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THE AWARE CONSUMER

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IN FOCUS

Malpractices Adopted
by Cinema Halls

THE LAST MILE

Supreme Court and
the MRP Valuation

OUT OF THE BOX

GST on MRP;
Who pays the Price?

MAXIMUM RETAIL PRICE

Is It Time India Adopts a Free Market System ?

PLUS

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Campaign Partners



VIEWPOINT



BEJON KUMAR MISRA | bejonmisra@consumerconexion.org

MRP in India

THE MAXIMUM RETAIL price (MRP) that is printed on all packaged commodities that consumers purchase was introduced in 1990 by the Ministry of Civil Supplies, Department of Legal Metrology, by making an amendment to the Standards of Weights and Measures Act (Packaged Commodities' Rules) (1976). It was meant to prevent tax evasion and protect consumers from profiteering by retailers. Before the amendment, manufacturers could print either the maximum retail price (inclusive of all taxes) or the retail price (local taxes extra). When producers opted for the latter method, it was found that retailers often charged more than the locally applicable taxes. Thus, the amendment was made to introduce the compulsory printing of MRP on all packaged commodities.

While the intention to protect consumers in a pre-liberalized India can be lauded, continuing the system today does not make any sense. The practice of MRP in India is unique, archaic and dysfunctional. India is perhaps the only country in the world to have such a system, where it is punishable by law to charge a price higher than the printed maximum retail price. In most countries, the system of having a universally enforceable printed price is viewed as being akin to price fixing and is thus prohibited as being anti-competitive.

In Economic theory, MRP is studied under suggested retail pricing which most economists

agree violates competitive theory. It might seem counterintuitive but everyone is worse off when MRP's are used because MRPs don't let the market decide the price of the product. Suggested retail pricing is illegal in most of European Union, UK, USA and Australia. This includes deciding the retail price as well.

In a free market economy only demand determines the selling price of an item and there's no 'maximum' for what your specific market may be willing to pay for. If an affluent neighborhood in the city is willing to pay X for a loaf of bread, it will be sold for that and the same loaf maybe sold for less in a small rural village because they will not buy it for x. At the same time, if the first area is willing to pay X+1 for the same item tomorrow, next week or next year, that'll most likely be the selling price then.

India is the only country in the world having an MRP system. It is time India adopts a free market system where the shopkeeper is allowed to decide the price of a product and the consumer should have the freedom to choose to buy from where ever. This will help in maintaining better standard of products.

The practice of MRP in India is unique, archaic and dysfunctional. India is perhaps the only country in the world to have such a system, where it is punishable by law to charge a price higher than the printed maximum retail price.

“Let's
Not Fall
Victims
to Fraud
Be Aware”

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In today's scenario it is usually found that the prices of consumer goods traded in the markets are settled arbitrarily by the manufacturers. Even you can realize that in a market where within one city, different products have different rates of taxes, it becomes very difficult for consumers to check whether retailers are actually charging the correct amount of local taxes on the products they sell.

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To tide over the problem of changing printed MRP on unsold pre-GST stock, the government has allowed pastable stickers with new rates. There's a genuine appeal to traders that it is not a very difficult job to paste stickers. The sooner they do it, the better it is for them. For items of mass consumption, the revised MRP has to be advertised in 2 local newspapers.

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HUL CEO
Sanjiv Mehta (SM)

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As we pass on GST rate reductions the benefits to consumers across the categories will be in the range of 7-10%. On certain consumer packs, the benefits will be lower and in some others, it will be as high as 20%.

OUT OF THE BOX

40 | GST ON MRP; WHO PAYS THE PRICE?

NEW MRP		SAFEGUARDS
Old stock of goods can be sold after mentioning new MRP till Sept 30	Online printing, sticker or stamping to display new MRP	Old MRP has to be displayed on goods
Old packaging can also be used over this period	All goods packed, manufactured and imported before July 1 covered	Price increase due to GST to be advertised in two national papers
		Price increase cannot be more than increase in tax



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Deciding bunch of appeals on MRP Valuation issue; the Supreme Court vide ruling dated 22nd August 2007 AIT-2007-300-SC has decided significant issues.

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The profit from food and beverages is far higher than that from tickets sold. For every ticket sold, a cinema owner gets only 25% of the profit, while for food and beverages, it's around 50%.

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The MRP, by providing a focal point for retailers, becomes a de facto uniform price and creates retail price collusion. Thus, MRP often ends up hurting the very consumers it sought to protect.

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Essential medicines (those under NLEM) are taxed at 12% under GST, and insulin and critical-care products at 5%. With the implementation of GST, the tax liability of companies will increase.

THE AWARE CONSUMER

UNLOCKING CONSUMER POTENTIAL
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When asked about the "overpriced" food and beverages, cinema owners say that that the prices seem high when compared to street food, but are actually cheaper than food in cafes



of such goods. And because if you do oblige them, then you become a contributor to black money.

There is a reason why it is called MRP. The manufacturing company takes in great pains in deciding the price of the commodity. It conducts market surveys, obtaining feedback from every distributor, wholesaler, retailer and some consumers. Tallying these with the production cost, tax schemes, state of economy and a thousand other factors, it comes to a precarious, competitive price for the commodity at each stage in its distribution. The MRP (inclusive of all taxes) is the price corresponding to the consumer. In other words, the MRP is NOT some bloodsucking exploitation scheme of the tyrannical manufacturers, as the shopkeepers accuse them to be!

And you decide to pay the extra amount, just because you can afford it? I wonder what your opinion about dowry will be. Do you think that the shopkeeper reports the extra Rs. 2/- or Rs. 4/- that they earned to the higher authorities (dealers, etc.)? And I don't assume I have to tell you that money unreported is money untaxed, and money untaxed is also called?

Do you think that they would've got the dealership in the first place, had they communicated their intention of selling above the marked price? Just for a second, imagine yourself to be the manufacturer. Your manufacturing costs are Rs. 6.25/-. It was decided that a profit of 75 paise be kept for manufacturer, 50 paise for dealer and 50 more for the retailer (shopkeeper). So MRP is Rs. 8/-. All the ads you paid for claimed the same MRP. How will you react when you are informed that the public are being charged more than MRP? That the retailer is earning illegal profit, even after having participated in a democratic pricing process. Such practices disillusion the consumer, which might lead to loss of competitive edge in the market.

