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Next Gen GST Reform

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The Government of India's latest GST reforms aim to ease the cost of essentials, support key sectors, and improve compliance while keeping "sin goods" costlier. By reducing tax rates on daily-use items, healthcare, education, agriculture inputs, and renewable energy devices, the reforms are designed to boost consumption, affordability, and sectoral growth. At the same time, higher taxes on tobacco, pan masala, and sweetened beverages reflect the twin objectives of public health protection and revenue generation. Overall, the changes move towards a simpler, fairer, and growth-oriented tax structure. Market is poised to embrace the proposed GST reforms, streamlining tax slabs to 5% and 18%. This reduction, especially from the 12% and 28% brackets, is expected to spur consumer demand ahead of the festive season, benefiting sectors like consumer durables, automobiles, and FMCG. However, prices in few of these beneficiary stocks of these sectors have already surged in anticipation of cut. The tax cut supports consumption-driven growth, but its ultimate aim should be to pass on to consumers. Markets would also like to understand the net fiscal implication of these tax reduction and its impact on economy in longer horizon.

New GST Slabs

- 0% – Essentials (food, education, healthcare basics)
- 5% – Daily-use goods, agriculture, renewable energy
- 18% – Most standard goods and services (electronics, vehicles, appliances)
- 40% – Sin and luxury goods (tobacco, pan masala, sweetened drinks, etc.
- New Rates to kick in from September 2025
- Compensation cess will continue till Oct 31

What Gets Cheaper and Indicative list of few Beneficiary companies

SR No	Category	Item	Previous GST Rate	Current GST Rate	Beneficiary Company
1	FMCG & Daily Essentials	UHT milk, Indian breads	0%	0%	Nestle India, Parag Milk Foods, Britannia, Hatsun Agro
		Condensed milk, butter, ghee, cheese	12%	5%	
		Hair oil, toothpaste, soaps, toothbrush, shaving cream	18%	5%	ITC, Hindustan Unilever (HUL), Dabur, Colgate-Palmolive (India), Godrej Consumer, Emami
		Dry fruits (almonds, cashews, pistachios, hazelnuts, dates)	12%	5%	ITC, Marico
		Utensils, baby bottles, diapers, sewing machines	12%	5%	Hawkins Cookers, TTK Prestige, P&G Hygiene, Kimberly-Clark India, Singer India
		Refined sugar, syrups, candies, toffees	12%	5%	Dabur, Nestle India, ITC
		Edible oils, spreads, meat/fish products	5%	5%	Adani Wilmar, Marico, Ruchi Soya, Venky's (India) Ltd, Avanti Feeds Ltd, Godrej Agrovet Ltd.
		Namkeens, bhujia, savoury snacks	12%	5%	Bikaji, ITC, Britannia
		Packaged drinking water (without sugar/flavour)	18%	5%	Varun Beverages (Pepsi bottler)
2	Agriculture & Fertilisers	Fertilisers	12–18%	5%	Deepak Fertilisers & Petrochemicals
		Tractors	12%	5%	Godrej Agrovet
		Tractor tyres/parts	18%	5%	Apollo Tyres, MRF, JK Tyre, CEAT, Balkrishna Industries, Mahindra & Mahindra, Escorts Kubota
		Bio pesticides, micronutrients, drip irrigation, sprinklers, soil-prep & harvesting machines	12%	5%	PI Industries, UPL Ltd, Rallis India, Bayer CropScience India, Sharda Cropchem, India Pesticides Ltd, Jain Irrigation, Finolex Industries, Astral, Supreme Industries, VST Tillers Tractors, Greaves Cotton, Kirloskar Oil Engines
3	Healthcare & Education	Thermometers	18%	5%	Morepen Labs
		Health & life insurance	18%	0%	LIC, SBI Life, , Star Health, ICICI Prudential, HDFC Life, Niva Bupa, Star Health
		Medical oxygen, test kits, glucometers, corrective spectacles	12%	5%	Linde India, Laurus Labs, Thyrocare (part of PharmEasy), Metropolis Healthcare, Dr. Lal PathLabs, GKB Ophthalmics, Titan (Titan Eye+)
		Educational goods (maps, notebooks, crayons, erasers, etc.)	12%	0%	Kokuyo Camlin, ITC, S Chand & Co, Navneet Education

