, house plants and other similar items.

11. Sporting & Fitness Goods

This category consists of products and items that are used for sports, games, and recreational activities. Sports equipment and gym gear are all examples of sporting and fitness goods.

12. Cosmetics

These are products used for beauty and cosmetic needs. It includes makeup products, perfumes, polishes, and hair styling products.

13. Over-the- Counter Medication (OTC)

These are medicines and drugs used for medicinal requirements. OTCs are used to address various health concerns and needs based on the nature of disease and discomfort. There are strict regulatory requirements around their manufacturing, distribution, and sale.

Regulatory Framework for the FMCG Sector

The FMCG sector is highly diversified and has tens of products under every sub-category. As such, for a corporation involved in multiple segments or even sub-segments, there are specific regulatory requirements for each.

The regulatory requirements of any business can be classified into 7 broad categories:

- Labour
- Finance & Taxation
- Environment, Health & Safety
- Secretarial
- Commercial
- Industry-Specific
- General

While the requirements under most of these categories remain consistent and constant across industries and sectors, there are vast deviations regarding industry-specific requirements. Even if all the products and items under FMCG can be classified as consumer goods, they are regulated under different regulatory frameworks depending on their industry/ sector. For instance, OTC manufacturers have a completely different set of compliances as compared to alco-beverages and agricultural products.

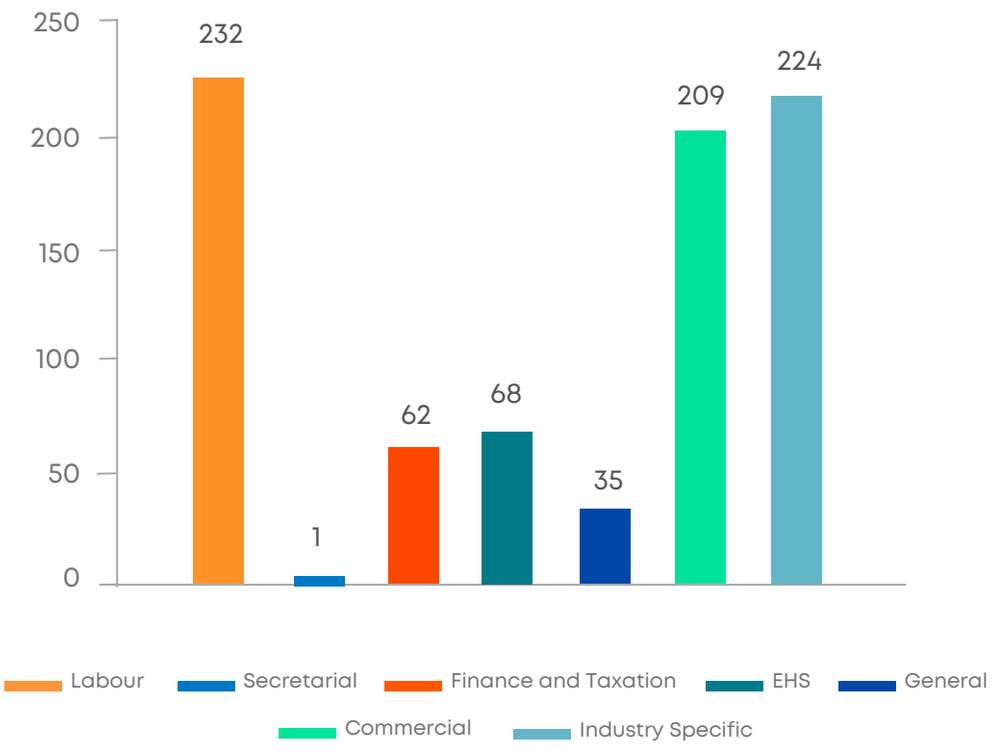
A pharmaceutical enterprise dealing in OTCs with a single manufacturing unit in a single state needs to obtain about 70 one-time registrations and approvals before beginning operations, in addition to the 998 unique compliance obligations spread across the three levels of government (Pharmaceutical Report).

In the case of an alco-beverage company with a distillery unit, the entrepreneur must obtain 99+ licenses and permissions and comply with 986 unique compliances. Furthermore, these obligations range from monthly, quarterly, half-yearly, to annual. As such, the 986 unique compliances for an alco-beverage company become 3,300+ compliance operations in a year (Alco-Beverage Report).

This quick comparison contextualises the complexity of compliance that can be experienced by an enterprise involved in the FMCG sector. For conglomerates that are involved in multiple segments and sub-segments, the compliance obligations run into tens of thousands for manufacturing and operating in just a single state. Factoring in a nationwide scale of operations, the compliances can run up to hundreds of thousands.

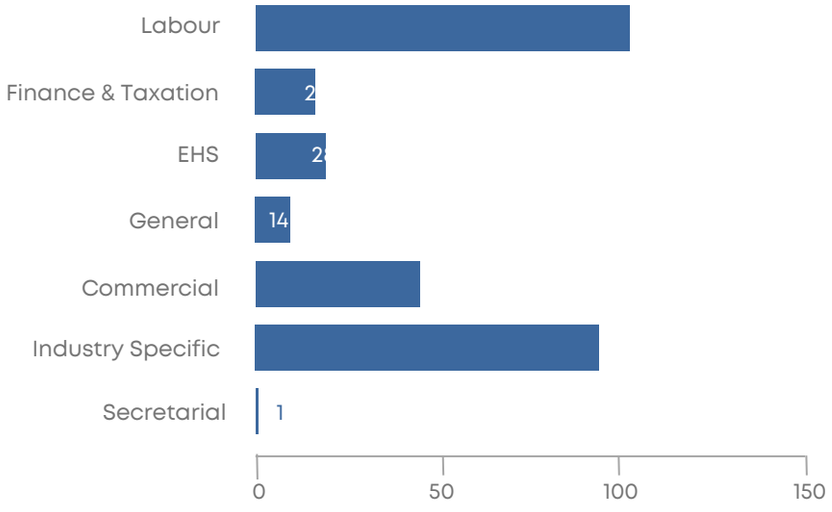
A typical single entity FMCG involved in agricultural and dairy products with a single manufacturing unit in a single state needs to deal with 831 compliance obligations. Labour accounts for 27.9% of these followed by industry-specific (26.9%), and commercial (25%).

Figure 1: Category-wise compliances for an agricultural product and dairy manufacturing business in a single state



Source: TeamLease RegTech

Figure 2: Category-wise compliances for a single warehouse facility in a single state



Source: TeamLease RegTech

This report takes a deep dive into the compliance obligations of a business involved in the food & beverages segment. The enterprise is presumed to be a single entity, operating a small-scale (single manufacturing unit in one state) agricultural products manufactory and a large-scale (multiple manufacturing units across one state) dairy product manufacturing business in the state of Maharashtra. It reviews the compliance obligations of the manufacturing facilities of the said enterprise.

LICENSES AND PERMISSIONS

Every enterprise initiating a new manufacturing facility for the production of agricultural and dairy products from scratch (i.e. construction of the entire facility) is required to initially obtain close to **23 licenses, permissions, and approvals** under 14 acts at various stages of business from Central, and State authorities. These stages can be classified as follows:

- *Setting Up Business*
- *Pre-Commissioning Stage*
- *Post-Commissioning Stage*
- *Ongoing Compliances*

Separate licenses must be obtained for every premise wherein the food articles are manufactured, stored, sold, or exhibited for sale. In addition, all the food items and water used must be approved by an FSSAI-approved laboratory on an annual basis for it to obtain Hygiene Ratings approval. Renewing licenses and approvals requires a continuing process that tracks and manages all required licenses, permissions, registrations and approvals.

