

Impact of GST 2.0 on Indian Crockery Industry - A Study on Demand and Supply Chain Dynamics

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ABSTRACT

This study investigates the effect of GST 2.0 on supply and demand of crockery in India, which includes plastic, ceramic, and glass categories. Implemented on September 22, 2025, the GST 2.0 reform was introduced to simplify the pre-existing tax structure into two major slabs – 5% and 18%. As a result, ceramic crockery had drastic change in prices with GST reduced from 12% to 5%. In addition, plastic and glass crockery were stagnant at 18%. This study is based on secondary data collected policy updates, industry reports, and market analysis to determine the impact of price changes on production decisions and consumption patterns.

Findings of the study have suggested that renewed prices of GST had a direct impact on product prices, increasing demand and affordability, especially in ceramic crockeries. It is aligned with wider economic evidence, which suggested that tax savings on consumer goods can improve consumption drastically. In addition, organization of tableware has shifted perception of consumers under essential goods, which transformed crockery from semi-luxury to basic product to further boost demand. There are both challenges and opportunities generated by the reform on the supply side. While input tax credit and rising sales volumes are beneficial for retailers and manufacturers, there are several issues related to compliance, pricing changes, and inventory management.

In addition, the uneven tax distribution has caused structural change in production, which favored ceramic over plastic and glass categories. Despite having positive impact, GST 2.0 also had uneven effect on crockery, which significantly boosted supply and demand in ceramic industry while holding neutral effect on other segments.

Keywords: crockery industry, India, GST 2.0, tableware, glassware, input tax credit

1. Introduction

Whether it's a glass bowl, melamine serving tray or ceramic plate, crockery is the part of daily life in almost every middle-class household in India. The GST 2.0 reform have been found to be highly disappointing for the ceramic industry. For instance, government had been urged by the "Morbi Ceramic Manufacturers Association (MCMA)" to reduce tax from 18% to 5% on sanitaryware and tile. While handicraft and earthenware, decorative items and statuettes, ceramic tableware, and kitchenware had lower GST to 5%, the tax on vitrified tiles and sanitaryware remained similar at 18%.

The renewed 5% GST came as a relief exactly when US tariffs were badly hitting the ceramic trade. Large-scale units are still surviving on thin margin due to tariffs imposed. On the other hand, a lot of medium and small-scale units have come to an end. Reducing GST was a good move to revive the SMEs. These ceramics have been the most important part of middle-class lives as compared to marble and granite for being cheaper (Dhar, 2025). Reducing the GST would definitely be helpful to SMEs in India. Effective since September 22, 2025, here are the new GST rates on crockery items set by the Government of India –

Table 1 - Type of Crockery and New GST Rate w.e.f. September 2025

Type	New GST
Bone China	5%
Ceramic and porcelain	5%
Glass (bowls, plates, etc.)	18%
Disposable cups/plates	5/18%
Melamine (plastic)	18%
Decorative/printed plates	18%

For serving food, business or resale use, hotels, restaurants, wholesalers, and retailers are able to claim their "Input Tax Credit" on the GST they have paid for those items by maintaining their GST bills. Whether buying for hotel, home or retail, staying informed of GST on crockery can

help businesses to make better budgets and stay compliant. Every kind of tableware has a GST slab, i.e., from Bone China to daily plastic (Murari, 2025).

2. Indian Consumer Market

There are three categories of consumer market in India – houseware, kitchen appliances and glassware. These categories are further classified into different sub- categories –

- Houseware – It includes insulated ware, cookware, hydration, storage containers, lunchboxes, kitchen accessories, plastics, and toiletries.
- Glassware – It includes borosilicate, crystal, and soda-lime glassware, porcelain, and Opalware

The consumer market has seen significant growth over the years, due to rise in nuclear family, disposable incomes, and rising demand for functional and organized kitchen spaces. The growth of product ownership per person, working women, and changing lifestyles further fuel this expansion. Consumers are constantly looking for aesthetics and innovation in products to integrate style with functionalities (Ambit, 2025).

