International Journal of Management, IT & Engineering
Vol. 16 Issue 03, March 2026
ISSN: 2249-0558 Impact Factor: 7.119
Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate as well as in Cabell's Directories of Publishing Opportunities, U.S.A

GST AND IT'S EFFECT ON MNC MANUFACTURING COMPANIES IN INDIA

Dr. Vrindha. A, Assistant Professor, School of Commerce, Nehru Arts and Science College, Nehru Gardens, Thirumalayampalayam, Coimbatore, Email: nascvrindhacommerce@nehrucolleges.com

S Shibla Shahana, Z Ashimina, Devika P, B. Com PA, Department of Commerce, Nehru Arts and Science College, Nehru Gardens, Thirumalayampalayam, Coimbatore.

ABSTRACT

The Goods and Services Tax (GST), introduced in India in 2017, significantly transformed the country's indirect tax system by replacing multiple taxes with a unified tax structure. This study examines the impact of GST on multinational manufacturing companies in India, focusing on financial performance, supply chain efficiency, compliance systems, and operational strategies. Using both primary and secondary data, the research analyzes selected companies from sectors such as automobiles, electronics, beverages, confectionery, and paints. Financial tools like liquidity ratios, solvency ratios, asset turnover ratios, and CAGR were used to evaluate company performance. The findings indicate that GST has improved logistics efficiency, enabled seamless Input Tax Credit (ITC), reduced tax cascading, and encouraged centralized supply chain models for MNCs. Digital systems such as e-invoicing and automated compliance have also increased transparency and efficiency. However, challenges such as working capital blockages, inverted duty structures, and compliance burdens on small vendors remain. Overall, the study concludes that GST has strengthened the manufacturing ecosystem in India and improved the ease of doing business for multinational companies, contributing to greater competitiveness and investment in the sector.

Keywords: Goods and Services Tax (GST), Multinational Manufacturing Companies (MNCs), Input Tax Credit (ITC), Supply Chain Optimization, Financial Performance Analysis.

INTRODUCTION

The introduction of the Goods and Services Tax (GST) in July 2017 marked a significant transformation in India's indirect tax system. By replacing a fragmented structure of central excise, VAT, and entry taxes with a single, destination-based tax regime, GST eliminated the cascading "tax-on-tax" effect that had previously inflated production costs. For multinational manufacturing companies (MNCs), this reform simplified compliance, enhanced transparency, and created a more predictable business environment, allowing firms to plan financial and operational strategies more efficiently. A major advantage of GST for MNCs is the Input Tax Credit (ITC) mechanism, which allows credit claims on taxes paid for raw materials, capital goods, and services across state boundaries. This has reduced overall production costs, in some cases by 20–25%, enabling Indian manufacturers to compete more effectively in both domestic and international markets. The seamless flow of tax credits has also improved cash management, although delays in ITC refunds and working capital blockages on stock transfers continue to pose challenges that require robust financial planning. GST has significantly transformed logistics and supply chain operations. The removal of state-level entry taxes and interstate check-posts, combined with digital tools such as the e-way bill system, has allowed MNCs to consolidate warehouses, adopt hub-and-spoke models, and reduce storage and transportation costs. Companies can now optimize inventory management and achieve just-in-time delivery for domestic and global operations. These efficiencies are particularly beneficial for sectors with complex supply chains, such as automobiles, electronics, and consumer goods, improving operational agility and supporting strategic expansion.

While GST offers substantial benefits, it has also required significant adaptation, including investment in ERP systems and real-time compliance through the GST Network (GSTN). The regime has encouraged the formalization of the supply chain, ensuring that MNCs engage with registered, compliant vendors, which strengthens overall operational reliability. Over time, GST has helped create a unified national market, enhanced India's ease of doing business, and the long-term impact has been a more competitive, transparent, and growth-friendly environment for MNCs.

STATEMENT OF THE PROBLEM

Despite the transition to a unified tax regime intended to simplify operations, MNC manufacturing companies in India continue to grapple with significant structural and financial bottlenecks that hinder the "ease of doing business." The shift from a fragmented tax system to GST has inadvertently created working capital blockages due to the taxation of inter-state stock transfers and the prevalence of inverted duty structures, where input taxes exceed output liabilities. Furthermore, the mandatory digital integration required for real-time e-invoicing and compliance has imposed heavy technological costs and administrative burdens on these firms. These complexities, coupled with frequent regulatory amendments and delayed Input Tax Credit (ITC) refunds, create a gap between the policy's objective of a seamless national market and the operational realities faced by global manufacturers.