These Licenses and Permissions can be further dissected based on:

Table 1: Distribution of Licenses, Permissions etc. on the basis of Acts

Level of Legislation	No. of Acts
Central	06
State	07
Municipal	01

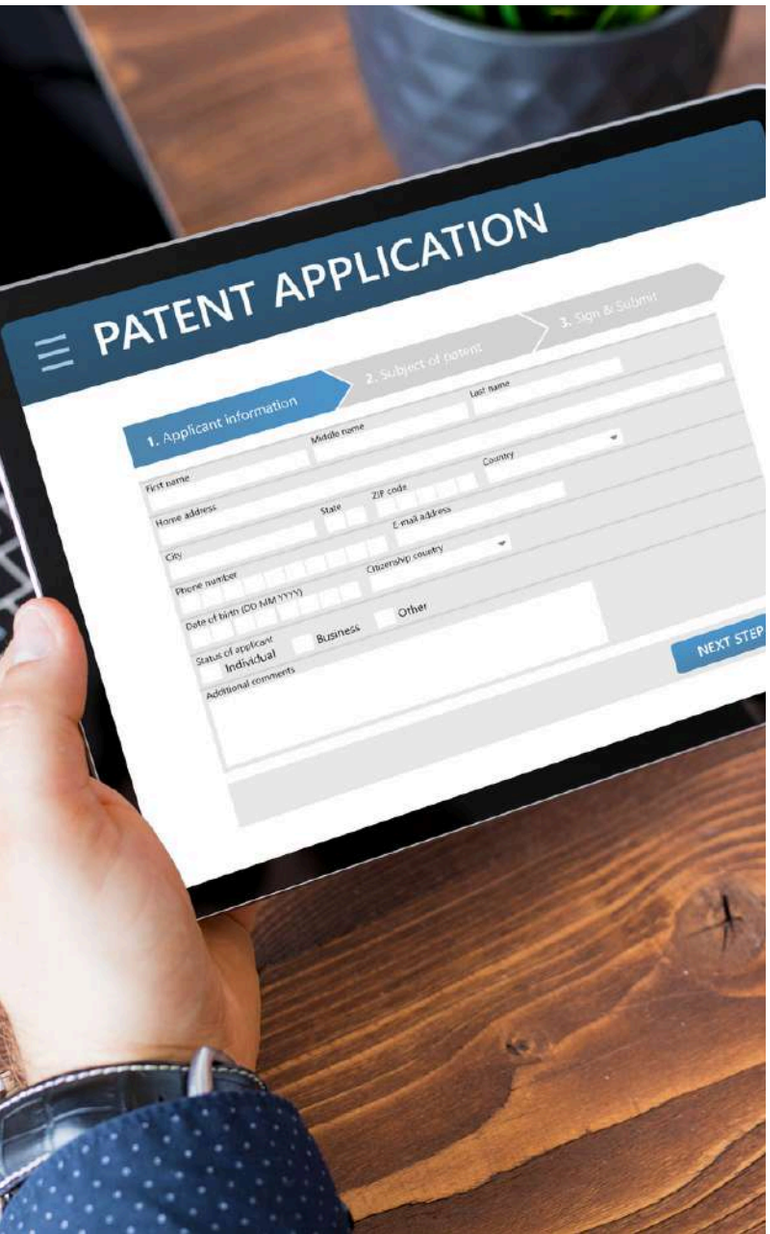
Table 2: Bifurcation of Licenses, Permissions etc. based on Renewal Requirements

Renewal Requirement	Number of Licenses/ Permissions
One-Time	10
Periodic Renewal	13

Table 3: An illustrative list of licenses, permissions etc., has been presented below

Act	Section	License, Registration etc.
Contract Labour (Regulation & Abolition) Act, 1970 & Maharashtra Contract Labour (Regulation & Abolition) Rules, 1971	Section 7, Rule 17, Rule 26	One time registration of establishment in Form I
Copyright Act, 1957 and Copyright Rules, 2013	Section 31A, Rule 11	Renewal of PPL License
	IPRS	Application for IPRS License in case of any event
	ISRA	Application for ISRA License in case of any event
Export (Quality Control and Inspection) Act, 1963 and Voluntary Certification Scheme on Food Commodities; Document No.EIC/ Vol. Food Certification Scheme/ 2007/Issue 3	Para 4.6, 4.7.1	Renewal of approval of processing units under Food Safety Management based Certification as per proforma in Annex XII to EIA
Factories Act, 1948 & Maharashtra Factories Rules, 1963	Rule 8(1)	Renewal of factory license in Form 1 to Chief Inspector
Food Safety & Standards Act, 2006 & Food Safety & Standard Rules, 2011	Section 31(7)	Separate Application for different premises which are not situated in one area
Food Safety & Standards Act, 2006 & Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011	Regulation 2.1.7	Renewal of license in Form B to concerned licensing authority
	Regulation 2.1.3	Application in Form-B for grant of license to the Licensing Authority
Food Safety and Standards Act, 2006 and Hygiene Ratings an Indicator to schedule Inspections of Food Service Establishments; File No. 55/ HR and RPE Schemes/FSMS/ FSSAI/2018-19, dated 21st May, 2019 and Guidance document on Hygiene Rating and Right Place to Eat	Chapter 1(g)	HRAA to re-audit premises for hygiene rating in case FBO made application for improving hygiene rating
	Chapter 1(c), (f)	Renewal of certificate for hygiene rating
	Chapter 1(b)(4)	Getting food samples tested annually from any FSSAI approved Laboratory
	Chapter 1(b)(4)	FBO to get water sample tested biannually from any FSSAI approved Laboratory
Maharashtra Agricultural Produce Marketing [Development and Regulation] Act, 1963 and Maharashtra Agricultural Produce Marketing [Development and Regulation] Rules,1967	Section 5D(3)(a)	Renewal of licence to purchase agricultural produce directly from the agriculturist
	Section 5G(1), Rule 4Q(1), 4Q(2), 4Q(5)	Renewal of license for E-trading platform

Maharashtra Fire Prevention and Life Safety Measures Act, 2006 and Maharashtra Fire Prevention and Life safety Measures Rules, 2009	Section 3(3), Rule 4(1)	Application for compliance certificate to Licensed Agency
	Section 49	Renewal of fire NOC
Maharashtra Lifts, Escalators and Moving Walks Act, 2017	Section 8(2)	Renewal of licence of working of lift, escalator or moving walk
Maharashtra Municipal Corporations Act, 1949	Section 376(1)(d)(i),(ii), (e), Section 386(2)	Renewal of license for carrying out certain activities
Maharashtra State Tax on Professions, Trades, Callings and Employments Act,1975 and Maharashtra State tax on Professions, Trades, Callings and Employments Rules, 1975	Rule 5	Amendment of Certificate of Registration
Motor Vehicles Act, 1988 and Central Motor Vehicle Rules, 1989	Section 41(8), (9), Rule 52(1)	Renewal of registration certificate of motor vehicle in Form 25
Water (prevention and control of pollution) Act 1974 and Maharashtra water (prevention and control of pollution) Rule 1983	Section 25 (1) (b), (2), Rule 28	Application for consent to Board for using any new or altered outlet for the discharge of sewage in Form C



Key Challenge 1

Additionally, each license/ permission/ registration/ approval requires enterprises to pay a different fee. This can be either a fixed fee or calculated based on several factors, such as the project's total area, total investment, and number of employees, among others. Furthermore, there are additional registrations, certifications, approvals etc. that become applicable once the company starts operations that increase the complexity of compliance. The very nature of compliances also differs based on their level (Governance level), category, and type.

LEVELS OF COMPLIANCES

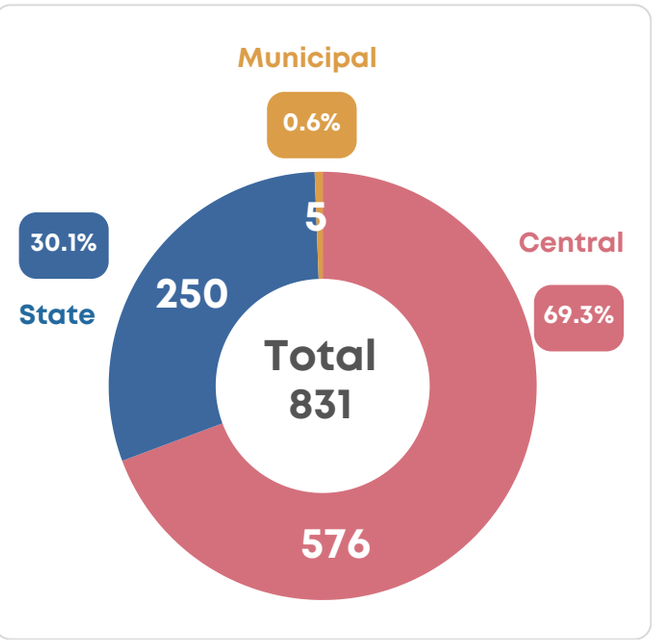
The overlapping of legislative powers among the union and the state governments adds another layer of complexity to the regulatory framework. For instance, 'labour' and 'electricity' fall under the concurrent list of the seventh schedule of the Constitution of India, empowering both the union and state governments to legislate on it. As a result, a company must comply with not only Union laws but also the laws of the state in which it operates. A particularly complex situation is that of 'Land' as it is a state subject but 'transfer of property excluding agricultural land' falls under the concurrent list.