Figure 1 – Consumer Market in India – Market Size (\$ Bn)

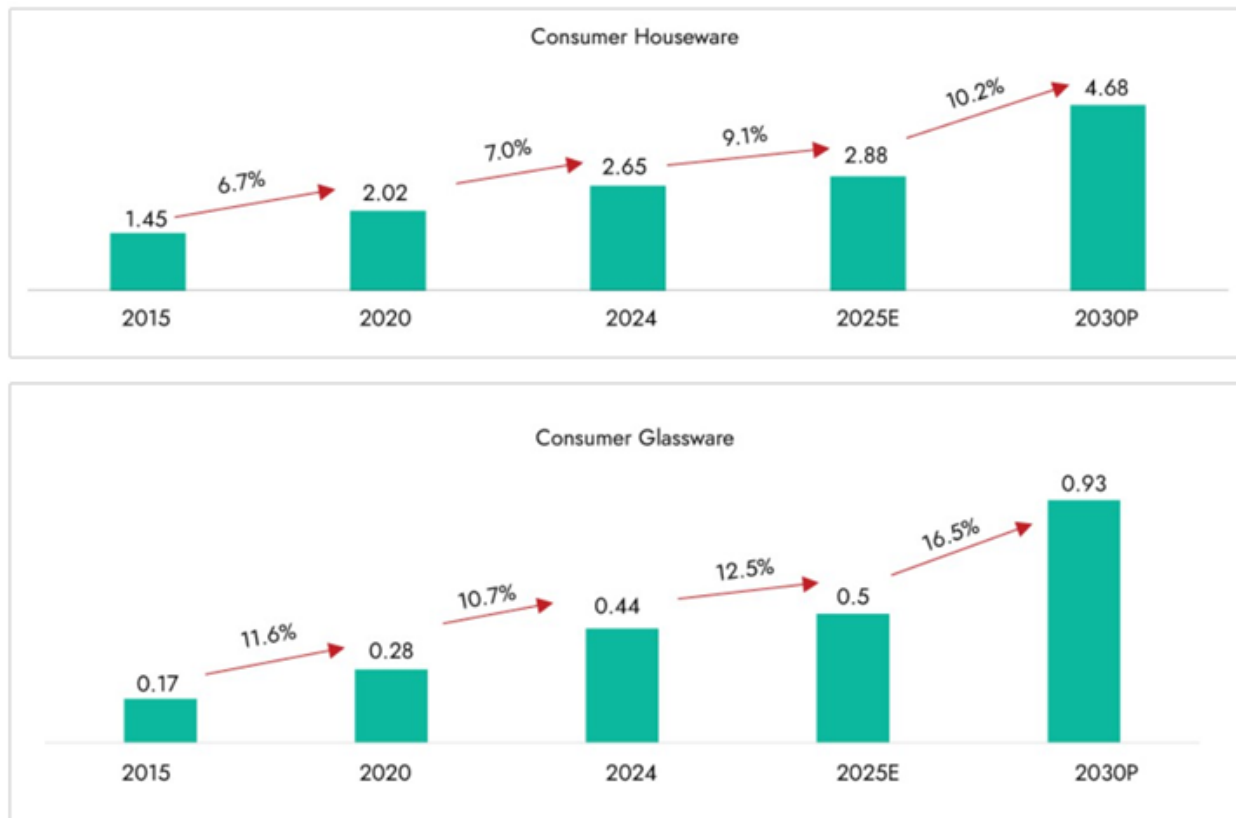


Source – Ambit (2025)

The consumer ware market in India has seen rapid growth over the previous decade, based on rising nuclear families, disposable incomes, and rising demand for functional and organized kitchen spaces. Higher product ownership, rise in working women, and changing lifestyles per person further fuel this growth. Consumers are looking for aesthetic and innovative products which are the best combination of functionality and style. Both Glassware and Houseware categories have witnessed rapid growth over time. Houseware industry may keep growing,

from market size of \$2.89 billion in FY 2025 to projected \$4.68 billion by FY 2030, at a CAGR of 10.2%, which shows potential for significant growth for crockery industry (Ambit, 2025).

Figure 2 – Glassware and Houseware Market Projection (in US\$ billion)



Source – Ambit (2025)

3. Impact on Demand

The GST 2.0 reform has been introduced by the NDA government on September 22, 2025. The GST rates have been limited to 5% and 18%, replacing the previous slabs of 5%, 12%, 18%, and 28%. Meanwhile, sin and luxury items account for 40% GST for fairness and revenue for the government (Times of India, 2024).

GST 2.0 is relatively good for consumers. Daily items that millions and billions of people depend on are expected to be very affordable. However, how much affordable will rely on the product. Items with taxes ranging from 18% to 5%, the tax is slashed to 13% points. For instance, if a product used to cost Rs. 100 + 18% GST= Rs. 118. In new tax regime, that product would cost Rs. 105 (Rs. 100 + 5%). Simply, it saves Rs. 13 on every Rs. 100 worth of product. It

is a major price cut.

But organizations have to either reduce the MRP or increase the quantity for the consumer. Either way, it is for the benefit of the consumer. The tax component declines by 7 points on products which fell under tax bracket of 12% which reduced to 5%. Hence, a product that comes with MRP of Rs. 112 (100 + taxes) will drop to Rs. 105. Hence, Rs. 7 is saved for each Rs. 100 worth of item. Though it is not significant but still profitable for buying products in bulk (Thapliyal, 2025). Overall, final price is directly reduced by GST cut and eventually demand increases.