Understand this very carefully: every shopkeeper HAS a say in the pricing of the commodities they sell, legally speaking. So next time you come across a whining shopkeeper, tell him/her to exercise his/her rights. Tell them to properly and sincerely fill up their feedback forms (trust me, all registered shops, ARE solicited for feedback). Have you noticed differential pricing of newspapers (Rs. 4.5/- within Delhi, Rs. 5/- other states), books (local editions)? Why can't the shopkeepers do the same? Why don't they persuade the distributor and manufacturer to explicitly and unambiguously print something like?

"MRP Rs. 8/-. An additional charge upto Rs. 2/- may be levied by the retailer. Please pay the extra charge only after scrutinising the special permit of the retailer concerned. on the package? I am willing to believe that there ARE some shopowners who might not be adequately informed about this, but not the others and certainly not those that abound the streets of cities. Tell them that you'll pay what is printed on the item, if they want extra they must get it printed. Tell them that they aren't selling handmade panipuris or lassies or nonstandardised items such as vegetables or mustard oil.

Tell them: "No." Argue or walk away, it's your wish, but never pay more than MRP.

But the situation is completely different.

At various places like Cinema Halls, restaurants, grocery stores.. Customers are left with no choice other than to pay higher price than MRP.

Cinemas, theatre and other places of public entertainment generally overcharge customers. This is rampant, but rarely does a consumer take action. Here is a case where a consumer took on the mighty Reliance Media Works, and succeeded in asserting consumer rights. ▶

CASE STUDY

MANOJ KUMAR WENT for a movie at Big Cinemas, Jaipur, run by Mumbai-based Reliance Media Works. He bought a bottle of Aquafina water. The printed price showed an MRP of Rs 16, but Manoj was charged Rs 30. The bill gave a break up of Rs 26.09 for the water and Rs 3.91 as taxes. Manoj was upset at being overcharged, and asked for the complaint book, but it was not provided.

Manoj filed a complaint before the district forum. Reliance contested the complaint, contending that the bottles were purchased from Varun Beverages, with a printed MRP of Rs 30, approved by Aquafina Pepsico company. These bottles had a higher MRP as they were meant for sale in cinema halls, while regular ones for “ordinary people” sold in “ordinary shops” had an MRP of Rs 16. However, no proof was furnished in support of this.

The forum upheld Manoj's complaint and directed the cinema hall to refund the excess amount of Rs 14. In addition, Rs 5,000 was awarded as compensation for mental agony and Rs 1,500 towards litigation costs. Reliance challenged this order before the Rajasthan State Commission, but the appeal was dismissed. Reliance then filed a revision petition, claiming that there was adequate provisions for free drinking water and nobody was forced to purchase bottled water. It reiterated its stand about the special MRP for sale of water bottles in cinema halls, and alleged that the bottle with the MRP of Rs 16 had not been sold by the cinema, but had been purchased by Manoj from a local shop, and was being used to file a false and frivolous complaint. The commission observed that the main questions were whether a service provider could charge more than the MRP, and whether cinema halls can have a special MRP different from the ordinary MRP. Expressing these to be serious issues, the commission summoned the Director of Weights & Measures, and also Pepsico India Holdings for an explanation.

The commission noted that no evidence had been produced by Reliance to show that it had sold a bottle of water bearing a special MRP. It observed that Manoj appeared to be a vigilant consumer and a whistleblower who would not allow cinema halls to repeatedly commit illegalities, and wanted to bring such malpractices to an end. It rejected Reliance's argument that Manoj was not a consumer and that it was permissible to charge more than the MRP in view of a Delhi high court judgment in *Delhi Gymkhana Club vs Union of India*.

The commission observed that Pepsico was making contrary submission by stating that its Aquafina bottles were priced at Rs 16, but it was permissible to have two different MRPs. It said this “flip flop stand” had created a doubt whether the company

was working in cahoots with Reliance and other cinema halls. It then warned Pepsico to have only one MRP, and stated that it would not allow such a practice to overcharge people.

Accordingly, by its judgement of February 1, delivered by Justice J M Malik for the bench along with Dr S M Kantikar, the commission upheld the decision of holding Reliance liable. In addition, the commission saddled Reliance with further deterrent costs of Rs 5 lakh for illegal enrichment by charging and extorting money from their customers. This amount would have to be deposited in the commission's Legal Aid Account within 90 days, or with 9% interest if delayed.

Impact: Overcharging consumers is not permissible.

Earlier, in another case, the Maharashtra State Commission had ruled dual pricing would constitute an unfair trade practice. Can a hotel or a restaurant charge for a bottle of drinking water more than the maximum retail price marked on the container? Unfortunately, the answer to this question is yes, they can and I am basing this answer on a judicial pronouncement on the subject.

But first, some background on the issue. The Legal Metrology (Packaged Commodities) rules not only mandate that all packed goods should mention the MRP but also specify that such goods cannot be sold at a price higher than that.

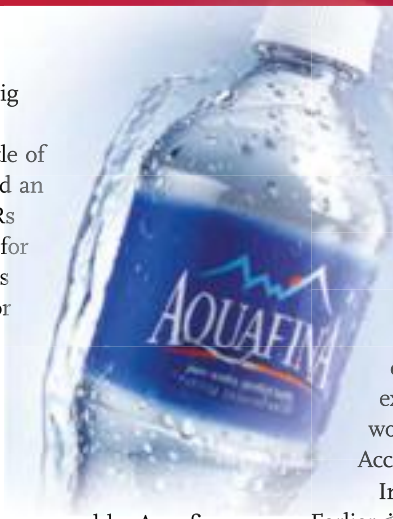
The Department of Legal Metrology, Union Ministry of Consumer Affairs, in response to a representation from the hospitality sector in 2000 had said that the restaurants and hotels could levy a service charge on the MRP.

Not satisfied with this, the Federation of Hotels and Restaurants Association of India filed a writ petition before the Delhi High Court, which, relying on three judgements of the Supreme Court, holding that the supply of food or drinks to customers in a restaurant did not constitute 'sale' of goods, concluded that charging prices for mineral water in excess of MRP during the service did not violate the provisions of the Standards of Weights and Measures Act or the packaged Commodities Rules as the law pertains only to retail sale of goods.