What Gets Cheaper and Indicative list of few Beneficiary companies

SR No	Category	Item	Previous GST Rate	Current GST Rate	Beneficiary Company
4	Electronics & Appliances	ACs, TVs (above 32"), monitors, projectors, dishwashers	28%	18%	Blue Star, Voltas, LG Electronics, Samsung
	Automobiles	Petrol/LPG/CNG hybrid cars (≤1200cc/4000mm)	28%	18%	Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Toyota, Bajaj Auto, Hero, TVS, Eicher
5	Other Sectors	Renewable energy devices	12%	5%	Tata Power Renewable, Adani Green Energy, JSW Energy, NTPC Green, Waaree Energies, Vikram Solar, Inox Wind, Suzlon Energy, Reliance Retail
		Construction materials	12%	5%	Kajaria Ceramics, Somany Ceramics, Greenply Industries, Century Plyboards, Greenlam Industries, Cera Sanitaryware, HSIL, Astral, Finolex Industries, Supreme Industries,
		Toys, sports goods	12%	5%	Reliance Retail, Imagicaaworld Entertainment, COSCO India
		Handicrafts & Leather	12%	5%	Mirza International, Relaxo Footwears, Bata India, Campus Activewear, Metro Brands, ABFRL
		Wood Products	12%	5%	Century Plyboards, Greenply, Greenlam, Rushil Décor, Orient Bell Ltd
6	Construction Sector	Cement	28%	18%	UltraTech Cement, ACC, Ambuja Cement, Shree Cement, JK Cement, Dalmia Bharat
	What Gets Costlier				
			Steep GST + cess (on transaction value)	Steep GST + cess (on Retail Sale Price)	Likely Impacted companies
7	Sin Goods	Pan masala, gutkha, cigarettes, tobacco, bidis	28%	40%	ITC Ltd, Godfrey Phillips India, VST Industries
		Sweetened/flavoured drinks (cola, packaged juices, flavoured water)	28%	40%	Varun Beverages, Zydus Wellness, Hatsun Agro, Heritage Foods, Parag Milk Foods
8	Thermal Power	Coal	5%	18%	NTPC Ltd, Coal India Ltd, Tata Power, Adani Power, JSW Energy, CESC Ltd, NLC India

Highlighting few Sectors with Cause & Effect of GST Reforms

1 **Cement (Construction Sector)**

- Cause: GST on cement cut from 28% to 18%.
- Effect (Positive): Brings down project costs for real estate and infrastructure, improving housing affordability. Cement demand expected to strengthen as lower end-prices support both retail housing and government infra push, boosting volumes for majors like UltraTech and Ambuja.

2. **Casinos, Lotteries & Online Gaming**

- Cause: GST raised to 40% on casinos, betting, lotteries, horse racing, and online money games.
- Effect (Negative): Higher tax outgo erodes profitability and may reduce participation levels. This will constrain sector growth and make the industry structurally less attractive, while state governments gain more tax revenue.

3. **FMCG & Daily Essentials**

- Cause: GST rates on soaps, toothpaste, oils, packaged foods, dairy, and snacks reduced from 12–18% to 5%.
- Effect (Positive): Lower taxes make essentials more affordable, supporting rural and semi-urban demand. Organised FMCG players like HUL, ITC, Nestlé, and Britannia gain from higher volumes and greater market share versus the unorganised sector.

4. **Agriculture & Fertilisers**

- Cause: Fertilisers, pesticides, tractors, and irrigation equipment now taxed at 5% vs 12–18% earlier.
- Effect (Positive): Reduces farm input costs, improving farmer affordability and rural income potential. Fertiliser manufacturers and agri-equipment companies like M&M, Escorts, UPL, and Rallis should benefit from higher adoption and demand.

5. **Healthcare & Insurance**

- Cause: Health and life insurance exempt from GST; medical devices and consumables reduced to 5%.
- Effect(Positive): Lower costs will boost insurance penetration and expand healthcare access. Insurers (LIC, HDFC Life, Star Health) and diagnostic/medical suppliers (Linde, Metropolis, Thyrocare) should see stronger adoption and customer base growth.

Highlighting few Sectors with Cause & Effect of GST Reforms

6. **Consumer Durables & Electronics**
   - Cause: GST cut from 28% to 18% on ACs, TVs (above 32"), dishwashers, and large appliances.
   - Effect (Positive): Improves affordability of discretionary consumer durables, especially ahead of festive demand. This should drive volume growth for Voltas, Blue Star, Havells, and MNC brands, with higher penetration in middle-income households.
7. **Renewable Energy**
   - Cause: GST on renewable devices reduced from 12% to 5%.
   - Effect (Positive): Cuts project costs for solar, wind, and other renewable installations, improving returns and financing viability. Sector leaders like Adani Green, Tata Power Renewables, Suzlon, and Inox Wind will benefit from faster adoption and stronger project pipeline.
8. **Sin Goods & Sweetened Beverages**
   - Cause: GST on tobacco, pan masala, and sweetened beverages raised to 40%.
   - Effect (Negative): Higher taxation makes these products costlier, likely curbing consumption growth and squeezing margins. Listed players such as ITC (cigarettes), Godfrey Phillips (tobacco), and Varun Beverages (Pepsi bottler) may face demand headwinds, aligning with the government's public health stance.
9. **Thermal Power**
   - Cause: GST on coal has been raised steeply from 5% → 18%.
   - Effect (Negative): This significantly raises input costs for thermal power producers, who still account for over 70% of India's electricity generation. Companies may struggle to fully pass on higher costs due to regulated tariffs, squeezing profitability. At the same time, it nudges policy towards renewables by making coal-based power relatively costlier. Thermal power utilities such as NTPC Ltd, Tata Power, and Adani Power will face higher fuel costs, which may not be fully passed on under regulated tariffs, pressuring margins. This shift also strengthens the case for renewables, indirectly benefitting companies like Adani Green Energy, Suzlon Energy, and Tata Power Renewables, as coal-fired generation becomes relatively less competitive.

GST reforms should be very positive for the economy as the key drivers of the economy have been given prominence as per the statement by Finance ministry.

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