Yet another example is 'taxation'. The power to impose and collect taxes on different matters has been spread across the union, state and concurrent lists. Thus, some taxes (such as corporate tax) are payable to the union government, while others (such as stamp duty) are payable to the state government. Some taxation powers (such as property tax) have also been devolved to municipal bodies.

This division of law-making authority across various levels of government has created three levels of compliance - union, state and municipal.

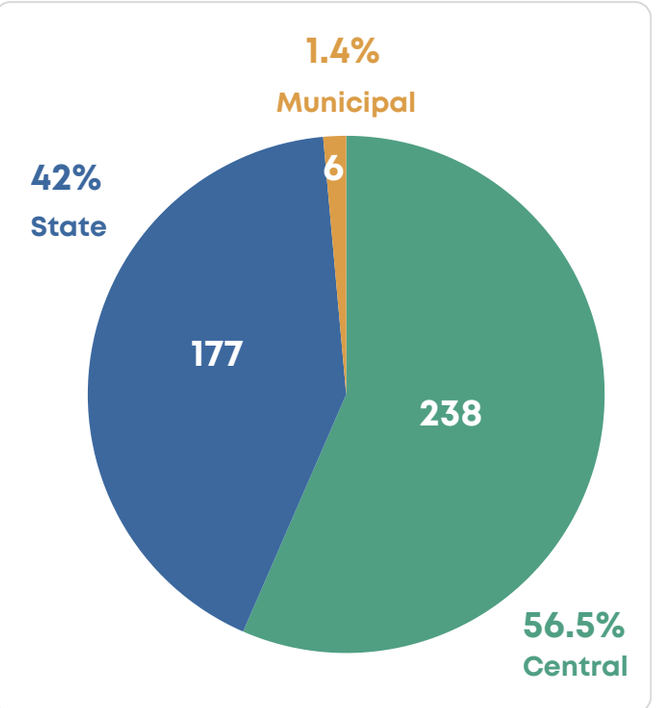
On average, an FMCG business faces 831 obligations, of which 576 (69.3%) are at the union level, 250 (30.1%) are at the state level, and 5 (0.6%) are at the municipal level. Furthermore, it also has to deal with 421 compliance obligations for every warehouse it operates to store and distribute its products. Out of these 421, 238 (56.6%) are central compliances, 177 (42%) are state-level and the remaining 6 (1.4%) are municipal-level compliances.

Figure 3: Compliances at the union, state and municipal levels for an FMCG enterprise involved in the food & beverages segment with manufacturing units for agricultural and dairy products



Source: TeamLease RegTech

Figure 4: Compliances at the union, state and municipal levels for a single warehouse operated in a single state by an FMCG enterprise involved in the food & beverages segment with manufacturing units for agricultural and dairy products



Source: TeamLease RegTech

CATEGORIES OF COMPLIANCES

The compliance requirements for an FMCG company can be broadly classified across seven categories. Each of these categories contains several laws, rules and regulations with varying degrees of applicability depending on the company's size, nature and operations. A typical single entity FMCG involved in agricultural and dairy products with a single manufacturing unit in a single state needs to deal with 831 unique compliances. However, this figure inflates to 3,298 once we factor in the annual frequency of these obligations.

Table 4: Category-wise frequency of compliances for an agricultural product and dairy manufacturing business in a single state

Category	Number of Compliances								
	Frequency								
	Seven Yearly	Two-Yearly	Annual	Half-Yearly	Four-Monthly	Quarterly	Monthly	Others (Event-Based, One-Time)	Total
Labour	1	1	33	20	2	56	55	64	232
Secretarial							1		1
Finance and Taxation				12		15	29	6	62
EHS		1	9	6		16	15	21	68
General			14	7		5	3	6	35
Commercial			27	35		44	42	71	209
Industry Specific			43	38		81	11	51	224
Total	**1**	**2**	**138**	**96**	**2**	**217**	**156**	**219**	**831**

These categories are explained below.

1. Labour

This category is made up of 29 union laws that designate the roles and responsibilities of the employer towards its employees and workers. It covers a wide range of issues, from payment of wages, holidays, working hours, and employee benefits, among others. While these laws have been consolidated into 4 labour codes, they have not yet been implemented.

Presented below is an illustrative list of labour laws applicable to FMCGs:

- *Apprentices Act, 1961 and Apprenticeship Rules, 1992*
- *Child and Adolescent Labour (Prohibition and Regulation) Act, 1986 and Maharashtra Child Labour (Prohibition and Regulation) Rules, 1997*
- *Contract Labour (Regulation and Abolition) Act, 1970 and Maharashtra Contract Labour (Regulation and Abolition) Rules, 1971*
- *Employees' Compensation Act, 1923 and Maharashtra Employees' Compensation Rules, 1934*
- *Employees' State Insurance Act, 1948, Employees' State Insurance (General) Regulations, 1950 and Employees' State Insurance (Central) Rules, 1950*
- *Employment Exchange (Compulsory Notification of Vacancies) Act, 1959 and Employment Exchange (Compulsory Notification of Vacancies) Rules, 1960*

- Employees' Provident Fund Act, 1952 read with Employees' Provident Fund Scheme, Employees' Pension Scheme, and Employees' Deposit Linked Insurance Scheme
- Equal Remuneration Act, 1976 and Equal Remuneration Rules, 1976
- Factories Act, 1948 and Maharashtra Factories Rules, 1963
- Industrial Disputes Act, 1947 and Industrial Disputes (Bombay) Rules, 1957
- Industrial Employment (Standing Orders) Act, 1946 and Maharashtra Industrial Employment (Standing Orders) Rules, 1959
- Maharashtra Labour Welfare Fund Act, 1953 and Bombay Labour Welfare Fund Rules, 1953
- Maharashtra Mathadi, Hamal and Other Manual Workers (Regulation of Employment and Welfare) Act, 1969
- Maharashtra Private Security Guards (Regulation of Employment and Welfare) Act, 1981 and Maharashtra Private Security Guards (Regulation of Employment and Welfare) Scheme, 2002
- Maharashtra Workmen's Minimum House-Rent Allowance Act, 1983 and Maharashtra Workmen's Minimum House-Rent Allowance Rules, 1990
- Maternity Benefit Act, 1961 and Maharashtra Maternity Benefit Rules, 1965
- Minimum Wages Act, 1948 & Maharashtra Minimum Wages Rules, 1963
- Payment of Bonus Act,1965 & Payment of Bonus Rules, 1975
- Payment of Gratuity Act, 1972 and Payment of Gratuity (Maharashtra) Rules, 1972
- Payment of Wages Act, 1936 & Maharashtra Payment Of Wages Rules, 1963
- Rights of Persons with Disabilities Act, 2016 and Rights of Persons with Disabilities Rules, 2017
- Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 & Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Rules 2013

Illustrative List of Labour Compliances

Labour compliances are among the most comprehensive obligations for an FMCG business. The various obligations under the applicable acts make it so that the compliance teams have to be constantly on their toes.

