

## Event Update

September 4, 2025

### Top Picks:

Britannia Industries

ITC

Hindustan Unilever

Colgate Palmolive

Mahindra & Mahindra

Hero Motocorp

Ultratech Cement

Amber Enterprises India

Bharat Electronics

Apollo Hospitals Enterprise

Max Healthcare Institute

DOMS Industries

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## ***GST 2.0 – Structural Reform to boost demand and economy***

*The GOI has announced GST 2.0 which has indicated a reduction in taxes to the tune of Rs480bn and reduction in taxes on wide ranging items of daily use by common man. The measures except tobacco will be applicable from Sept 22 which will help revive festival demand.*

*There has been steep cut in taxes on Auto, Processed Foods, Personal care, Cement, Ac and durables, Books and Stationery, Hotels (<Rs7500 rent), Agriculture tractors, implements and inputs, Kitchenware, insurance, specified medicines etc. Cigarettes, aerated beverages, PV>3995mm, cigarettes etc. are placed in 40% bracket. Food delivery services are likely to be taxed at 18% now. We believe that it will boost demand for consumption-oriented companies.*

### **Key Stocks**

Staples - ITC, Britannia Industries, Hindustan Unilever, Godrej Consumer Products, Colgate Palmolive (India), Marico, Bikaji Foods International, Emami and Nestle India Apparel/ Footwear – Aditya Birla Lifestyle Brands, Arvind Fashions, Metro Brands Asia, Auto - Bata, Auto, Hero Motocorp, TVS Motor Company, Eicher Motors, Maruti Suzuki India, Mahindra & Mahindra, Hyundai Motor India, Tata Motors, Ashok Leyland, Cement – Ultratech Cement, Ambuja Cement, Shree Cement, JK Lakshmi Cement etc., Life and Health Insurance (Long term), Durables - Blue Star, Voltas, Whirlpool of India, Budget Hotels – Lemon Tree Hotels, Samhi Hotels, Hospitals (cheaper insurance – Apollo Hospitals Enterprise, Max Healthcare Institute, Aster DM Healthcare, Defense – Hindustan Aeronautics, Bharat Dynamics, Bharat Electronics etc.

### **Key Features of the Reform**

- Major structural overhaul of GST, not just rate rationalization.
- Only 2 standard slabs remain – 5% and 18%.
- Special 40% slab introduced exclusively for sin and ultra-luxury goods.
- **Simplification:** Many items moved from higher to lower slabs to benefit the common man and critical sectors.
- **Medical relief:** Significant exemptions and zero-rating for life-saving medicines and equipment.
- **Ease of living:** Focus on consumer goods, agriculture, textiles, renewable energy, and healthcare.
- **Uniform treatment:** Removal of HS-code based confusion in auto and textile sectors.
- September 22, 2025 – All reforms effective, except sin goods.

- Sin goods (tobacco, pan masala, etc.) – Continue under existing GST + Compensation Cess until repayment of all dues under the compensation cess account (loan + interest).

## Common Man Relief – 18%/12% → 5%\*

- **Household & FMCG essentials:** Hair oil, shampoos, toothbrushes, bicycles, other basic household items
- **Food items:** Namkeen, bhujia, coffee, chocolate, sauces, pasta, instant noodles, ghee, preserved meat, etc
- **Daily staples:** Ultra-high temperature (UHT) milk, Indian breads, paneer, etc.

## Agriculture & Rural Economy

- Tractors, agri-horti & forestry machines, harvesting equipment etc
- Biopesticides, natural menthol, handicrafts, marble, intermediate leather goods.
- **Fertilizers & chemicals:** Sulphuric acid, nitric acid, ammonia (shifted from 18% → 5%).
- **Renewable energy:** Biogas plants, windmills, waste-to-energy plants, PV cells/modules, solar cookers, water heaters, etc
- **Man-made textile sector:** Finished goods (18% → 5%), yarn (12% → 5%) – ensuring fibre neutrality.

## Higher Goods Rationalized – 28% → 18%

- **Consumer Durables:** Air-conditioners, all TVs, dishwashers, household machines, etc.
- **Automobiles:** Small cars, motorcycles ≤350cc, buses, trucks, ambulances, 3-wheelers.
- **Building Material:** Cement (boost for affordable housing).
- **Auto Parts:** Uniform 18% slab across all HS codes.