Unfortunately, the government did not challenge this before the Supreme Court. So unless the highest court in the country looks at the issue or the government brings in an amendment, the judgement of the Delhi High court will prevail.

For want of space, I cannot go into the details of the judgement but from a reading of it, what one understands is that this applies basically to those restaurants and hotels which provide the ambience and service of a certain class and not to all the restaurants and hotels (where the dominant object is the sale of food and the rendering of service is merely incidental).

Similarly, if you are not sitting in that restaurant to enjoy its ambience and are just buying a bottle of water (or even soft





When hotels and restaurants sell food and drinks, they also render a service, making it a composite transaction with composite billing and MRP rates cannot be insisted upon for such entities.

What can you do to protect yourself?

- Obtain full information regarding quality and price before making any purchases.
- Be careful, about false and /or misleading advertisement.
- Purchase only when you need and do not purchase in a hurry.
- Do not buy blindly. Demand full information before you buy.
- Do not compromise on the quality of goods and services and its quality. Purchase only quality products.

You can file a complaint with the District Forum if you feel you have been over-charged. However, the opposing party has 30 days to file their version of events and can even extend this for an additional 15 day period. As a tourist you have very little recourse legally unless you are a long term traveler in one location.

Do keep one thing in mind. As of 2003, hotels are not subject to the MRP act. Packed goods purchased within a hotel can be sold at the property's discretion. Keep your eyes open and always check prices because your travel budget only goes so far.

drink) to drink it elsewhere, then the restaurant cannot charge you a price exceeding the MRP.

Having said that, I must emphasise the need for the government to look into the issue from the point of protecting the rights of the consumers and ensure that at least for water, particularly, only the price mentioned on the package is charged.

After all, there is no restriction on what a restaurant or a hotel charges for food or drinks. Why should they be allowed to charge an exorbitant sum for water? In fact, restaurants are supposed to serve drinking water along with food for free.

The government has forbidden companies from selling the same product at different 'maximum retail prices', bringing relief to customers who have complained against a higher MRP being charged at airports, malls and cinemas.

The directive is part of the changes in the Legal Metrology (Packaged Commodities) Rules, 2011, which will come into effect from January 1, 2018. "We are giving a breathing period to the manufacturers, so they have enough time for compliance."



Luckily, Court can help in redressing our grievances in some way.

Number of mails from angry consumers protesting retail outlets at cinema halls, airports, railway stations and tourist destinations charging more than the maximum retail price (MRP) for soft drinks and water have been found. They want to know if they can take action against such retailers and if so, under what law.

So let me get down to the facts: Rule 6(1)(e) of the Legal Metrology (Packaged Commodities) Rules mandate that on every package meant for retail sale is mentioned the retail sale price. Rule 2(m) defines "retail sale price" as the maximum price at which the commodity may be sold to the ultimate consumer and the price shall be printed in the form of the MRP that is inclusive of all taxes.

Rule 18(5) also says that no wholesale dealer or retailer shall obliterate, smudge or alter the retail sale price indicated by the manufacturer or the packer or the importer.

Now we come to the most important provision. Rule 18(2) says, "No retail dealer or other person including manufacturer, packer, importer and wholesale dealer shall make any sale of any commodity in packed form at a price exceeding the retail sale price thereof."

Thus, selling at a price higher than the MRP is a clear violation of the Packaged Commodities Rules and because the state governments enforce the rules, a consumer has to complain to the department of legal metrology. If you go to the website of the Union ministry of consumer affairs (fcamin.nic.in), you will get the telephone numbers and addresses of the controllers of legal metrology in the states.

However, I do feel that since complaints about overcharging soft drinks, water and even ice cream go up quite substantially during summer, all state governments should provide a hotline for such complaints and also an online complaint facility with an assured response within a specified timeframe on the action taken.

In fact, if you look at the legal metrology websites of various state governments, you will notice that some states like Andhra Pradesh, Kerala and Maharashtra have toll-free helplines and also online complaint facilities. It's time other state governments followed suit.

Under the Consumer Protection Act too, one can file a complaint against retailers who sell at a price higher than the MRP. However, you must keep the receipt here.

In *Hotel Nyay Mandir vs Ishwar Lal Jinabhai Desai* (RP No. 550 of 2006, decided on December 14, 2010) the District Consumer Forum in Bharuch, Gujarat, asked a hotel, which charged more than the MRP on four bottles of a soft drink, to refund the excess amount of Rs 22 collected from the consumer. In addition, it awarded a compensation of Rs. 5,000 and costs of Rs 1,000 to the consumer and also directed the hotel to deposit Rs 1,50,000 into the Consumer Welfare Fund. This was upheld by the consumer courts at the state and the national levels.

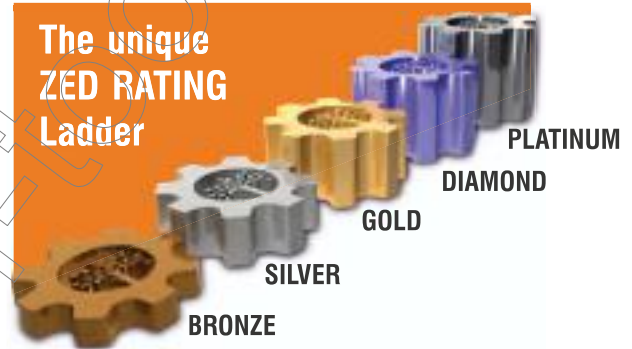
The consumer in this case had pleaded that the consumer court determine the total number of such soft drinks sold by the hotel at the inflated rate during the previous three years and direct that the excess amount collected be deposited into the fund.▶



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HIGHLIGHTS

- A scheme by Ministry of MSME, Govt. of India
- Certification on the systems and processes of MSMEs
- Handholding MSMEs towards world class manufacturing
- Special emphasis on MSMEs supplying to Defence Sector
- Direct subsidy to participating MSMEs
- Creating a credible database of MSMEs for OEMS/CPSUs/Foreign Investors under "Make in India initiative"
- Quality Council of India (QCI) to function as the NMIU (National Monitoring and Implementing Unit) of the scheme

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"Let's think about making our product which has 'Zero Defect'; so that it does not come back (get rejected) from the world market and 'Zero Effect' so that the manufacturing does not have an adverse effect on our environment."