The compliance listing below is representative in nature:

1. Registers & Records

- Maintain a register and records of employees under the Maharashtra Contract Labour (Regulation & Abolition) Rules, 1971
- Maintain a register of contractors in Form 8 under the Maharashtra Contract Labour (Regulation & Abolition) Rules, 1971
- Submit annual returns in From 21 under the Maharashtra Contract Labour (Regulation & Abolition) Rules, 1971
- Maintain registers of wages and unclaimed wages under the Bombay Labour Welfare Fund Rules, 1953
- Maintain registers for accidents (Form 30) under the Maharashtra Factories Rules, 1963
- Leave with wages (Form 20) under the Maharashtra Factories Rules, 1963
- Adult workers (Form 17) under the Maharashtra Factories Rules, 1963
- Adult male workers (Form 10) under the Maharashtra Factories Rules, 1963
- Muster roll (Form 29) under the Maharashtra Factories Rules, 1963
- Maternity benefit register (Form 10) under the Maharashtra Maternity Benefit Rules,1965
- Records of white-washing, colour-washing, and varnishing (Form 8) Maharashtra Factories Rules, 1963
- Issue leave books to workers under Form 20 under the Maharashtra Factories Rules, 1963

2. Returns

- Annual return in Form 15 to the Chief Government Labour Officer under the Industrial Disputes (Bombay) Rules, 1957
- File a Form 11 return under the Maharashtra Maternity Benefit Rules,1965
- Furnish an annual return in Form 27 under the Maharashtra Factories Rules, 1963
- Annual return of holidays under the Maharashtra Factories Rules, 1963
- Annual return of accidents under the Maharashtra Factories Rules, 1963

3. Display

- Display abstracts of certain acts, rules, and regulations such as the Maternity Benefit Act, 1961 and Maternity Benefit Rules, 1965, Workmen's Compensation Act and Rules, as well as displaying standing orders under the Industrial Employment (Standing Orders) Act, 1946 and state-specific standing order rules
- Display the work period of adult workers in Form 16 under the Maharashtra Factories Rules, 1963

4. Statutory Payments

- Half-yearly payments to the Maharashtra Labour Welfare Board in Form A-1
- House-rent allowance payments to workmen under the Maharashtra Workmen's Minimum House-Rent Allowance Act, 1983 & Maharashtra Workmen's Minimum House-Rent Allowance Rules, 1990

5. Audits and Committees

- Conduct annual auditing of the accounts of the employee canteen under the Maharashtra Factories Rules, 1963
- Reconstitute the canteen managing committee every two years under the Maharashtra Factories Rules, 1963

All in all, employers are required to comply with 232 regulatory requirements comprising of

- Maintenance of accounts, registers, and records;
- Display of act abstracts, standing orders, information pertaining to committees, benefits, and working hours;
- Making statutory payments towards social security and other employee benefits;
- Filing returns and disclosures on accidents, payment of wages, bonuses and overtime pay, and maintenance of safety equipment;
- Conduct periodic audits among others

Key Challenge 2

Being part of the concurrent list, both the central and state governments can legislate on the labour related matters. As such, every union law is accompanied by a host of state legislations, including delegated legislation in the form of rules and regulations at both levels. In addition, the sheer volume, scale, and layers of obligations for a single manufacturing site are more than enough to demonstrate the compliance complexities that exists in the sector. Most compliance teams lack the technology to adequately and efficiently track and manage ongoing obligations and are forced to deal with them on an ad-hoc basis. In addition, the company also needs to maintain a variety of registers, which should always be kept up-to-date. These include examples such as leave and attendance, maternity benefits, fines and deductions, muster rolls, wage registers, temperature registers, and records of disposal of waste, among several unique registers in various formats.

2. Secretarial

Secretarial compliances comprise legislation related to corporate governance and risk management. While the union government enacts the laws, the rules and regulations are issued by the Ministry of Corporate Affairs (MCA), Securities and Exchange Board of India (SEBI), etc. There are several rules and regulations under the overarching Companies Act, 2013.

Presented below is an illustrative list of regulations under secretarial compliance:

- *Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014*
- *Companies Act, 2013 and Companies (Accounts) Rules, 2014*
- *Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014*
- *Companies Act, 2013 and Companies (Audit and Auditors) Rules, 2014*
- *Companies Act, 2013 and Companies (Incorporation) Rules, 2014*
- *Companies Act, 2013 and Companies (Corporate Social Responsibility) Rules, 2014*
- *Companies Act, 2013 and Companies (Incorporation) Rules, 2014*
- *Companies Act, 2013 and Companies (Management and Administration) Rules, 2014*
- *Companies Act, 2013 and Companies (Meetings of Board and its Powers) Rules, 2014*
- *Companies Act, 2013 and Companies (Registration of Charges) Rules, 2014*
- *Companies Act, 2013 and Companies (Significant Beneficial Owners) Rules, 2018*

Secretarial compliances are mostly complied with at the corporate level (corporate/ registered office). The present report does not delve into the details of compliances at the corporate level, with the enterprises obligated to just 1 compliance at the production level (affixing the name of the company at all business places). However, here is a brief overview of secretarial compliances and their resultant challenges that affect a corporation at the corporate level.

Key Challenge 3

Compliance teams must handle board meeting procedures and notices and prepare and disseminate the meeting minutes. In addition, they must also ensure compliance with all compliance requirements related to various committee meetings. For instance, the FMCG company must hold 4 board meetings, 16 committee meetings and an annual general meeting every year. Notices must be served for all of them, with over 20 agenda items for each meeting. Furthermore, the company secretary is responsible for preparing the minutes of all these meetings. Consequently, a corporation is required to prepare over 1100 pages of compliance documents consisting of e-forms, disclosures, notices, intimations, and registers, among others. In addition, it also needs to prepare an annual report. Overall, the Companies Act, 2013 alone requires businesses to adhere to 661+ compliances and 100+ filing requirements (TLRegTech).

The compliance processes end up **becoming highly complex and manual due to the nature of activities** ranging from meeting management to record preparation. The **frequent regulatory changes add to the compliance intricacies with high penalties for missing critical obligations.**

3. Finance & Taxation

This category includes laws on direct taxes (Income Tax, Property Tax and Corporate Tax) and on indirect taxes (GST, Excise Duty, and Customs Duty).

Presented below is an illustrative list of regulations under finance and taxation compliance:

- *Income Tax Act, 1961 and Income Tax Rules, 1962*
- *Central GST Act, 2017 and Central GST Rules, 2017*
- *Maharashtra GST Act, 2017 and Maharashtra GST Rules, 2017*
- *Maharashtra State Tax on Professions, Trades, Callings and Employments Act,1975 and Maharashtra State tax on Professions, Trades, Callings and Employments Rules, 1975*
- *State-specific laws for taxes on professions, trades, callings and employment*

Illustrative List of Finance & Taxation Compliances

With 62 unique compliance obligations, finance & taxation is an important component of regulatory requirements, ensuring that the enterprise is observing its tax-related liabilities. Obligations under this category stem from both central and state-level legislation.

The compliance listing below is representative in nature:

1. Registers & Records

- Maintain a register of wages and salaries and preserve all books of records for 6 years under the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 and its 1975 Rules
- Maintain a record of goods imported/ exported for a period of 6 years under the Central Goods and Services Tax Act, 2017 and CGST Rules, 2017
- Maintain accounts of supplies that attract payment of tax on a reverse charge basis, and advances under the Central Goods and Services Tax Act, 2017 and CGST Rules, 2017

2. Returns & Challans

- Furnish a monthly return (Form 3B) containing the details of salaries, wages, and deductions under the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 and its 1975 Rules
- Annual return in Form GSTR-9, a monthly return in Form GSTR-3B under the Central Goods and Services Tax Act, 2017 and CGST Rules, 2017
- Furnish statements of financial transactions in Form 61A under the Income Tax Act, 1961 and Income Tax Rules, 1962
- Furnish quarterly returns for tax collected at source (TCS) in Form 27EQ under the Income Tax Act, 1961 and Income Tax Rules, 1962
- Quarterly returns for tax deducted at source (TDS) in Form 26Q and 27A under the Income Tax Act, 1961 and Income Tax Rules, 1962
- Issue TCS certificate in Form 27D and TDS certificate in Form 16A under the Income Tax Act, 1961 and Income Tax Rules, 1962
- File returns in Form ITR-6/ ITR-7, GSTR-9B, and GSTR-8 (for e-Commerce operators)

3. Statutory Payments

- Annual payment of professional tax (PTEC) and monthly payment of professional tax (PTRC - Challan no. MTR-6) of its employees under the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 and its 1975 Rules

Key Challenge 4

Tax-related obligations are critical compliances as any missed/ poor compliance can lead to an income-tax enquiry, and in the event of the business being determined to be evading taxes, it can lead to serious consequences. From stringent penalties to loss of reputation, it can become extremely difficult for the defaulter to instil trust and confidence in its shareholders, investors, and creditors. The lack of a comprehensive and accurate list of applicable compliances adds to the difficulty in keeping up with the compliance requirements. Furthermore, the key managerial personnel (KMPs) in FMCG companies have a poor understanding of compliance obligations in a majority of instances. As a result, they are often unpleasantly surprised in the event of show-cause notices, instances of financial fines and penalties, cancelled licenses, revoked permissions and leaked revenue. Most executives have been found to have a very poor handle on the status of key compliances, dates, documentation and residual risk of non-compliance.