OBJECTIVES OF THE STUDY

- To compare financial performance analysis of MNC manufacturing companies
- To evaluate capital structure and solvency of MNC manufacturing companies
- To examine their compliance and strategic management
- To evaluate supply chain and logistics optimization
- To assess the impact on working capital and liquidity.

SCOPE OF THE STUDY

This study examines the operational and financial impact of GST on multinational manufacturing companies in India, covering the entire value chain from raw material procurement to finished goods distribution. It analyzes how the removal of state-level taxes and border check-posts has improved logistics and warehousing, and evaluates compliance with digital systems like e-invoicing and the GST portal. The research also considers effects on working capital, production costs, and Input Tax Credit utilization, with a focus on complex supply-chain sectors such as automotive, electronics, and FMCG, highlighting GST's role in strengthening India's position as a global manufacturing hub.

RESEARCH METHODOLOGY

This study uses a descriptive and analytical research design with a mixed-methods approach to evaluate GST's impact on MNC manufacturing in India. Primary data is collected via structured surveys and interviews with financial and supply chain experts, while secondary data is sourced from annual reports of companies like Samsung and Hindustan Unilever, and official GST publications. The analysis follows a pre-GST vs. post-GST framework, examining production costs, logistics efficiency, and tax-to-revenue ratios, with case studies highlighting sector-specific issues such as inverted duty structures and working capital cycles. Statistical trend analysis is also applied to assess correlations between GST implementation and manufacturing-linked FDI, providing a holistic view of operational and macroeconomic outcomes.

REVIEW OF LITERATURE

Existing studies highlight the significant impact of the Goods and Services Tax (GST) on multinational manufacturing companies in India. Research by Sharma and Vashisht (2021) shows that the removal of cascading taxes reduced manufacturing costs by 7–10%, improving global competitiveness. Reports from Deloitte (2022) and Ernst & Young (2023) emphasize the role of digital compliance systems such as e-invoicing and AI-based tax automation in improving accuracy and reducing compliance time. Studies by Gupta (2022) and Reddy and Kumar (2023) highlight improvements in logistics and supply chain efficiency through centralized warehousing, while also pointing out challenges such as working capital issues caused by delayed invoice matching. Further research by Iyer (2024) and Verma (2025) discusses structural issues like inverted duty structures and the simplification brought by GST 2.0 reforms. Recent analyses from organizations such as the Ministry of Finance (India) and the International Tax Forum (2026) suggest that India's digital GST framework is becoming a global benchmark, attracting greater foreign investment and strengthening the manufacturing ecosystem.

DATA ANALYSIS AND INTERPRETATION

CONSOLIDATED FINANCIAL SNAPSHOT (5 YEARS TREND)

1. Automobile Sector – Maruti Suzuki & Hyundai India

SECTOR	COMPANY	CURRENT RATIO	DEBT-TO-EQUITY	TOTAL ASSET (₹ CR)
Automobile	Maruti Suzuki	2.96	0.09	78,500
Automobile	Hyundai	1.70	1.24	24,100
Mobile & Electronics	Samsung	2.00	0.00	70,925
Mobile & Electronics	Foxconn	1.50	0.24	102,000
Chocolate & Confectionery	Nestlé	2.00	0.20	63,000
Chocolate & Confectionery	Mondelez	1.80	0.25	13,000
Soft Drinks & Beverages	Coca-Cola	1.32	0.00	6,500
Soft Drinks & Beverages	Varun Beverages	2.09	0.11	23,144
Paint & Chemicals	Asian Paints	2.09	0.013	30,371
Paint & Chemicals	Berger Paints	1.74	0.0005	12,133

Trend Analysis (FY21–FY25):

- Maruti Suzuki: Revenue dipped in FY21 due to COVID, bottomed in FY22, then surged 34% in FY23 with SUV pivot. Profit doubled FY23–FY24, EBITDA peaked at 13.2%, balance sheet grew to ₹78,500 Cr by FY25. Debt remained minimal (0.09).

- Hyundai: Steady revenue growth, maintained high EBITDA (~11%), ROE peaked 56.8% FY24. Capital expenditure increased in FY25 for expansion, debt-to-equity 1.24.