SHRI NARENDRA MODI
Hon'ble Prime Minister

zed@qcin.org

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CONSUMERS, BEWARE !!

Misleading MRP Ad Campaigns

ADVERTISING INDUSTRY WATCHDOG

ASCI upheld complaints against 82 campaigns in June for misleading ads, including those of Flipkart, Uber, Snapdeal, Vodafone, L'Oreal, Fortis Healthcare and Pernod Ricard. According to the Customer Complaints Council (CCC) of Advertising Standard Council of India (ASCI), it upheld two complaints against e-commerce firm Flipkart for claiming MRP of the product higher than the actual printed MRP and then offering it on discounted price.

The website communication claims the MRP of the product as Rs 999, when actual printed MRP on product is Rs 449 which is being offered as the discounted price. This distorts facts and is therefore misleading the consumers as to actual discount being offered.

Consumer Online Foundation founder Mr. Bejon Misra, also a member of ASCI states that consumers are being misled with inflated MRPs and deceptive ads which make it seem like said discounts are for all. They portals may allow the offer to few customers and tell the rest that the scheme is over. This is how the firms limit discounts and offer it only on a fixed number of units. They get you



excited; you go offline and find that it is sold out. They announce sale dates and make a big deal of it. But consumers must be aware that not all products are on discount on all days mentioned. Often the products don't exist at the mentioned price though the site confirms an order at a certain price, they later blame it on technical glitches and say it can't be delivered at the initial declared price mentioned on site. These discounted MRPs are often projected to garner more clicks on the website thus earning them few points with investors. In few editions of their sale, Amazon and Flipkart have trended for hours, an indication of how many people were talking about it and visiting their website. Consumers too took to twitter to post screenshots of their

complaints which included orders getting cancelled and instances of MRP being jacked up to make discounts appear more attractive.

No one else is to blame for these gimmicks except the consumers. When consumers rush in to pick up any scheme promising them something for nothing or something for free, they are often trapped into paying for things which should come for 'free' as claimed by the manufacturers. Consumer ought to be aware that it is not only an unfair trade practice to offer schemes which actually do not offer anything to consumers but also depend on false advertising to mislead unwary consumers.

There are various other places where the MRP issue takes a front seat.

Offering free gift with a product does not mean that the cost of the gift should be included in the MRP. If this is done, it is unfair trade practice of the company. This can be a case to be taken up before the consumer court provided you have the packing label indicating the gift offer and price with you. You see the date of packing and prices of both the packets (the one offers gift and the one that does not) for comparison.

Shops selling soft drinks often charge more than the MRP saying that it costs more to keep them cold. They charge more than MRP and claim as if their right to charge as they have to spend money for the freezer. It is worth to note that any soft drink is required to be served chilled only. Demanding extra amount other than the MRP attracts deficiency in service and unfair trade practice.

Maximum Retail Price or MRP is the HIGHEST price at which the product can be sold in India. This includes the cost of production, transportation, middlemen profit and also all applicable taxes.

However, shops or retailers can discount on MRP and sell it to attract customers. Remember that it includes the profit margin of retailers, transportation charges and preserving the product (like in freezers).

This rule applies to all packed products.

Basic Consumer Rights

In an ever-expanding economy like ours, the market is indulged in a fierce competition to attract customers. We are served with a myriad of options for every product and service, and in this mad contest, one can never say who might take us for a ride. To protect the interest of consumers, government enacted a law called Consumer Protection Act 1986, which gives us 6 basic rights. These rights are there to make sure that consumers get products and services worth their money.

Additionally, the government also plans to amend the current bill in order to bring e-commerce companies in the ambit and eliminate the presence of advocates for claims below ₹5 lakh.

Here are the rights that every consumer should be aware of:

1. Right to Choose

What most of us don't know is that a consumer can even bargain on the MRP.

2. Right to Safety

The main application of this right is in the healthcare, pharmaceuticals and food processing sector as these have direct impact on health. It aims to protect consumers against immoral practices by doctors, hospitals, pharmacies and the



Fairer skin in three weeks. When Nikhil Jain saw that claim in the advertisement for a men's fairness cream on television three years ago, he decided to give the product a try. The Delhi resident bought the cream and started using it as described. Three weeks later, nothing changed. Filed a case in a District Consumer Forum against the Rs 10 billion worth Emami Group for false and misleading advertising. The case is far from over, though.

automobile industry. But in the absence of world-class product testing facilities in our country the right can, well, be termed as toothless.

3. Right to Information

This right is meant to protect consumers against unfair trade practices. But there are many consumer goods in India that do not follow the standardized labelling convention.

Take medicines for example. The pharmaceuticals are required to disclose potential side effects of their drugs and manufacturers should publish reports from independent product testing laboratories in order to facilitate a comparative analysis with the competitive product. But there is no such thing in practice.

4. Right to be Heard

Although consumer courts are there to hear and resolve the complaints of a consumer, we still lack a substantial outlet where consumers can voice out their opinion. Having said that, there are many websites which aim to make sure that the voice of customers reach the corporate world. These websites let customers upload their grievances and

file complaints. Every grievance filed gradually lessens the overall score of the product being criticized.

If the new bill seeking to amend the present law is passed, a Central Consumer Protection Authority with investigative powers will be set up.

5. Right to Redressal

There are consumer courts at district, state and national level for redressal of disputes. But these courts have immense scope of improvement. Apart from the infrastructure constraint, the number of officials required are way less than deployed.

There are around 20-30 million open cases in India which remain unsolved and would take around 320 years to wind up.

6. Right to Consumer Education

This right ensures that proper informational programs are in place that are easily accessible and help consumers make purchasing decisions. However, since most of the initiatives are taken by NGOs in India, there's a need for the government to step up its participation.

Be an informed consumer! ▶

Comprehensive Study:

MAXIMUM RETAIL PRICE



In today's scenario it is usually found that the prices of consumer goods traded in the markets are settled arbitrarily by the manufacturers. Even you can realize that in a market where within one city, different products have different rates of taxes, it becomes very difficult for consumers to check whether retailers are actually charging the correct amount of local taxes on the products they sell. Therefore the confusion in respect of price of the goods is natural for the consumer and the manufacturers gain huge profit as the actual manufacturing cost is very low. The manufacturers arbitrarily fix the price and the consumers are compelled to purchase goods at higher costs.