4. Environment, Health and Safety (EHS)

This category covers all environmental issues, such as pollution, waste management, and hazardous substance discharge. It comprises regulations related to Air, Water and Noise Pollution and Waste Management (Bio-Medical, Solid Waste, E-Waste, Plastic Waste, and Hazardous Waste), among others.

Presented below is an illustrative list of regulations under EHS compliance:

- *Environment (Protection) Act, 1986 and Environment (Protection) Rules, 1986*
- *Environment (Protection) Act, 1986 and Battery Waste Management Rules, 2022*
- *Environment (Protection) Act, 1986 and E-Waste (Management) Rules, 2022*
- *Environment (Protection) Act, 1986 and Noise Pollution (Regulation And Control) Rules, 2000*
- *Environment (Protection) Act, 1986 and Plastic Waste Management Rules 2016*
- *Environment (Protection) Act, 1986 and Solid Waste Management Rules, 2016*
- *Air (Prevention and Control of Pollution) Act, 1981 and Maharashtra Air (Prevention and Control of Pollution) Rules, 1983*
- *Bureau of Indian Standards Act, 2016 read with Indian Standard - Selection, Installation and Maintenance of First-Aid Fire Extinguishers - Code of Practice*

- *Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome (Prevention and Control) Act, 2017 and Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome (Prevention And Control) Rules, 2018*
- *Maharashtra Fire Prevention and Life Safety Measures Act, 2006 and Maharashtra Fire Prevention and Life safety Measures Rules, 2009*
- Maharashtra Non-biodegradable Garbage (Control) Act, 2006 and Maharashtra Plastic and Thermocol Products (Manufacture, Usage, Sale, Transport, Handling and Storage) Notification, 2018
- Water (prevention and control of pollution) Act 1974 and Maharashtra water (prevention and control of pollution) Rule 1983

Illustrative List of EHS Compliances

Ensuring the health and safety of the workers and the environment is another critical requirement for employers.

The compliance listing below is representative in nature:

1. Registers & Records

- Maintain the records of collection, segregation, and disposal of the waste generated (e-waste, battery, plastics, solid) under the various waste management regulations
- Maintain a complaint register under the Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome (Prevention and Control) Act, 2017 and Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome (Prevention And Control) Rules, 2018

2. Returns

- If the business is a bulk electronic and electrical equipment consumer, it must file an annual return in Form 3 under the Environment (Protection) Act, 1986 and E-Waste (Management) Rules, 2016

3. Audit, Examinations & Inspections

- Periodic fire prevention and safety audits by a licensed authority under the Maharashtra Fire Prevention and Life Safety Measures Act, 2006 and Maharashtra Fire Prevention and Life Safety Measures Rules, 2009
- The certificate must then be submitted to the Chief Fire Officer in Form B every 6 months
- Regular inspections, certifications, and maintenance of fire extinguishers under the Bureau of Indian Standards, 2016 read with the Indian Standard - Selection, Installation and Maintenance of First-Aid Fire Extinguishers - Code of Practice

4. Display

- Display the location of fire extinguishers and accurate labelling of fire extinguishers under the Bureau of Indian Standards, 2016 read with the Indian Standard - Selection, Installation and Maintenance of First-Aid Fire Extinguishers - Code of Practice
- Display of fire exit plans under the Bureau of Indian Standards, 2016 read with the Indian Standard - Selection, Installation and Maintenance of First-Aid Fire Extinguishers - Code of Practice
- Publication of complaints on the website or in the annual report under the Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome (Prevention and Control) Act, 2017 and Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome (Prevention And Control) Rules, 2018

Key Challenge 5

An FMCG facility puts significant stress on its nearby environment. From utilising groundwater to emissions and waste generation, it is important to ensure that the environmental impact of the production facility is minimal and conforms to regulatory requirements. It is also the employer's responsibility to ensure its workers' safety and maintain a workplace environment that is not detrimental to the health of its employees.

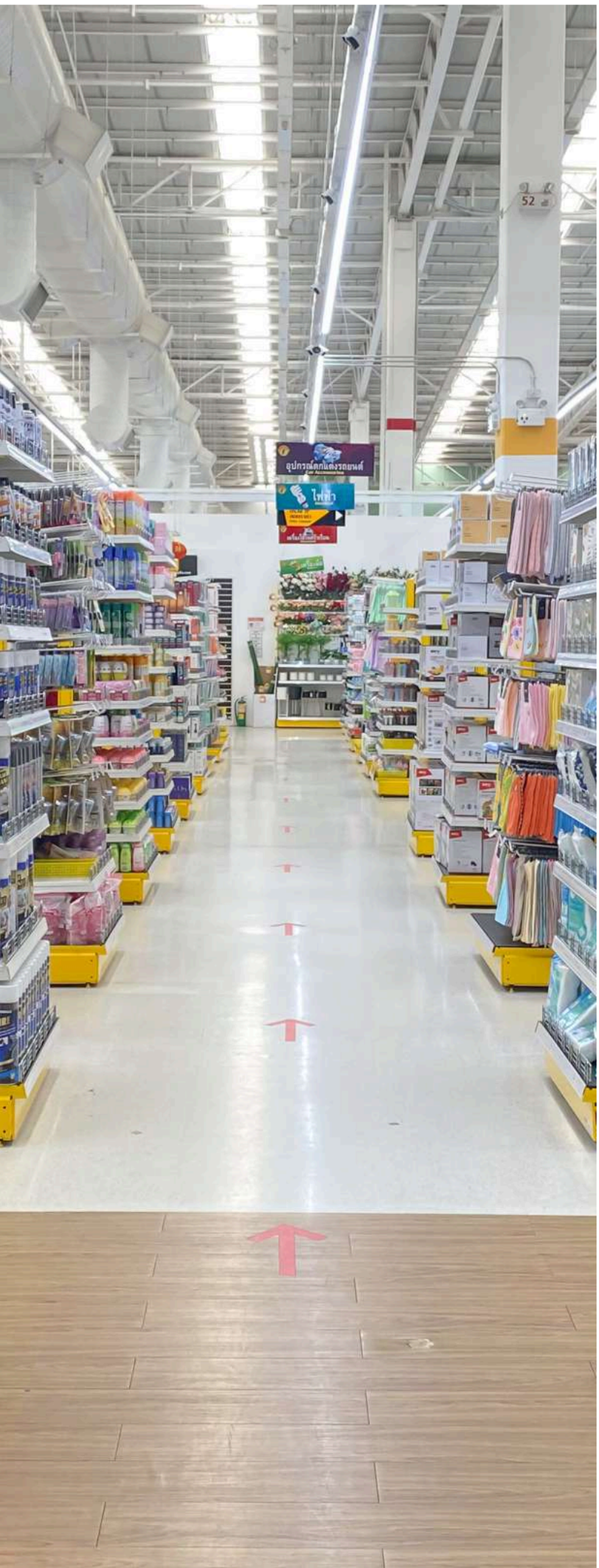
Unfortunately, while compliance is a key binding constraint in an organisation's growth, a number of Indian organisations have yet to adopt technology platforms for transparent and accountable compliance programs. The compliance officers often use spreadsheets to manually track status of compliances. As a result, there are several instances where there are inadvertent misses, delays, lapses, defaults, expired licenses and missed legal updates.