Interpretation:

- Maruti leveraged financial muscle for market dominance and EV readiness.
- Hyundai focused on operational efficiency and profitability per unit, maintaining second-place market position.

2. Mobile & Electronics – Samsung India & Foxconn India

Trend Analysis (FY21–FY25):

- Samsung: Stable CAGR 15.4%, cash-rich (~39% of assets), virtually debt-free, low fixed asset intensity (~18%). Growth steady, funded via retained earnings.
- Foxconn: Explosive growth CAGR 72.9%, asset base grew 9x, debt moderate (0.24), heavy CapEx (~38% in fixed assets) for manufacturing expansion.

Interpretation:

- Samsung: conservative, liquidity-focused, self-sustaining.
- Foxconn: aggressive expansion to capture Apple manufacturing demand; high scale achieved rapidly.

3. Chocolate & Confectionery – Nestlé India & Mondelēz India

Trend Analysis (FY21–FY25):

- Nestlé: Assets grew 2.3M → 6.3M, equity nearly doubled, stable debt (~20%), reinvestment-driven expansion.
- Mondelēz: Revenue steady, net profit swung FY25 negative (-15.38%), high operational efficiency (asset turnover 6.5x), exposed to commodity price volatility.

Interpretation:

- Nestlé emphasizes capital-backed growth and stability.
- Mondelēz faces profitability stress despite market share, highlighting vulnerability to raw material cost fluctuations

.

4. Soft Drinks & Beverages – Coca-Cola India & Varun Beverages

Trend Analysis (FY21–FY25):

- Coca-Cola: Assets grew steadily (₹4,200 → ₹6,500 Cr), debt-free, high asset turnover (5.08x), focused on lean operations and cash-rich stability.
- Varun Beverages: Assets grew rapidly (CAGR 28.6%), heavy investment in fixed assets, reserves increased 5x, low debt (0.11), supporting aggressive expansion

Interpretation:

- Coca-Cola: conservative, asset-light, stable growth.
- Varun Beverages: CapEx-heavy, hyper-growth model, scaling infrastructure and market reach.

5. Paint & Chemicals – Asian Paints & Berger Paints

Trend Analysis (FY21–FY25):

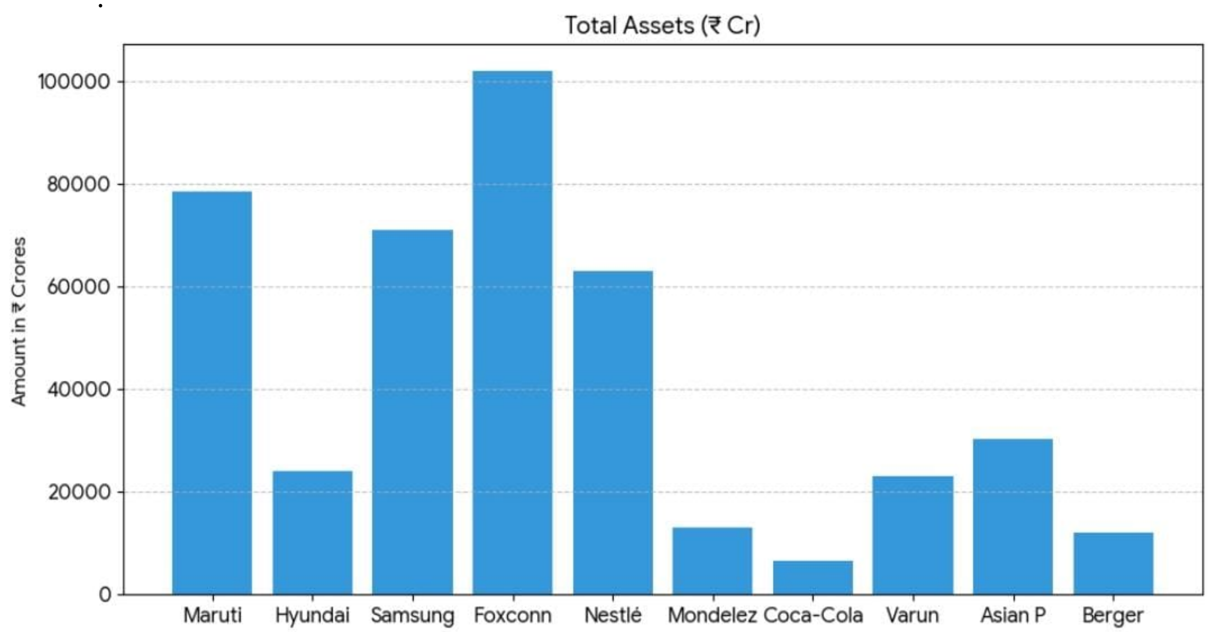
- Asian Paints: Assets ₹30,371 Cr, current ratio 2.09, debt minimal (0.013), strong liquidity, majority in current assets (~56%).
- Berger Paints: Smaller scale (₹12,133 Cr), current ratio 1.74, debt negligible (0.0005), moderate asset liquidity (~48%).