Under the Weights and Measures (Packaged Commodities) Rules, all packed goods should carry certain essential information on the contents of the package, such as its weight or volume, the name and address of the manufacturer, the date of manufacture, and in case of food packages, the best before date and, of course, the maximum retail price (MRP).

UNDER THE CONSUMER Goods (Mandatory Printing of Cost of Production and Maximum Retail Price) Act, 2006, certain guidelines has been provided so that the consumer cannot be charged over to the maximum price printed on the goods by the manufacturer. These guidelines are as follows:

1. Consumer goods mean all goods and items brought in the market for sale and are meant for the use and consumption of the consumers;
2. Cost of production means cost incurred directly or indirectly by the manufacturer in the production of goods;
3. Printing means printing of the cost of production and retail price at a visible place on the product in Hindi and English and the local language of the place it is sold; and
4. Maximum retail price means such price at which the product shall be sold in retail and such price shall include all taxes levied on the product.

The legislation has made it mandatory for the manufacturers to printing of cost of production and maximum retail price on packaging of consumer goods, so that the consumer could not get overcharged by the agents/dealer.

It is essential for the consumers to know the difference between the maximum retail price and actual price of the goods. The maximum retail price is inclusive of all taxes and a retailer can sell at a price below the MRP. In fact consumers should always look for retailers who sell below the MRP because the MRP is the maximum retail price allowed for that commodity and not the actual price and a retailer can well reduce his margin built into the MRP. While on the other hand, the actual price could be about 10-15 per cent lower than the MRP. Sometimes the printed MRP is so high that the difference between the selling price and the MRP can be as much as 30-50 per cent. It is an offence to sell at a price higher than the marked price. Whereas the actual price could be about 10-15 per cent lower than the MRP.

Sometimes it has been found that the consumers go to markets and take products from the shops without even looking at the MRP written on the packaging and carton of the products. In that situation dealer tells the price of the products to the buyer and also states that he would give it at a discounted rate. After buying the same when the consumer is back home then he/she finds that the price of the goods mentioned on the packaging and carton is already less than the price on which he/she has bought after discount. Under the Standards of Weights and Measures (Packaged Commodities) Rules, manufacturers have to specify on all pre-packed goods meant for retail sale, the MRP inclusive of all taxes. This is a requirement meant to ensure that consumers are not misled by the agents/dealer and shopkeepers about the price of packed goods. Overcharging is an offence for which the trader can be prosecuted and prosecution can be launched against the

manufacturer in case the packaged commodities bears the price which is altered. In the above-mentioned case, the dealer takes advantage of the fact that the consumer could not see the packaging and quoted a higher MRP.

Sometimes it also happens that the manufacturer increases the price of a product and sells old stocks/products on new price rates and if buyers ask the reason they simply answer that the Price has increased because of the changes in duties or increase in the cost of production and the new packages carry the revised MRP. Obviously, this new price does not apply to the stock already with the retailer. And this is where retailers try to make a quick buck by trying to sell the old stock at the new revised rate, even though doing so is an unfair trade practice.

On the similar issue a complainant filed a complaint case before the apex consumer court. The issue involved in the complaint was that the complainant went to purchase a product namely tarpaulin (Waterproofed Canvas), the price mentioned on the 'duckback baby sheet' purchased by him was Rs 92, but the seller asked him to pay for Rs 112 along with the statement that the price of the sheet was actually Rs 124 but it had an old label indicating the MRP as Rs 92. So after discussion, the price was settled between them (the seller and the buyer) at Rs 112.

In the above said matter the State Commission held that if the old label on the product indicated Rs 92 as the MRP, then charging more than what has mentioned on the packaging is illegal and the activity of the seller constitutes an unfair trade



If the old label on the product indicated Rs 92 as the MRP, then charging more than what has mentioned on the packaging is illegal and the activity of the seller constitutes an unfair trade practice.

practice. And as a punishment for indulging in such a practice, the commission used the relatively new provision in the Consumer Protection Act to impose exemplary damage and asked the seller to pay the consumer punitive damages of Rs 10,000.

The apex consumer court, before which the seller filed an appeal, said it fully agreed with the view of the state commission. While doing so, it pointed out that if the price had been increased from Rs 92 to Rs 124 due to increased cost of production and transportation, which would apply only to the new stock, the price of the old stock cannot change. In the circumstances, the old stock cannot be sold at the new price. Therefore, the state commission was right in imposing exemplary compensation. (M/S Cargo Tarpaulin Industries Vs Sri Mallikarjun B.Kori, revision petition number 2132 of 2007, decided on July 5, 2007). It is an offence to sell at a price higher than the marked price. It is for this reason that manufacturers provide a more than adequate cushion for dealer margins while marking the MRP. Whereas it is specifically mentioned Under the Consumer Goods (Mandatory Printing of Cost of Production and Maximum Retail Price) Act, 2006 that No person shall sell or cause to be sold any consumer goods without the cost of production and maximum retail price of the product printed on such product after the expiry of six months from the date of coming into force of this Act.

Forum For Redressal

The aggrieved complainant may file a complaint before the proper Forum and can get redressal. Several important Acts and laws have been announced by the legislation. These Acts are: Monopolies and Restrictive Trade Practices Act (hereafter "MRTP Act") and the Essential Commodities Acts, Environment Protection Act and the most significant Consumer Protection Act. The Consumer Protection Act, 1986 (hereafter "the Act") is a remarkable piece of legislation for its focus and clear objective, the minimal technical and legalistic procedures, providing access to redressal systems and the composition of courts with a majority of non-legal background members.

The Consumer Protection Act establishes an hierarchy of courts, with at least one District Forum at the district level, a State Commission at the State capitals and the National Commission at New Delhi. The pecuniary jurisdiction of the District Forum is up to Rs. one lakh and that of the State Commission is above Rs. one lakh and below Rs. 10 lakhs. All claims involving more than Rs. 10 lakhs are filed directly before the National Commission. Appeals from the District Forum are to be filed before the State Commission and from there to the National Commission, within thirty days of knowledge of the order.