Another similar sector is textile for an example. After GST reduction, its demand has been increased by around 10%. From Ahmedabad, cotton fabric traders have seen demand increased during the festive season. It is attributed to lower GST on garments which cost around Rs. 2500. There is around 10% of rise in demand after GST cuts, with increased orders from different parts of India (Dave, 2025). Similar elasticity can be applied to crockery sector, which is another price-sensitive FMCG segment.

After the adoption of GST 2.0, its impact has been closely monitored by the government in various sectors. Industries like retail, manufacturing, and services have observed changes in compliance processes, while consumers experienced change in prices for daily-use items (CNBC, 2025). Authorities have made small changes to GST rates with these feedbacks, enhancing the flexibility of system as compared to previous version of GST (NDTV, 2025; Mohan, 2025).

Essentials like tableware are now falling under tax bracket of 5%, while packaged goods like coffee, pasta etc. have GST slashed from 12 to 18 percent to 5%. Hence, crockery becomes more of a household essential than semi-luxury product (Times of India, 2025).

4. Impact on Supply Chain

This tax surprise has come as a welcome change for every member in the supply chain, i.e., from manufacturers to retailers.

Manufacturers – They have to update each and every product segment they produce. They had to change their product labels and prices as per the new GST norms. Most organizations have to hold back the production to avoid producing products labeled with higher prices. They have to re-program machinery and print new price tags. Some organizations just have to increase the quantity of product a bit should they don't want to change the price. For example, a bowl which is priced at Rs. 100 may now come with a spoon to avoid changing the price. This way consumers get one extra item for the same price (Thapliyal, 2025).

Retailers – Store owners have to update their plans and billing systems. They need to load and update new tax rates to their POS software and machines, so they ring the right amount for scanners. They will also attempt to acquire new stock with new prices. There are some supermarkets which had old stocks in the shelves. They needed to either rebuy or sell those at lower profit margin. They may add savings for consumers, while also not running out of stock. Initially, they might still have older inventory. But prices started to show changes only after some time. A lot of retailers slowed down buying old stocks, waiting for government's clarity on how to manage the change (Thapliyal, 2025).

Warehouses and distributors – Distribution centers and warehouses have to ship new stock first to places where old products have been finished. If distributors have loads of products with old prices, they might either call for discount from the producer or a refund. There is still conflict on how to compensate retailers and distributors for products produced in old regime. Credit notes or clear refund rules would be helpful. The logistics network should be agile, especially when demand could spike (Thapliyal, 2025).

Compliance issues – Organizations need to update their compliance. From September 2025 onwards, invoices and returns have the new 5%/18% GST. With fewer slabs, it would be a bit easier to file GST returns in a way. But they need to re- train staff and update their accounting programs in the short term. Tax officials will be watchful to ensure application of correct rates. Classification errors would be less in the two-slab system in the long term and audits would also be easier (Thapliyal, 2025).

Overall, everyone in the supply chain have to work together. Manufacturers need to handle new pricing and packaging on their part. Stocks must be rotated by distributors. Finally, retailers have one extra job to pass on their savings to consumers somehow. Companies want to provide benefits to the shoppers quickly by getting their items at lowest prices to hit the shelves early (Thapliyal, 2025).

4.1 Challenges for Businesses

The transition always come with challenges, whether they are for good in the long term. Here are some of the challenges for all kinds of businesses (Thapliyal, 2025) –

- **Managing old inventory** – There are thousands of tons of items produced already with old labels. Some organizations chose to retag them. For that, they had to print new stickers to put over old ones (after seeking approval from the government). But that fix can be expensive and only for short-term. If retagging process is too slow or not allowed, organizations may want to deeply discount or dump old inventory, or reimburse retailers for the change in prices. In low-value or small products, it would be

easier to add few grams. But changes cannot be avoided in a lot of cases. According to manufacturers, around 4 to 6 weeks may be the ideal time for updating designs and acquiring new materials for packaging, which may cause some turbulence after change.