## Special Reductions for Social Impact

- **12% → 0%:** 33 life-saving medicines.
- **5% → 0%:** Cancer & severe chronic disease drugs, diagnostic kits, critical medical equipment etc.
- **28% → 5%:** Spectacles and goggles.

## Special 40% Slab (Sin & Ultra-Luxury Goods)

- **Tobacco & related products:** Pan Masala, Gutkha, Cigarettes, Chewing Tobacco, Sarda, Unmanufactured Tobacco, Bidi etc

- **Beverages:** Aerated waters with added sugar, flavored/caffeinated/carbonated drinks (except those in low slabs).
- **High-end consumption:** Mid-size & large cars, motorcycles >350cc, yachts, vessels, private aircraft.
- **Levy mechanism:** Retail Sale Price (RSP) based GST instead of transaction value (for tobacco & pan masala) – ensuring higher revenue capture.

### Services Exemptions

- **Insurance:** All individual life insurance policies (term, ULIP) exempt. Health insurance policies, including those for senior citizens is exempt.

## Key Sector Changes

### Consumer

#### FMCG (12%-5%)

- **Personal care:** GST reduction in hair oil, shampoo, toothpaste, soap, toilet soap bars, shaving cream, toothbrushes are likely to benefit stocks like **Colgate, Dabur, HUL, GCPL**
- **Packaged food and snacks:** namkeens, bhujia, mixtures, biscuits, cornflakes, chocolates, instant coffee, sauces, pasta, noodles, jams, jellies, marmalades, breakfast cereals, sugar boiled confectionery.
- **Dairy and related:** GST cut in condensed milk, butter, ghee, cheese, dairy spreads are likely benefit companies like **Britannia**
- Miscellaneous: nuts (almonds, pistachios, etc.), dried fruits, refined sugar, utensils, feeding bottles, clinical diapers, tableware, sewing machines.

#### FMCG (18%-5%)

- Chocolates, Biscuits, cocoa butter, cocoa powder have seen reduction of GST from 18% earlier to 5% now which likely to benefit **Britannia, Nestle**
- Sugar confectionary product are seeing similar reduction in GST

#### GST Fully Exempted (5%-Nil Rate)

Some staples are now entirely GST-exempt, such as:

- Indian breads: paratha, chapati, roti, parotta .
- Processed dairy: ultra high-temperature (UHT) milk and pre-packaged paneer or chena .

### Footwear & Apparel

- Footwear and apparel with price less than or equal to Rs2500 will attract 5% GST and those above Rs2500 will attract 18% will benefit most of the listed departmental stores, value retailers and branded apparel companies and footwear companies ( **Relaxo, Campus, V-mart, Vishal mega mart, ABFRL, Raymond, Aditya birla lifestyle & Trent**)
- Carbonated drinks to be taxed at 40%

### Cigarette

- Cigarette to attract GST of 40%, however no breakup available as per Cigarette length , as of now no change in status till GST compensation loan and interest is fully paid by the government

## Diapers

- GST down from 12% to 5%

## Automobiles

- **Incremental positives:** Mahindra & Mahindra (no cess, no change in EV taxes), Tractors (<1,800cc) and Tractor parts both GST reduced to 5% from 12% & 18% resp., so no inverted duty structure (+ve for Mahindra & Mahindra and Escorts Kubota)

### Segment-wise GST changes:

- EVs unchanged at 5%. Recent speculation on increase in GST for EVs > ₹20lacs had caused some correction in Mahindra & Mahindra (partly Tata Motors)
- **Small cars (≤1,200cc Petrol, CNG, LPG/≤1,500cc Diesel, & ≤4m length):** Reduced to 18% from 28%-31%(incl cess). +ve for Maruti Suzuki, Hyundai Motors India, Tata Motors
- **Large Cars (incl SUV):** Reduced to 40% from 48%-50% (incl cess). +ve for Mahindra & Mahindra, Hyundai Motors India.
- **2Ws ≤350cc:** Reduced to 18% from 28%. +ve for Hero MotoCorp, Bajaj Auto, TVS Motor Company, Eicher Motors (RE)
- **3Ws, CVs:** Reduced to 18% from 28%. +ve for Tata Motors, Force Motors, Mahindra & Mahindra, Eicher Motors(VECV), Ashok Leyland, Bajaj Auto, TVS Motor Company.
- **Mid-size cars (incl Large Hybrid):** Reduced to 40% from 43%-45% (incl cess). Slightly +ve for Maruti Suzuki, Hyundai Motors India.
- **Tractors (<1,800cc):** Reduced to 5% from 12%. +ve for Mahindra & Mahindra, Escorts Kubota with Tractor parts also coming down to 5% from 18%
- **2Ws >350cc:** Increased to 40% from 31% (incl cess). Slightly -ve for Eicher Motors (RE) as only ~10% of their sales comes from this segment and the customer base isn't price-sensitive