Under the Act, a consumer or any registered voluntary consumer association or any Central or State Government can make a complaint. A "consumer" is a person who buys any goods or hires any service for consideration, paid or promised or partly paid or under deferred payment. This includes any user of such goods or services when such

use is made with the approval of the person who paid or partly paid etc. However, goods obtained for commercial purposes or for resale are not covered under the Act.

Complaints can be made against

- unfair trade practices by which complainants suffer loss or damage;
- goods that suffer from one or more defects; or
- deficient service.

The procedure adopted by the Forum or Commission on receipt of a complaint is to refer a copy of the complaint to the Opposite Party directing them to file their version within thirty days or such extended period not exceeding fifteen days at a time. The Forum or Commission has the powers vested in a civil court and these include the power to summon and examine witnesses, requisition reports of analysis or tests from appropriate laboratories and to receive evidence by way of affidavits.

Based on its findings, the Forum or Commission can grant a direction to the Opposite Party to remove the defect, replace the goods free of defect, or refund the charges paid for the goods or service and to pay compensation for the loss or injury suffered by the complainant. Such directions are to be treated as if it was a decree of a court, and non-compliance can amount to imprisonment.

Other Laws That Impact Consumers

Essential Commodities Act:

Any complaint of hoarding or unfair trade practice against the thirty-four commodities listed as essential commodities under this Act can be preferred to the special courts established under the Act.

Standards of Weights and Measures Act and Rules: This Act prescribes standards for the weights and measures used in trade. These standards ought to be certified by the Bureau of Indian Standards (BIS) and contain the ISI mark. This also prescribes rules for packaged commodities. The rules explain the details that a package should contain - like the maximum retail price (MRP), weight of the commodity, date of manufacture and expiry.

M RTP Act:

This Act establishes a Central Commission to initiate suo motu action against restrictive and unfair trade practices and also to hear and pass orders on complaints. The aim of the Act is to stop any trade practice that may have the effect of preventing, distorting or restricting competition or causes loss or injury to consumers.

Prevention of Food Adulteration Act

This Act contains stringent provisions against adulterators of food articles. The Act also prescribes a set of officers to check the quality and quantity of food in public establishments.

Drugs and Cosmetics Act: This Act prescribes officers to enforce its various provisions and also prescribes stringent action against manufacturers of drugs and cosmetics for violations under this Act.

Conclusion: All such legislations and rules would become effective if consumers know their rights and duties and perform accordingly.

Consumers Right

1. **Right to Safety:** To be protected against the sale of goods and services which are spurious/hazardous to life.
2. **Right to information:** To know the quality, quantity, weight and the price of goods/services being paid for, so that you are not cheated by unfair trade practices.
3. **Right to choose:** To be assured wherever possible, access to a variety of goods and services at a competitive price.

4. **Right to be heard:** To be heard and be assured that your interest will receive due consideration at appropriate fora.
5. **Right to Seek Redressal:** To seek legal redressal against unfair or restrictive trade practices or exploitation.
6. **Right to Consumer Education:** To have access to consumer education.

Consumers Responsibilities

- 1) Obtain full information regarding quality and price before making any purchases.
- 2) Be careful, about false and /or misleading advertisement
- 3) Purchase goods having quality marks like ISI/Agmark etc. as and where available, for safety and quality.
- 4) Obtain proper receipt/cash memo for purchases made and guarantee/warranty card duly stamped and signed by the seller, wherever applicable.
- 5) Approach Consumer Forum for redressal of consumer grievances against sale of defective goods or deficient services or adoption of unfair restrictive trade practices.

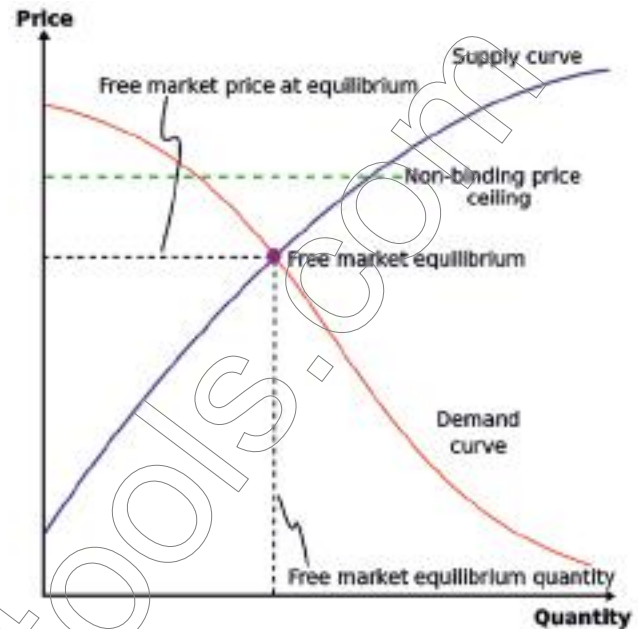
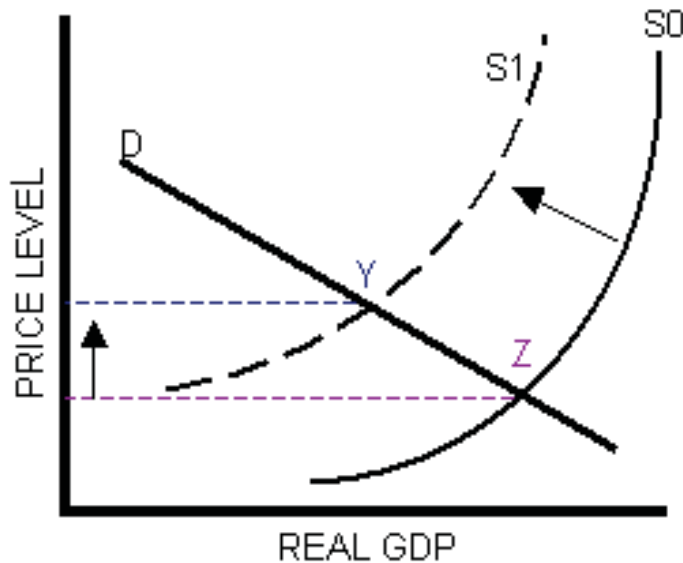
Precautions For Consumers:

1. Purchase only when you need and do not purchase in a hurry.
2. Do not buy blindly. Demand full information before you buy.
3. Beware of false/misleading advertisements.