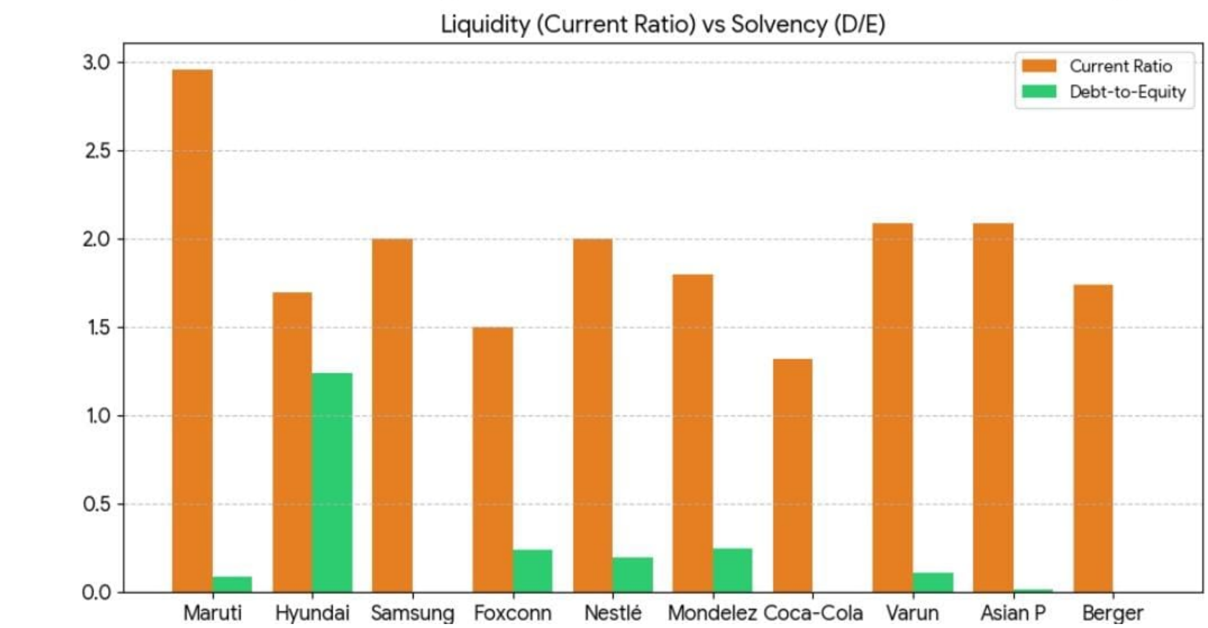
Interpretation:

- Asian Paints: scale advantage, strong solvency, and liquidity.
- Berger Paints: efficient operations, smaller scale, relies primarily on internal funding.

Overall 5-Year Trend Insight:

- Large MNCs (Maruti, Samsung, Nestlé, Coca-Cola, Asian Paints) focus on scale, liquidity, and financial stability.
- Peers/Agile companies (Hyundai, Foxconn, Mondelēz, Varun, Berger) emphasize profitability, efficiency, or rapid expansion, sometimes with higher leverage.
- Across sectors, debt-free or low-leverage models dominate, but growth strategies diverge between capital-intensive expansion vs lean, cash-rich operations
.





RESULTS AND DISCUSSION

Over the past five years, GST has significantly shaped the operational and financial performance of MNC manufacturing companies in India by simplifying taxation, enabling seamless Input Tax Credit (ITC), and reducing interstate logistics costs. In the automobile sector, Maruti Suzuki leveraged strong liquidity (current ratio 2.96) and low debt (0.09) to pivot from hatchbacks to high-margin SUVs and hybrids, achieving a 5-year revenue CAGR of 20.9%.