- **Upgrades** – Kirana shops and other small retailers have to quickly update their billing software or upgrade the same. It is challenging for the ones who are not much tech-savvy. Support is needed to ensure proper application of new rates. There are IT departments in large retail chains to manage this change. But it would be added burden to small players.
- **Reimbursements** – There is a conflict between shops and distributors about paying a difference. Government need to clarify if retailers should be compensated by the manufacturers. Some retailers may want future tax benefits or a refund. Many retailers may not want to order stocks in bulk until things get clear. They don't want to hold old inventory for losses.
- **Logistics** – After Sept 22, retailers might be facing some glitches in supply. Some dealers have expected “messy September”, where inventory is shuffled around. Some items are not available for the short term at new prices. For example, old inventory was supplied to a city just before the change, local retailers had to wait few days to restock with updated inventory from the central warehouses.
- **Pricing and cash flow** – If distributors and manufacturers pass on the complete tax benefit to consumers, their revenues will fall for each unit. Some are concerned about short-term pressure for their profit margins. However, it would increase sales due to affordability and may overcome the short-term loss of margins. Manufacturers will be looking at response from the consumers. Organizations may also want to avoid passing out the benefits too soon and keep prices on a high side to absorb some additional benefits. This way, government and consumer watchdogs may come to the rescue.

Overall, a well-made roadmap would be needed for businesses. A lot of companies had paused old productions, printed new boxes, talked to distributors, and trained staff since early September. Some businesses have also initiated test runs of new prices in some stores.

5. Implications and Future Scope

GST 2.0 has a long-term and widespread impact, which is not limited to crockery items. It has a major impact on consumer markets and economy in India –

- **Improved purchasing power** – As daily-used products have become cheaper,

disposable income would ultimately increase for consumers. They may either spend saved money on other items or keep for later. Consumption may rise up in one way or the other. Consumption will still be low. So, GST 2.0 may revive demand. GDP growth could rise up with increased sales of goods (SBI Research, 2025).

- **Reducing inflation** – India has been dealing with increased inflation. By giving relief on GST, government is trying to control inflation. According to early estimates, reforms could trim 1-1.5% points after inflation of headline. It reduces the pressure on family budgets (SBI Research, 2025).
- **Revenue loss** – Despite having relief for Indian middle class, the government have to bear the loss of revenue in the short term. According to the Centre, GST revenues would be around Rs. 50,000 crores less in the FY 2026 due to these cuts. GST collection would also be lower by the States. It is hopeful that improved compliance and higher economic growth will make up. The government is ready to cut costs or borrow to fill the gap. This trade-off is common when governments jump-start the economy (i.e., with more growth, less tax revenue, and possibly more tax revenue) (Government of India, 2025).
- **Change in stock market** – Consumer-related organizations and FMCG stocks are supposed to be beneficiaries in financial markets. Usually, demand would rise up for products with cheaper taxes. For instance, shares may boost for large consumer goods like Dabur, Godrej, and Hindustan Unilever. In the same way, electronics manufacturers may witness a pickup as those goods have lower GST. Meanwhile, manufacturers of tobacco and sugary beverages may feel pressure on stock prices or demand due to high taxes. Overall, rotation of funds is expected into consumer goods at the cost of sin goods.
- **Social Effect** – Poor sections of society are more likely to gain more. Lower middle-class groups spend a larger amount on food, stationary, and houseware. Families feel more relief with those items getting cheaper. It is a form of targeted tax relief without providing direct subsidy (SBI Research, 2025).

5.1 Future Scope

Looking ahead, household essentials and personal care sector is more likely to change as per GST 2.0 in subtle manner –

- **Innovation in packaging and pricing** – Some companies may add grams to packs or add family packs which are slightly on a higher side, instead of rise in MRP. New

“stock-keeping units” may be designed as per 5% GST. For example, with 12% GST, a bottle of 1 liter cooking oil could be reformulated into 950ml pack for providing the same price at 5%. Marketing teams and engineers may find more creative ways to show tax benefits to buyers (SBI Research, 2025).

- **Competition** – It could be observed as an opportunity by newer and smaller brands to achieve higher market share. Established brands could be weakened to grab attention with low pricing. Meanwhile, leading brands may promote “GST benefits” to stay in the competition.
- **Long-term adjustments** – Eventually, organizations will normalize their packaging and production for new rates. Initial chaos would settle for switching. Overtime, 18% goods might be reconsidered for including in 5% bracket, which are subject to future decisions by GST Council.

6. Conclusion

It is observed in this study that GST 2.0 has redefined the structure of demand and supply in crockery market in India in a material-specific and targeted way. From 12% to 5%, this reduction on crockery has been very important in reducing prices, while driving demand and consumer affordability. This effect is strengthened further by wider macroeconomic goal to increase consumption, with estimates showing major rise in collective demand after the reform. Hence, there is a significant rise in ceramic crockery in market choice, showing a change in consumer behavior towards essentials.

The reform has promoted the rise of production from a supply chain, especially among semi-organized and organized manufacturers benefitting from enhanced compliance and input tax credits. Issues like revised pricing, old inventory, upgrades, and compensation have resulted in disruptions in short-term around the supply chain. SMEs in key clusters keep on facing external challenges and pressures of margin, affecting complete realization of benefits from new regime.

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