In the last few decades it has been observed that food adulteration in this country starts from the field itself where fertilizers and pesticides are overused.



Chart 2: Cost-push Inflation



4. Do not compromise on the quality of goods and services and its quality. Purchase only quality products.
5. Do not forget to obtain proper receipt/cash memo. Always obtain the guarantee/warranty card duly stamped and signed by the shopkeeper, wherever necessary. These can be helpful in consumer courts

Commodities and Deflation: The Worst is Yet to Come

Central banks appear unable to stop an upcoming deflationary spiral. The current developments show some obvious parallels to what led to the 1930's economic depression, such as sharply dropping commodities prices. The crisis then led to countries cutting all ties with their trading partners, stopping globalization in its tracks. The same could happen again, explains Christian Gerlach, portfolio manager at GAM.

All the central banks' combined efforts since the Lehman crisis have amounted to nothing. The current annual inflation rates of the United States, Japan and the eurozone are once again close or even below zero. The wage-price spiral seems clearly dead (labour costs have not predicted consumer prices since the 1980s) and other long-established inflationary trends are crumbling. An uneasy scenario emerges: is the world moving into a deflationary recession in which global trade growth collapses? My view is that this is not as unlikely as people may expect.

Some say commodities have lost predictive powers

Throughout history, commodity prices have led turning points in the consumer price index (CPI). During the 1970s, rising prices predicted the upcoming inflationary trouble long before it materialized in the official inflation rates. Likewise, the crashing

prices raw materials foreshadowed the great recessionary deflations of the 1920s and 1930s.

Nowadays, this distinctive predictive quality of commodity prices is largely forgotten, or even outright denied; as most experts focus on core inflation rates instead of headline ones. It is argued that commodity price shocks are ultimately transitory and have only limited effects on inflation. Indeed, the notion that commodities are mere noisy, random-walk type of markets that cannot possibly predict global macroeconomic conditions, and therefore guide monetary strategy, is widespread. This is the legacy of the 'Great Moderation' (mid-1980s to 2007), during which the volatility of inflation declined steadily.

Central banks massively overestimate underlying inflation

I believe it makes sense to question the consensus and take commodity price trends seriously. What can they tell us about future inflation?

Over the past six months, the commodity market declined more than 16% (GSCI spot index in US Dollar terms). All cyclical markets are down, with the worst hit being rubber (-33%), gasoline (-33%), and steel (-24%). Furthermore, commodity markets have now declined by almost 50% since their collapse started in June 2014, making this the most dramatic slump since 2008. As far as commodities are concerned, one can see no turning point towards secular reflation. Disinflation and deflation are much more probable.

It should be clear by now, that this across-the-board price slump indicates that there is more to this correction than a simple supply shock triggered by American shale oil. Similar disinflationary busts in emerging markets are on-going and



roughly started at the same time as the commodity downturn. So far, commodities are indicating that this slowdown will get much worse, causing stronger disinflationary pressures in the developed world very soon and making a global recession much more likely. So if deflation really manifested itself in a recessionary fashion, what will be seen as the most potent antidote?

Deflation cures

The most discussed cures against a globally spreading 'deflationary disease' and the subsequent 'zero-lower-bound problem' are well known: to expand quantitative easing, to increase official inflation targets, or introducing negative interest rates. However, all these proposals ignore the actual historical record of how infected economies have dealt with non-benign deflation infections, such as the ones during the Great Depression. If this record is any guide, central banks will not matter much in the years ahead.

Before the Great Recession, the most popular (but finally fatal) policy set to escape deflationary recessions has been currency devaluation followed by extreme trade protectionism. As politicians ruled the day, the resulting inflationary bust was then accompanied by massive budget stimulus, increasing infrastructure and military spending.

First, the indebted economies, which faced resilient deflation but significant trade deficits tried to reflate by

engineering a massive growth in fiat money via severe devaluations. Quite naturally, these drastic currency devaluations triggered a protectionist backlash. Around the world, tariffs were raised and capital controls enforced to stop the deflationary forces of globalization and keep even the smallest inflationary momentum alive. Modes of international manufacturing were reversed, and nationalizations of whole industries spread.

What urgently needs to be remembered is that, back then, the multilateral framework of globalization was seen as the main obstacle to escape deflation. It was not part of the solution. Reflationary conditions were achieved by cutting all links to the international network of trade and capital flows, which pushed national prices lower and debt levels higher. Deflation was consequently not eliminated by respecting the old and established economic order of the day but by actively destroying it.

The reason why these past 'solutions' to deflation are not more broadly discussed is clearly due to their highly anti-liberal qualities. For many observers they seem farfetched and rather improbable. After all, we still live in the globalized world of Pax Americana and Bretton Woods. But periods of globalization and peaceful economic integration do come to an end – sometimes quite rapidly and violently. Commodity markets tell us that this end might be nearer than we think. ▀

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Five Common Manufacturing Problems



We all need to be aware of the importance – and inevitability – of being more connected. A business environment where everything is linked seamlessly together calls for software with a future, not locked in the past. The days of relying on homemade spreadsheets or software fixes are disappearing, as even small manufacturers are choosing today's proven ERP products to be successful. As importantly, companies are seeking trusted IT partners to help them thrive and survive in the changing manufacturing industry into the future.

1. Poor inventory management

Close control over inventory is vital for profitability and efficiency. Just-in-time (JIT) manufacturing has made good control processes even more important: if you don't carry large stocks, you need to know what you have and be able to reorder it as and when needed. But the benefits of effective inventory control extend beyond pure production efficiencies, and include aspects such as minimising wastage and spending - both of which can impact on the bottom line.

Modern MRP programs can deliver these efficiencies, but they have to be designed for the job. Resource planning software is not an install-and-forget solution, and if you don't keep it updated, the resulting MRP issues will cause even more manufacturing problems in the future.

2. Inadequate quality control

Customers have always had the ability to be unforgiving, but never more so than in today's climate of instant feedback and social sharing. In this climate manufacturers need to ensure that quality control is designed-in and built-in from start to finish. Though this is not inherently easy to achieve, it's essential to have systems capable of preempting or responding to manufacturing problems quickly and efficiently. Here again, efficient resource planning is going to help - particularly with errors stemming from communication issues, or recurring causes - so that the business can address and deal with them quickly.

