



# A Study on Indian Taxation, Financial Regulations and Corporate Reporting Practices with Special Reference to Grasim Industries Ltd.

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## Abstract

This research paper examines the Indian taxation system, financial regulatory framework, and corporate reporting practices, with a practical focus on Grasim Industries Ltd., a flagship company of the Aditya Birla Group. The objective of this study is to understand how direct taxes, indirect taxes, and statutory compliance influence corporate functioning. It also evaluates whether GST, TDS, SEBI LODR norms, and corporate reporting standards under Schedule III and AS/Ind AS contribute to improved transparency and accountability. Using secondary data, internal observations, and analysis of Grasim's financial highlights, the study finds that the company follows consistent compliance practices and maintains strong reporting structures. The paper concludes that taxation reforms, digital compliance systems, and robust financial regulation significantly strengthen governance and financial efficiency in Indian corporations.

**Key Words:** Indian Taxation System; Financial Regulations; Corporate Reporting; GST & TDS Compliance; SEBI LODR; Corporate Governance; Grasim Industries Ltd.

## Introduction

The financial system of any country is based on the strength of its taxation policies, regulatory framework, and corporate reporting standards. In India, the integration of direct and indirect tax laws, the oversight of bodies such as RBI, SEBI, CBDT, MCA, and the adoption of standardized financial reporting practices ensure transparency and support the overall economic environment.

Grasim Industries Ltd., being one of India's largest diversified companies, offers a practical case to understand the real-world application of these laws and regulations. The company operates across sectors such as chemicals, cement, financial services, textiles, and paints. Through its corporate reporting structure, taxation compliance, and adherence to financial regulations, Grasim demonstrates the significance of sound financial governance.

## Statement of the Problem

Indian companies face challenges in maintaining compliance with an evolving taxation system, regulatory changes, and reporting standards. Despite structured frameworks, many firms struggle with proper GST filing, TDS management, adherence to SEBI norms, and accurate financial reporting.

This study aims to understand whether Grasim Industries Ltd. effectively manages these requirements and how taxation and regulatory frameworks influence its financial practices.

## Significance of the Study

This study is significant for several reasons:

1. It helps understand the practical application of Indian taxation laws in corporate environments.
2. It highlights the importance of financial regulatory bodies in shaping responsible business practices.
3. It provides insights into how standardized reporting enhances transparency.
4. It supports students and professionals in understanding the integration of tax compliance and corporate governance.
5. It offers a real-world perspective by focusing on Grasim Industries Ltd., a leading Indian conglomerate.

## Literature Review

The taxation structure, financial regulatory framework, and corporate reporting practices in India have been the subject of extensive academic and policy-based research. Several studies highlight how these components collectively contribute to economic stability, good governance, and investor confidence.

### 1. Literature on Indian Taxation System

According to the Ministry of Finance (2024), the Indian taxation system has undergone significant reforms, especially with the introduction of the Goods and Services Tax (GST) in 2017. GST replaced multiple indirect taxes and created a unified national market. Scholars such as Rao and Chakraborty (2020) note that GST increased transparency and reduced cascading effects of taxes.

Direct taxes, including income tax and corporate tax, have been analysed in several research papers. Kelkar Committee Reports emphasize the need for simplification and widening of the tax base. Studies by CBDT (2023) highlight how digital taxation systems such as faceless assessment and pre-filled returns have reduced human interface and improved compliance.

### 2. Literature on Financial Regulations

Financial regulations in India are governed by bodies such as the RBI, SEBI, IRDAI, and MCA. Research by the Reserve Bank of India (2022) shows that regulatory interventions help maintain financial stability, especially during periods of national or global economic distress.

SEBI's LODR framework has also attracted scholarly attention. Bhattacharya & Singh (2018) argue that mandatory disclosures and governance requirements significantly reduce the risks of fraud and misinformation. International studies, such as those by the OECD (2023), also highlight that India's regulatory reforms have moved closer to global standards of investor protection.

### 3. Literature on Corporate Reporting Practices

Corporate reporting is governed by the Companies Act, 2013 and accounting standards (AS/Ind AS). A study by the Institute of Chartered Accountants of India (ICAI, 2023) emphasizes that Schedule III formats have improved uniformity and comparability of financial statements.

Research by Dasgupta (2021) finds that corporate reporting transparency has a strong positive impact on investor trust. International literature, such as Ball & Brown (1968), suggests that financial statements play a crucial role in stock price movements and investment decisions, highlighting the importance of accurate reporting.

Ind AS adoption in India has also been widely discussed. According to research by Deloitte (2022), IFRS-converged standards have improved the relevance of financial information and facilitated foreign investment.

## 4. Literature on Compliance and Corporate Governance

Corporate governance research consistently supports the view that strong compliance structures lead to better financial performance. SEBI's LODR framework, according to studies by KPMG (2021), encourages companies to disclose material events promptly, improving accountability.

Academic studies like those of Narayanaswamy (2017) also find that companies with strong internal control systems are more likely to comply with taxation and reporting norms. This reduces operational risks and enhances long-term sustainability.

## 5. Literature on Grasim Industries and Similar Conglomerates

Although limited academic research exists specifically on Grasim Industries, several reports on Indian conglomerates show similar patterns. According to the Aditya Birla Group Annual Report (2024), diversified companies benefit from strong internal governance, centralized compliance systems, and uniform accounting practices across business units.

Studies on conglomerates such as Reliance, Tata, and Aditya Birla Group by PwC (2020) show that internal audit mechanisms, ERP systems (like SAP), and standardized reporting help streamline tax compliance and financial documentation across sectors.