Hyundai India focused on operational efficiency and profitability per vehicle, maintaining high ROE (56.8%) despite higher leverage (D/E 1.24). GST facilitated streamlined supply chains and reduced compliance burdens, supporting both scale-driven and efficiency-driven strategies.

In mobile & electronics, confectionery, and beverages, GST efficiencies enabled companies to optimize capital deployment and scale operations. Samsung India maintained a cash-rich, low-debt model (39% cash, zero debt), focusing on operational efficiency, while Foxconn India aggressively expanded assets nearly 9× over five years (D/E 0.24), capitalizing on GST-driven input tax credits and reduced interstate logistics costs. Nestlé India pursued reinvestment-driven growth, expanding assets from ₹2.3M to ₹6.3M while maintaining stable debt, whereas Mondelēz India faced profit volatility (-15.38% in FY25), highlighting raw material risks despite supply chain simplification. In beverages, Coca-Cola emphasized asset-light stability, while Varun Beverages scaled rapidly (CAGR 28.6%) through heavy fixed asset investment, enabled by GST-driven efficiencies.

In the paint and chemicals sector, Asian Paints leveraged scale, liquidity, and near-zero debt to maintain competitive advantage, while Berger Paints operated efficiently at a smaller scale with a focus on internal funding. Overall, GST has created a unified, growth-friendly environment across sectors, improving liquidity management, reducing production and logistics costs, and enabling both conservative and aggressive expansion strategies. By simplifying compliance and fostering operational efficiency, GST has strengthened India's position as a preferred hub for MNC manufacturing, supporting sustainable growth and financial resilience.

CONCLUSION

The implementation of GST in India over the past five years has significantly transformed the operational landscape for MNC manufacturing companies. By replacing multiple indirect taxes with a single, unified system, GST simplified compliance, eliminated cascading taxes, and enabled seamless inter-state movement of goods. This has had a direct impact on liquidity management, cost optimization, and supply chain efficiency across sectors, providing companies with greater predictability and financial control. In the automobile, electronics, confectionery, beverages, and paint & chemical sectors, GST has facilitated strategic growth and operational efficiency. Scale-focused companies like Maruti Suzuki, Samsung, Nestlé, Coca-Cola, and Asian Paints leveraged their strong financial positions to reinvest and expand, while efficiency-driven or growth-focused firms like Hyundai, Foxconn, Mondelēz, Varun Beverages, and Berger optimized supply chains, funded capital-intensive projects, and scaled operations effectively. Reduced inter-state logistics costs and improved input tax credit utilization supported both expansion and profitability across these diverse industries.

Overall, GST has created a transparent, growth-friendly, and operationally efficient environment for MNC manufacturing companies in India. It has strengthened financial stability, enhanced competitiveness, and enabled strategic decision-making, allowing companies to align long-term objectives with resource allocation and market expansion. By providing a foundation for sustainable growth, GST has reinforced India's position as a preferred hub for multinational manufacturing operations.

REFERENCE

1. BOOKS

- Datey, V.S. – GST Input Tax Credit (15th Edition), Taxmann Publications.
- Gupta, S.S. – GST Law and Practice, Taxmann Publications.
- Singhania, Vinod K. & Singhania, Monica – Students' Guide to Goods and Services Tax (GST), Taxmann Publications.
- Bansal, K.M. – GST & Customs Law, Taxmann Publications.

- Ahuja, Girish & Gupta, Ravi – Systematic Approach to GST, Bharat Law House.
- Reddy, T.S. & Murthy, Y. Hari Prasad – Goods and Services Tax (GST), Margham Publications.

2. RESEARCH PAPERS / JOURNAL ARTICLES

- Priya (2022) – A Study on Input Tax Credit (ITC) under GST.
- Modi, A. (2025) – Input Tax Credit and Refunds under GST in India: Conceptual Framework.
- Mittal, Khushi (2024) – Input Tax Credit: Eligibility, Apportionment and Blocked Credits under GST.

3. WEBSITE

- https://www.gst.gov.in
- https://www.marutisuzuki.com
- https://www.hyundai.com/in
- https://www.samsung.com
- https://www.foxconn.com
- https://www.asianpaints.com
- https://www.bergerpaints.com
- https://www.coca-colacompany.com
- https://www.varunbeverages.com
- https://www.nestle.in
- https://www.mondelezinternational.com