5. Commercial

This category includes all laws overseeing the production and trade of goods and services. It is one of the key compliance areas for the FMCG sector.

Presented below is an illustrative list of regulations under Commercial compliance:

- *Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011*
- *Legal Metrology Act, 2009 and Legal Metrology (Packaged Commodities) Rules, 2011*
- *Legal Metrology Act, 2009 and Legal Metrology (General) Rules, 2011*
- *Legal Metrology Act, 2009 and Maharashtra Legal Metrology (Enforcement) Rules, 2011*
- *Motor Vehicles Act, 1988 and Central Motor Vehicle Rules, 1989*
- *Collection of Statistics Act, 2008 and Collection of Statistics (Central) Rules, 1959*
- *Copyright Act, 1957 and Copyright Rules, 2013*
- *Industries (Development and Regulation) Act, 1951 and Notification No. 477(E) dated 25-07-1991 of the Department of Industrial Policy and Promotion, Ministry of Industry*
- *Maharashtra Electricity Duty Act, 2016 and Maharashtra Electricity Duty Rules, 1962*
- *Micro, Small and Medium Enterprises Development Act, 2006*
- *Transgender Persons (Protection of Rights) Act, 2019 and Transgender Persons (Protection of Rights) Rules, 2020*



Illustrative List of Commercial Compliances

Commercial compliances are one of the major compliance areas for an FMCG enterprise. It is responsible for 1 out of every 4 compliances for an FMCG business dealing in agricultural and dairy products. The Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011 are the major legislation accounting for 157 out of the 209 compliances.

The compliance listings below are representative in nature:

1. Audit, Examination & Testing

- Businesses must get food products tested and certified by an accredited or FSSAI-notified laboratory on a half-yearly basis under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- Businesses must do periodic audits of their GMP/ GHP systems under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- Businesses must get themselves audited by 3rd party agencies annually under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- Annual medical examination of workers directly involved in the food processing, production, and packaging processes under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011

2. Registers & Records

- Maintain records of the annual medical examination of workers directly involved in the food processing, production, and packaging processes under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- Maintain records of raw materials, ingredients or any other material used in food processing under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- Maintain records of details of pesticides/ insecticides used inside the premises under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- Maintain records of the temperature of frozen and potentially hazardous foods received by the establishment under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- Maintain a register of cleaning and maintenance of water tanks and equipment used in the processing of ingredients and food items under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011

3. Returns

- Filing annual returns in Form D-1 containing information about all classes of food products handled by the manufacturer in the previous financial year under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011

4. Miscellaneous

- Applying for license renewal in Form B under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- Providing a guarantee in Form E to the vendors under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- E-commerce platforms facilitating orders/ transactions for FBOs are also required to obtain an FSSAI license under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- Businesses must comply with guidelines around the planning, construction, and maintenance of the production facility under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- Businesses must establish a quality control programme to inspect and test finished food products under the Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011

Furthermore, Legal Metrology Act, 2009 and Legal Metrology (Packaged Commodities) Rules, 2011 and Legal Metrology (General) Rules, 2011 provide specified guidelines and details related to the quality of the packaging used and the information to be displayed on the packaging label.

Key Challenge 6

FMCG businesses have the responsibility to ensure that the food products they produce conform to the standards set by the regulatory authorities. Any food item that is adulterated or contains noxious or poisonous substances can have dreadful effects on the health of the consumer. From raw materials and ingredients to the production environment, quality of water, health of the workers involved and packaging of the food product, every component of the production process must be strictly overseen. Businesses are required to maintain records of every activity related to the maintenance and operation of their production facility. Manual compliance processes cannot keep up with tracking and managing of all these obligations leading to missed and poor compliance.

In addition, compliance obligations that get activated in certain events or are function-based also lead to a lot of ad-hoc compliance management that can get extremely difficult to manage with manual, paper-based, and people-dependent processes. These ongoing compliances, when not adhered to, can result in a high cost of poor compliance resulting from penalties.

6. General

All legislations that are not under any of the other six categories are categorised as general laws.

Presented below is an illustrative list of regulations under General compliance:

- *Cigarette and Other Tobacco Products (Prohibition of Advertisement and the Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 and Prohibition of Smoking in Public Places Rules, 2008*
- *Information Technology Act, 2000 and Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011*
- *Consumer Protection Act, 2019 and Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022*
- *Disaster Management Act, 2005 and underlying directions*
- *State-specific legislation on municipal corporations and public safety measures*
- *Consumer Protection Act, 2019 and Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022*
- *Information Technology Act 2000 and Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011*
- *Information Technology Act, 2000 and Information Technology (The Indian Computer Emergency Response Team and Manner of Performing Functions and Duties) Rules, 2013*
- *Maharashtra Lifts, Escalators and Moving Walks Act, 2017*
- *Maharashtra Municipal Corporations Act, 1949*

Illustrative List of General Compliances

- *Businesses must obtain a license under the Maharashtra Municipal Corporations Act, 1949*
- *Half-yearly payment of property tax under the Maharashtra Municipal Corporations Act, 1949*
- *Conduct an annual audit of reasonable security practices and procedures under the Information Technology Act 2000 and Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011*
- *Create a privacy policy for handling the private information of its employees and customers under the Information Technology Act 2000 and Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011*
- *Obtain a license for installing lifts, escalators, and moving walks under the Maharashtra Lifts, Escalators, and Moving Walks Act, 2017*

- *Conduct annual inspections of lifts, escalators, and moving walks under the Maharashtra Lifts, Escalators, and Moving Walks Act, 2017*
- *Replace lifts, escalators, and moving walks after 20 years under the Maharashtra Lifts, Escalators, and Moving Walks Act, 2017*
- *Maintain a log book for each installation containing the details of operations, break-downs and accidents*

FMCG companies must also deal with compliance applicable under the Consumer Protection Act, 2019 and the Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022. These guidelines provide guardrails around advertising practices and fix the duty and liability of advertisers.

7. Industry Specific

This category refers to laws that are designed for a specific industry, FMCG, in the present case. These laws, rules and regulations can differ for different FMCG businesses depending on the industry/ sector in which the FMCG is operating.

Presented below is an illustrative list of regulations under Industry-Specific compliance:

- *Electricity Act, 2003 and Central Electricity Authority (Measures Relating To Safety and Electric Supply) Regulations, 2010*
- *Electricity Act, 2003 and Indian Electricity Rules, 1956*
- *Electricity Act, 2003 and Intimation of Accidents (Form and Time of service of Notice) Rules, 2004*
- *Essential Commodities Act, 1955 and Maharashtra Scheduled Commodities Wholesale Dealers' Sugar (Storage Control) Licensing Order, 2016*
- *Export (Quality Control and Inspection) Act, 1963 and Voluntary Certification Scheme on Food Commodities, 2007*
- *Food Safety & Standards Act, 2006 & Food Safety & Standard Rules, 2011*
- *Food Safety & Standards Act, 2006 & Food Safety and Standards (Contaminants, toxins and Residues) Regulations, 2011*
- *Food Safety & Standards Act, 2006 & Food Safety and Standards (Prohibition and Restrictions on Sales) Regulations, 2011*
- *Food Safety and Standards Act, 2006 and Directions regarding non-requirement of FSSAI Registration for Last Mile Delivery Persons, Direct Seling Agents, and Individual Food Units owned by Single Entity, 2019*
- *Food Safety and Standards Act, 2006 and Displaying Food Safety Boards for awareness of consumers, 2018*
- *Food Safety and Standards Act, 2006 and Food Safety and Standards (Advertising and Claims) Regulations, 2018*
- *Food Safety and Standards Act, 2006 and Food Safety and Standards (Food Recall Procedure) Regulations, 2017*
- *Food Safety and Standards Act, 2006 and Food Safety and Standards (Health Supplements, Nutraceuticals, Food for Special Dietary Use, Food for Special Medical Purpose, and Prebiotic and Probiotic Food) Regulations, 2022*
- *Food Safety and Standards Act, 2006 and Food Safety and Standards (Labelling and Display) Regulations, 2020*
- *Food Safety and Standards Act, 2006 and Food Safety and Standards (Organic Food) Regulation, 2017*
- *Food Safety and Standards Act, 2006 and Food Safety and Standards (Packaging) Regulations, 2018*
- *Food Safety and Standards Act, 2006 and Food Safety and Standards (Vegan Foods) Regulations, 2022*
- *Food Safety and Standards Act, 2006 and Guidelines for Operations of E-Commerce Food Business Operators, 2017*
- *Food Safety and Standards Act, 2006 and Hygiene Ratings an Indicator to schedule Inspections of Food Service Establishments, 2019*
- *Food Safety and Standards Act, 2006 and Mandatory Training of all Central and State Licensed FBOs under FSS Act 2006, 2017*
- *Food Safety and Standards Act, 2006 and SOP and Checklist for Issuance of RUCO sticker to Food Business Operators, 2020*
- *FSSAI Advisory on Disposal of food products unfit for human consumption, 2021*
- *Information Technology Act, 2000*
- *Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963 and Maharashtra Agricultural Produce Marketing (Development and Regulation) Rules, 1967*