## Consumer Durables

- **Air Conditioners, Dish washing machines and Television (28% → 18%):** The revision in GST on air-conditioners, Dish washer and televisions (>32 inch) is expected to drive demand during the festive season. This will particularly benefit the air-conditioner segment, which was impacted by a weak summer. The reduction should provide relief, support demand recovery, and help lower elevated channel inventory — a key concern for the sector. Major beneficiaries include AC brands such as Voltas and Blue Star, Lloyd (Havells) as well as contract manufacturers like Amber Enterprises India and PG Electroplast.

## Defense

- Armoured vehicles, radios: GST 12% to 5%
- Drones/UAVs: 28%/18% to 5%
- Military aircraft, rescue vessels, underwater platforms: IGST 18% to Nil
- Helicopter parts, ejection seats: IGST 18% to Nil
- Air Defence, MRSAM, radios: IGST 18% to Nil
- Naval (sonobuoys, missiles): IGST 18% to Nil
- General defence parts/spares: IGST 18% to Nil
- **Likely beneficiaries:** Lower procurement costs, faster acquisitions may improve margins for few DPSUs & private suppliers. (Mazagaon Dock Shipbuilders, Hindustan Aeronautics, Bharat Electronics, Garden Reach Shipbuilders & Engineers, Larsen & Toubro, BEML)

## Education

- **Erasers:** GST is NIL from 5%.
- Maps, atlases, sharpeners, pencils, crayons, pastels, drawing charcoals, exercise books, graph books, notebooks: GST is NIL from 12%.

## Media, Hotels, Travel & Tourism

**Multiplex:-** GST rate on movie tickets below Rs100: GST cut from 12% with ITC to 5% with ITC

**Aviation:-** GST on business class travel rises to 18% with ITC from 12% with ITC

**Hotels:-** For hotels with ARR of less than Rs7,500, GST was 12% with ITC. It would come down to 5% without ITC.

**Logistics (surface transportation) :-** Earlier GST was 5% without ITC & 12%, if ITC is claimed. However, if ITC is claimed the rate rises to 18%.

## Pharma & Hospitals

- Nil GST on health insurance vs 18% earlier - Positive for Hospital stocks
- Over last few years insurance premium had been increasing at faster pace given rising healthcare cost
- NIL GST will reduce burden and may encourage consumers to opt for more insurance policies
- This may boost IP volumes for hospitals
- Separately GST reduced to 5% vs 12% earlier for diagnostic kits and Reagents. Marginal Positive for Diagnostic companies

## Insurance

- Nil GST on health and term life insurance vs 18% earlier - Positive for both general and life insurers
- This is likely to improve affordability and boost volume growth for the sector
- With a GST exemption, health and term insurance premiums are expected to become cheaper
- Since insurers may not get the benefit of input tax credit, they could pass on the additional cost to customers. This is still expected to be cheaper than 18% GST paid by customers currently
- Expect some impact on short-term profitability for insurers due to slower repricing of existing policies

## Cement

- GST reduced from 28% to 18% on Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers

## Impact

- Sentimentally positive; although cement demand is inelastic (as we can't store it and buying decision depends upon larger decision of building/ repairing house) and won't proportionately increase with GST rate cut, overall sentiments in rural economy would improve along with increasing disposable income. It can brush off Individual House Builder (IHB, mostly rural housing, forming ~30-32% of total volumes) construction activities positively leading to improved demand for cement. Mild positive for entire sector.
- Cement constitutes 12-14% of total construction costs for a standalone house. Companies will have to pass on the benefits to consumers now which works out at Rs26 per bag. Companies were eyeing to raise prices before GST rationalisation however with muted demand, it faced resistance from dealers in few regions. We believe, with immediate implementation of GST rationalisation, companies won't be able to raise prices proportionately and will have to wait for demand to improve to inch up the prices. Reduction in prices will support incremental demand from IHB segment.
- Remain positive on industry leaders having excess capacities as in case of sudden inch up in demand, companies having lower utilisations can ramp up production and benefit. Companies having extensive reach in rural markets can benefit. **Key beneficiaries:** Ultratech Cement, ACC, Ambuja Cements, JK Lakshmi Cement, Ramco Cement, Birla Corporation.