3. Supply chain problems

There was a time when manufacturers sourced almost everything they needed - whether raw materials or components - from local suppliers. However, in the modern world it's possible and often beneficial to source further afield, e.g. for lower cost. There can, however, be multiple problems with this global supply chain including: price fluctuations, reliability issues and quality control among others. You need modern controls to monitor suppliers, receive updates around the clock and react instantly if



CONNECTIVITY IS THE KEY

and when problems come. Today's manufacturing ERP programs provide the data, integration and automation to enable the decisions to be made quickly and efficiently.

4. Data management failures

Businesses generate masses of data, but all too often this invaluable resource is used ineffectively - or not at all. Information about everything from raw-material pricing to supplier performance is now readily available. The opportunity to gain insights from such data could, however, be wasted, and any benefits from these insights lost if the business has the 'MRP issues' of having limited or outdated IT systems. However data, when correctly collated and analysed by modern fit-for-purpose ERP software, can provide manufacturers with real and measurable advantages.

5. Ineffective process management

As the saying has it, "constant change is here to stay" - and the pace of change now seems to increase every year. The 21st century has many drivers for such

change: these include the speed with which information is exchanged, the increasing generation of data, widening customer expectations, and the relative ease with which new products can be introduced into the market.

To cope with these factors, it's essential for manufacturers to have clear control of their processes: without this, isolated 'quick fixes' to respond to changing demands can go on to cause costly manufacturing problems. That makes investment in the right kind of manufacturing ERP systems business-critical - because it's only with the right system that processes can remain managed yet adaptable to meet new challenges and evolving environments.

Finally, we all need to be aware of the importance - and inevitability - of being more connected. A business environment where everything is linked seamlessly together calls for software with a future, not locked in the past. The days of relying on homemade spreadsheets or software fixes are disappearing, as even small manufacturers are choosing today's

proven ERP products to be successful. As importantly, companies are seeking trusted IT partners to help them thrive and survive in the changing manufacturing industry into the future.

On July 10, *Indiatoday.in* reported, citing a *LocalCircles* survey, that over 51 per cent consumers complained about illegal levy of the Goods and Services Tax by retailers over and above the maximum retail price (MRP).

Sources have now told *Indiatoday.in* that following the report, the Department of Consumer Affairs of the Union government sent its teams for inspection at various places across the country to check if the retailers were actually charging GST over and above the MRP. The government teams found the complaints to be true, the sources said.

In most cases, the government teams warned the retailers against indulging in fraudulent practice by charging GST illegally. However, it is not yet clear, if the inspection teams penalised any of the retailers for illegally charging GST from consumers.

THE IMPACT

The inspections were carried out by officials of the Legal Metrology Division of the Consumer Affairs Ministry in association with the State Legal Metrology in respective states. The Legal Metrology Division deals with regulation of trade in packaged commodities.

Following the inspection, the retailers, where government teams visited, corrected their billing system and issued corrected bills. However, in some cases, the new bills had increased MRP.

In some other cases, the retailers still apprehensive of the GST impact on their business, have reportedly adopted other tactics to charge GST. One particular practice, as reported by consumers on the social engagement platform, is that the retailers are charging GST after offering discount on the MRP.

In one case, a consumer shared two bills dated July 3 and July 25 respectively. In both bills, a popular food joint in Noida

charged GST from consumers. However, in the second bill, the MRP of the same product is billed at a discounted price and after GST, its price is totaled at the previous MRP of Rs 40.

WHY CHARGING GST ON MRP IS WRONG

According to the Consumer Goods (Mandatory Printing of Cost of Production and Maximum Retail Price) Act 2006, maximum retail price (MRP) of a product is the rate above which it cannot be sold. All the tax components are included in the MRP.

The Consumer Affairs Department has repeatedly said in its awareness campaigns that the MRP covers 10-35 per cent margin of profit.

Under the Monopolies and Restrictive Trade Practices Act (MRTP Act), the Essential Commodities Acts and the Consumer Protection Act, selling a product over and above MRP is a punishable offence.

Under the GST Act, selling a product over and above MRP is a violation of the anti-profiteering clauses of the GST Act. Fraudulent retailers' registration may be cancelled.

In February this year, the National Consumer Disputes Redressal Commission (NCDRC) ruled that charging tax on a discounted price (MRP) amounted to unfair trade practice. The NCDRC ruling has not been challenged implying that charging GST on MRP is illegal.

ANOTHER SURVEY

In a fresh survey which has an official arrangement with the Consumer Affairs department for addressing citizens' grievances, only 30 per cent consumers said that they were not charged GST over and above MRP.

About 30 per cent said that they had been illegally charged GST several times

while another 20 per cent recalled having been unfairly taxed a few times. About 20 per cent participants said that they did not notice if they were charged illegally.

Packaged consumer goods displaying the old maximum retail price (MRP) will be confiscated from October 1 under the new Goods and Services Tax (GST) regime. After the roll-out of the GST, Food and Consumer Affairs Minister Ram Vilas Paswan had extended a three-month dispensation to all manufacturers and traders till September 30 on old stock they were holding. From October 1, products with pre-GST prices will be confiscated.

The government had earlier allowed companies to print, stamp, or use stickers to show the new MRP on a product package. The guidelines were issued to ensure that companies and retailers have a way of dealing with older (so-called pre-GST) stock, and preventing profiteering in the name of new MRP. The original MRP shall continue to be displayed and the revised or post-GST price shall not overwrite on it, said the guidelines.

There has been ample confusion among both consumers and retailers regarding how the MRP changes will reflect under GST. Under the GST regime, if a price of a product has increased the manufacturer/importer/packer will have to give an advertisement in two newspapers about the new MRP and put a revised sticker on the packaging. GST, launched at midnight of June 30, has subsumed all value added tax (VAT) and Octroi levied on goods and services. It has four slabs — 5, 12, 18 and 28 per cent — for different commodities. This is considered India's most ambitious tax reforms since independence in 1947.

Consumers were facing difficulty as devices were sold according to the paying capacity of the consumer. Even after capping of MRPs, many companies were not displaying the MRP. The legal metrology rules were framed to regulate pre-packaged commodities.

Under these rules, manufacturers are required to comply with certain labelling requirements. ■