The FMCG sector heavily relies on warehousing to create a seamless supply chain. As the entire business model is driven by economy of scale (greater volume, lower profit margin). With FMCG companies operating their logistical and warehousing operations on a hub-and-spoke model, warehousing becomes a critical need for businesses. As such, warehousing adds another layer of complexity to the compliance obligations of these businesses.

Presented below is an illustrative list of regulations for warehousing operations

- *Warehousing (Development and Regulation) Act, 2007 and Warehousing (Development and Regulation) Registration of Warehouses Rules, 2017*
- *Warehouse Manual for Operationalising of Warehousing (Development & Regulation) Act, 2007*

Illustrative List of Industry-Specific Compliances

While the sector comprises numerous segments with vastly differing compliance obligations, this report focuses on an FMCG business that deals in agricultural and dairy products.

The compliance listing below is representative in nature:

1. License

- Obtain a license to purchase agricultural produce directly from the farmers under the Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963 and Maharashtra Agricultural Produce Marketing (Development and Regulation) Rules,1967
- Enterprises running an e-trading platform is required to renew their licenses by obtaining Form K under the Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963 and Maharashtra Agricultural Produce Marketing (Development and Regulation) Rules, 1967

2. Returns

- Submit periodical returns of all e-trading platform transactions to the managing director under the Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963 and Maharashtra Agricultural Produce Marketing (Development and Regulation) Rules,1967
- A direct marketing licensee (licensees allowed to buy produce directly from farmers across several areas) must make a declaration in Form F directly to the director within 3 days of purchasing agricultural produce under the Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963 and Maharashtra Agricultural Produce Marketing (Development and Regulation) Rules,1967

3. Miscellaneous

- Intimating the licensing authority of the details of the person in charge of the establishment under the Food Safety & Standards Act, 2006 & Food Safety & Standard Rules, 2011
- Prohibition on the usage of carbide gas for the ripening of fruits and sale of food articles coated with mineral oil under the Food Safety & Standards Act, 2006 & Food Safety and Standards (Prohibition and Restrictions on Sales) Regulations, 2011
- Prohibition of the manufacturing, distribution, and sale of genetically modified food articles, misbranded, prohibited and sub-standard food items etc. Food Safety & Standards Act, 2006 & Food Safety & Standard Rules, 2011
- Offer guarantee on food articles to the vendors under the Food Safety & Standards Act, 2006 & Food Safety & Standard Rules, 2011
- Operate a separate storage facility for recalled food products under the Food Safety and Standards Act, 2006 and Food Safety and Standards (Food Recall Procedure) Regulations, 2017
- Submit the details of the food recall to the concerned authority and a post-recall report under the Food Safety and Standards Act, 2006 and Food Safety and Standards (Food Recall Procedure) Regulations, 2017
- Ensure that the material in contact with the food item is of food-grade quality under the Food Safety and Standards Act, 2006 and Food Safety and Standards (Packaging) Regulations, 2018
- Ensure adequate storage space for unsold agricultural produce under the Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963 and Maharashtra Agricultural Produce Marketing (Development and Regulation) Rules,1967
- Ensure the training of all its units and employees under the Food Safety Training and Certification (FoSTaC) under the Food Safety and Standards Act, 2006 and Directions regarding non requirement of FSSAI Registration for Last Mile Delivery Persons, Direct Seling Agents, Individual Food Units owned by Single Entity, 2019
- e-Trading licensees must carry out quality assessments of agricultural produce before the transaction under the Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963 and Maharashtra Agricultural Produce Marketing (Development and Regulation) Rules,1967
- Prohibition on misleading advertisements under the Food Safety & Standards Act, 2006 & Food Safety & Standard Rules, 2011
- Ensuring that the food product is free of contaminants and adulteration under the Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963 and Maharashtra Agricultural Produce Marketing (Development and Regulation) Rules,1967
- Appropriate measures for the production and packaging of vegan food items under the Food Safety and Standards Act, 2006 and Food Safety and Standards (Vegan Foods) Regulations, 2022

- e-traders to provide cleaning, grading, and warehousing (dry and cold) facilities to the farmers under the Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963 and Maharashtra Agricultural Produce Marketing (Development and Regulation) Rules,1967
- Specifying the ingredients, their measurements, dosage in case of nutraceuticals, special dietary foods, and health supplements, hygiene ratings on the packaging and labelling of food products as provided under various regulations

4. Records & Registers

- Maintenance of food distribution records, including the name and address of suppliers, customers, nature of food, date of delivery, and lot number, among other specifics under the Food Safety and Standards Act, 2006 and Food Safety and Standards (Food Recall Procedure) Regulations, 2017
- Maintain an updated food recall plan under the under the Food Safety and Standards Act, 2006 and Food Safety and Standards (Food Recall Procedure) Regulations, 2017
- Maintain a record of all transactions taking place via an electronic trading platform under the Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963 and Maharashtra Agricultural Produce Marketing (Development and Regulation) Rules,1967
- Maintain a record of the recovered food items as well as a record of their disposal under the Food Safety and Standards Act, 2006 and Food Safety and Standards (Food Recall Procedure) Regulations, 2017

While these enterprises are required to operate storage spaces to be used in the event of a food recall or excess produce, they also operate warehouses to facilitate logistics and distribution.

The compliance listing below is representative in nature:

1. Records & Registers

- Maintain complete and accurate records and accounts of all transactions
- Quarterly disclosures to the WDRA (Warehousing Development and Regulatory Authority) if there is a change in the net worth of the company
- Obligation to have insurance coverage against the various risks associated with the goods deposited in the warehouse
- Various infrastructure requirements of the warehouse as specified by the WDRA
- Obligation maintain the quality and quantity of goods stored in the warehouse
- Maintenance of equipment required for warehouse operations, including fire extinguishers
- Painting of walls and ceilings of the warehouse every 3 years and daily cleaning of the warehouse
- Maintaining the warehouse environment by periodic fumigation, bird proofing, timely aeration, proper lighting, clean drinking water for the staff, mesh on pipes entering the warehouse, waterproof paint on the ceiling, and separate storage of waste and dead stock, among other things
- Obligation to operate a physical analysis laboratory in the warehouse if agricultural commodities/goods are being stored
- Maintaining a market bulletin that showcases the market price of the various commodities stored in the warehouse

The companies are also required to operate and maintain a mechanism for identifying and tracing goods stored in the warehouse. Under the Carriage by Road Act, 2007 and Carriage by Road Rules, 2011, companies are required to ensure that the motor vehicles carrying the goods are not loaded beyond the gross vehicle weight mentioned in the registration certificate of the vehicles. The Food Safety and Standards Act, 2006 and Displaying Food Safety Boards for Awareness of Consumers Order requires food business operators to display the Food Safety Display Board in a prominent place at their storage premises. Warehouse registration under the Warehousing (Development and Regulation) Act, 2007 and Warehousing (Development and Regulation) Rules, 2017 must be renewed every 5 years.