## 6. Global Perspective

Globally, corporate reporting and tax compliance are influenced by frameworks like IFRS, OECD BEPS (Base Erosion and Profit Shifting), and World Bank Ease of Doing Business indicators. Research by the OECD (2023) notes that countries with transparent tax systems and strong compliance mechanisms witness higher foreign investment.

Comparative studies between India and developed economies show that India has improved significantly in digitizing tax systems, adopting global reporting standards, and strengthening financial regulatory frameworks.

### Hypothesis

**H1:** Effective taxation compliance and adherence to financial regulations have a positive impact on corporate financial transparency and performance.

**H0:** Taxation compliance and financial regulations do not significantly influence corporate transparency or financial performance.

### Research Methodology

This research follows a **descriptive** methodology using:

#### 1. Secondary Data

- Company annual reports
- Financial statements
- Indian tax laws, GST rules, SEBI LODR regulations
- Literature from government websites (CBDT, CBIC, MCA)

#### 2. Observational Findings

Data collected during the internship at Grasim Industries Ltd., including practical exposure to: • GST filing process

- TDS preparation and compliance
- SAP ERP usage for document verification, vendor payments, and tax entries • Financial reporting processes

### 3. Tools Used

- Ratio analysis
- Financial interpretation methods
- Analysis of company performance metrics

## Data Analysis / Findings

### 1. Taxation Compliance at Grasim

- Grasim follows all direct and indirect tax regulations, including Advance Tax, TDS, and GST.
- RCM, ITC reconciliation, and GST filings are conducted systematically through SAP ERP.
- TDS returns are filed quarterly, and all vendor payments undergo compliance checks.

### 2. Corporate Reporting Practices

- Reports follow Schedule III of the Companies Act.
- Cash flow statements comply with AS-3/Ind AS 7.
- Contingent liabilities, events after the balance sheet date, and MSME disclosures are recorded as per legal requirements.

### 3. Financial Highlights

- FY25 revenue: ₹1,48,478 crore, highest ever.

REVENUE(CR)

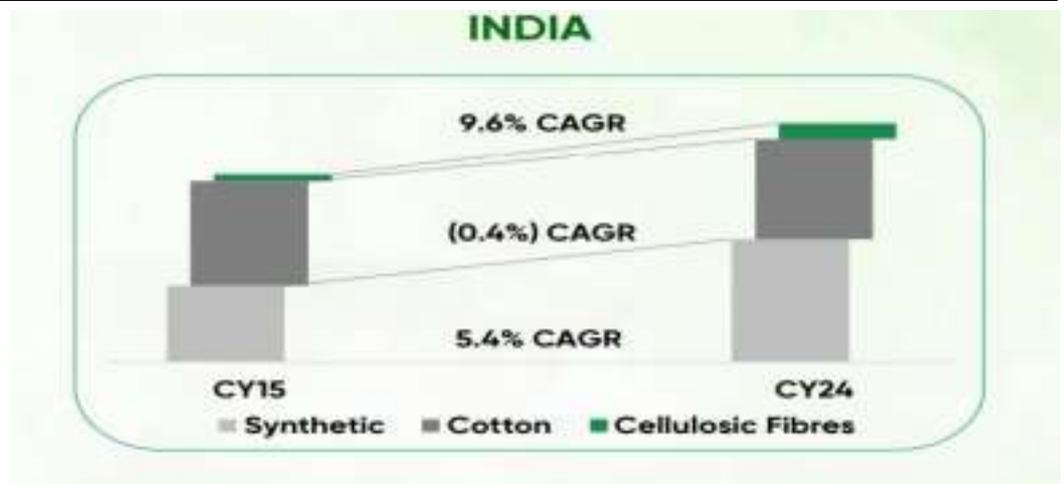


- EBITDA: ₹20,023 crore, slightly lower due to higher input costs.

EBITDA(CR)



- Q4 FY25 net profit increased by 9.6% YOY.



- Heavy investments in the paints business (Birla Opus) impacted short-term profitability.
- Cellulosic fibre volumes grew by 4%, but realizations were affected due to cheaper imports.

#### 4. Operational Insights from SAP

- Use of transaction codes such as FB01, FB03, MIRO, ME23N helped ensure accuracy in accounting and vendor management.
- GST percentages (CGST, SGST, IGST) are applied automatically in SAP to ensure precise taxation.

#### Interpretation

The analysis shows that Grasim Industries maintains a strong compliance culture. Proper handling of GST, TDS, and statutory reporting indicates efficient internal controls. Despite market fluctuations and cost pressures, the company's revenue performance remained strong due to its diversified portfolio.

Investments in new businesses like paints temporarily affected margins, but they indicate long term strategic growth. The company's adherence to SEBI norms and Schedule III reporting reflects high governance standards. The findings strongly support the hypothesis that tax compliance and regulatory adherence enhance financial stability and transparency.

#### Conclusion

This study concludes that taxation, financial regulations, and corporate reporting practices are essential pillars of corporate governance in India. Grasim Industries Ltd. demonstrates strong compliance with the Income Tax Act, GST framework, SEBI LODR norms, and accounting standards, showcasing how structured financial processes improve transparency.

The company's financial performance, despite sectoral challenges, indicates resilience supported by disciplined reporting and regulatory adherence. Therefore, the hypothesis is accepted: effective tax compliance and strong financial regulations positively influence corporate transparency and financial performance.

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