Key Challenge 7

The Indian business regulatory environment is highly fluid. There were 5,986 regulatory updates published in FY23 on the 2,233 websites of union, state and local government websites via notifications, gazettes, circulars, ordinances, master circulars, and press releases, among others. These updates typically lead to changes in forms, dates, timelines, frequencies, fines, interest rate calculations, applicability threshold values, and letters of the law, among others. Since these changes are often applicable almost immediately, they require a time-sensitive interpretation and implementation. Unfortunately, there is no centralised repository of regulatory updates that provides national, real-time, comprehensive and personalised information on all changes that affect the compliance burden. As a result, the compliance officers are often expected to periodically visit literally hundreds of websites to ensure that they are not missing any critical updates.

TYPES OF COMPLIANCES

Apart from the different levels and categories, the compliances for an FMCG company can also be classified according to their types. The main types of compliances are detailed below with relevant examples.

1. Audits and Accounts

Various regulations govern audits and accounting practices, resulting in distinct compliance requirements. According to the Companies Act, 2013, it is mandatory for listed companies as well as specific unlisted and private companies, to designate an internal auditor or a firm of internal auditors for the purpose of conducting internal audits on the various functions and activities of the company.

According to the Secretarial Standard on General Meetings (SS-2) sanctioned by the Central Government, it is mandatory to verbally communicate any negative qualifications, observations, or remarks pertaining to the financial transactions specified in the auditor's report during the Annual General Meeting.

According to the Information Technology Act, 2000 and the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011, it is mandatory for a company to conduct annual audits of their reasonable security practices and procedures.

2. Display Requirements

The majority of the display requirements are encompassed within the framework of labour laws. For instance, various legislations, including the Child and Adolescent Labour (Prohibition and Regulation) Act, 1986, Employees Compensation Act, 1923, Maternity Benefit Act, 1961, Minimum Wages Act, 1948, and Payment of Gratuity Act, 1972 impose an obligation on employers to exhibit a summary of the Act and its corresponding regulations within their establishment.

Additional requirements are imposed by the Minimum Wages Act, 1948 and the Contract Labour (Regulation and Abolition) Act, 1970, which include the obligation to prominently display notices pertaining to wage rates, payment dates, and rest days.

As per the Rights of Persons with Disabilities Act, 2016, employers are mandated to exhibit an equal opportunity policy specifically designed for individuals with disabilities. Similarly, according to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act of 2013, they are required to prominently exhibit a visual representation outlining the procedure for addressing sexual harassment complaints, along with the names and contact information of the members constituting the Internal Committee.

The Central Goods and Services Tax Act, 2017 encompasses specific provisions regarding display requirements. These requirements encompass the conspicuous placement of the certificate of registration within the business premises, as well as the inclusion of the Goods and Services Tax Identification Number (GSTIN) on the name board positioned at the entrance of the business premises.

3. Employee Safety and Welfare

The Minimum Wages Act, 1948 encompasses various provisions, including the requirement to provide explanations regarding proposed fines or deductions, the obligation to notify employees of the specific amount of fines or deductions, and the provision of wages for rest days in situations where an alternative rest day has been granted to the employee. Delving into the Maternity Benefit Act, 1961, we find that companies with a workforce of 50 or more employees must establish and maintain crèche facilities. These facilities should be equipped with all essential amenities and provisions, and women employees should be allowed to visit the crèche up to four times per day. Additionally, it is necessary to allow for two designated periods of nursing breaks lasting between 5 and 15 minutes each, until the child reaches 15 months of age.

The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 further includes provisions related to the implementation of skill-building programmes and seminars for members of the Internal Committee, the circulation of internal policies to promote gender-sensitive safe spaces, and the organisation of awareness workshops for employees.

4. Examination, Inspection and Testing

The Bureau of Indian Standards Act, 2016 has established specific regulations pertaining to the examination, inspection, and testing requirements. The aforementioned measures encompass regular monthly inspections and testing of mechanical components, as well as the assessment of extinguishing agents and the means by which fire extinguishers are discharged. These activities are to be conducted by personnel who have received appropriate training and possess the necessary expertise. In locations where Diesel Generator (DG) sets are employed, the Environment (Protection) Act, 1986 requires the establishment of a systematic procedure to mitigate the degradation of noise levels.

5. Registers and Records

A multitude of regulatory requirements exist pertaining to the maintenance of registers and records in accordance with labour laws. According to the Contract Labour (Regulation and Abolition) Act, 1970, employers must maintain a contractor register. The Payment of Bonus Act, 1965, requires the maintenance of a register that documents the calculation of allocable surplus, as well as the set-on and set-off of allocable surplus, in order to determine the amount of bonus that is payable. The Minimum Wages Act, 1948 establishes regulations pertaining to maintaining an inspection book and a register documenting wages, fines, and overtime. As per the provisions outlined in the Employees' State Insurance Act, 1948, it is mandatory for an employer to uphold various record-keeping practices. These include the maintenance of a register containing employee information, an accident book to document workplace accidents, an inspection book to record inspections, as well as the issuance of identity cards to employees.

In addition to those mentioned above, it is imperative to uphold documentation of the examination and evaluation of fire extinguishers, encompassing their operational chronicle, in accordance with the provisions of the Bureau of Indian Standards Act, 2016.

6. Retuns, Filings, Disclosures and Intimations

The regulations pertaining to the submission of returns, provision of disclosures, and communication of intimations are predominantly encompassed within the framework of labour laws. For example, it is necessary to submit yearly returns in line with the provisions of the Employees' Compensation Act, 1923, the Maternity Benefit Act, 1961, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, and the Contract Labour (Regulation and Abolition) Act, 1970.

The Rights of Persons with Disabilities Act, 2016, mandates the registration of a copy of the equal opportunity policy with either the Chief Commissioner or the State Commissioner. The provisions outlined in the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, designate the Internal Committee to be responsible for the preparation and submission of a report to both the employer and the district officer. According to the Contract Labour (Regulation and Abolition) Act, 1970, it is also mandatory for the employer to provide a Unified Annual Return. Similarly, under the provisions outlined in the Industrial Dispute Act of 1947, employers must submit a biannual report to the Labour Officer regarding the composition and operations of the Works Committee.

The Collection of Statistics Act, 2008 and Collection of Statistics (Central) Rules, 1959 require the submission of returns in the specified format to the Statistics Authority as part of the non-labour compliances.

7. Statutory Payments

An employer is required to make monthly contributions in respect of every employee to the Employees' State Insurance Corporation via electronic mode in order to comply with the provisions of the Employees' State Insurance Act, 1948. The Minimum Wages Act, 1948, the Payments of Bonus Act, 1965, and the Apprentices Act, 1961 all contain provisions prescribing specific statutory payments.

Property tax, advertising permit fees, contributions to the Labour Welfare Board, and the consumption tax on electricity are just some of the mandatory payments required by law and mandated by several different municipal and state laws.

Recommendations for Enabling Ease of Compliance

Employer compliance in India needs a thorough re-imagination. The country's entrepreneurs cannot compete in the 21st century with the 19th and 20th-century regulatory environment. Enterprises can take multiple steps to strengthen compliance management at their organisations. Some of the low-hanging fruits are briefly highlighted below:

1. CREATING A CULTURE OF COMPLIANCES

The 'Tone at the Top' is the most important factor driving a specific culture within the organisation. If the top management has a 'Zero Tolerance' policy on compliance, a similar approach will be visible at all levels of the organisation. Additionally, the top management's involvement in the review of compliance statuses also supports the compliance officers in implementing a robust compliance management program at an organisational level.

2. ADOPTING DIGITAL SOLUTIONS

Technology is the key to most of the problem statements, and compliance is not untouched. Several RegTech players have emerged who have invested heavily in technology solutions to support organisations in effectively tracking and managing their compliance programs. Additionally, a few RegTech players have also introduced automation layers to reduce manual dependency and intervention and reduce the overall cost of compliance for any organisation.

Enterprises must consider adopting solutions that can either automate the process of overall management or can also automate the compliance document generation process as well.

TeamLease RegTech
Helping India Comply

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