### Metals

GST on steel and aluminium remains at 18%; however few other items tinkered are:

- Rate cut for Automobile sector to be very positive for steel makers. Tata Steel, JSW Steel beneficiaries. Rate cuts for Consumer durables will be positive for both steel, Aluminum players.
- Table, kitchen or other household articles of iron and steel utensils (from 12% to 5%): seems positive for Jindal Steel as Gol has not bifurcated stainless steel separately.
- Milk cans made up of iron, steel or ally (12% to 5%) mild positive for JDLS.
- Coal, Lignite (5% to 12%): negative for Coal India, Gujarat Mineral Development Corporation, NLC India can inch up costs for Cement and metal producers slightly. But clean energy cess is also removed which will neutralise impact.
- Ammonia (18% to 5%): insignificant for ally manufacturers Hindalco Industries, Vedanta, National Aluminium Company.

### Chemicals & Oil and Gas

- GST on goods used for E&P incld CBM raised from 12% to 18%
- Rise in capex for upstream cos like ONGC & Oil India
- GST on sulphuric acid, nitric acid & ammonia reduced from 18% to 5%

### Renewable Energy Sector

- Waste-to-Energy plants: GST 12% to 5%
- Biogas plants: GST 12% to 5%
- **Impact:** Lower project costs, better adoption of WTE & CBG projects. Likely direct / indirect beneficiaries Thermax, Triveni Turbine, Siemens, Praj Industries.

**Exhibit 1: M&M, Maruti, Hyundai, Hero Moto, TVS, Bajaj Auto, TAMO and Ashok Layland key gainers**

Type	Powertrain	Engine cap.	Length	Current GST	Current Cess	Total tax	GST 2.0	Impact	Gainers / Losers
EVs (any vehicle)	EV			5%	0%	5%	5%	No Impact	
Small Cars	Petrol	≤1,200 cc	<4m	28%	1%	29%	18%	Positive	Maruti Suzuki, Hyundai
	Diesel	≤1500 cc	<4m	28%	3%	31%	18%	Positive	
Large Cars (Non-SUV)		>1500 cc	≥4m	28%	20%	48%	40%	Negative	
Large SUVs		>1500 cc	≥4m	28%	22%	50%	40%	Negative	M&M, Hyundai Maruti, Hyundai
All other Mid-Size cars		1200-1500cc		28%	15%-17%	43%-45%	40%	Positive	Hero Motocorp, Bajaj Auto, TVS Motors, Eicher
2W		= <350cc		28%	0%	28%	18%	Positive	Bajaj Auto, TVS Motors, Greaves
3W & Ambulance				28%	0%	28%	18%	Positive	M&M, Escorts Kubota
Tractors (Except road tractors for semi-trailers)		<1800cc		12%	0%	12%	5%	Positive	Tata Motors, Ashok Leyland
CVs/ Bus (Non-biofuels)				28%	0%	28%	18%	Positive	

Source: PL

**Exhibit 2: FMCG - Most items at 12% slab to move to 5%, big change in 18% slab items look unlikely except for reclassification**

FMCG	Items	Current GST	GST 2.0	Impact	Gainers / Losers
Essential Food	Vegetables, Atta, Eggs, Milk, Salt, Jaggery, Gur, Besan	0%	0%	No Impact	NA
Necessities	Sugar, Tea, Oils, Raisins, LPG, Flavoured milk, Sweets, Incense sticks	5%	5%	No Impact	NA
	Paneer, UHT milk, Pizza Bread, Khakra, Plain roti	5%	0		Britannia
	Paratha, parotta and other Indian breads	18	0		
Personal Care	Hair Oils, Shampoo Soaps, Skin, Toothpaste, hair care, Cosmetics	18%	5%	Positive	HUL, Marico, Dabur, Emami, Colgate, Godrej
Food & Beverages	Ice-cream, Coffee, Biscuits, Pastries, Chocolates, Cocoa butter, Corn Flakes, Tea & Coffee concentrate	18%	5%	Positive	Nestle, HUL, Britannia, ITC, Mrs. Bector's Food, vadilal
Processed Foods	Ready-to-eat, Ghee, Butter, Instant Noodles, Dry fruits, Jams, Juices, Cheese	12%	5%	Positive	Nestle, ITC, Tata Consumer, Dabur, Parag Milk, Britannia
Paper and Stationary	Notebook, Exercise Book, school Stationary items, Paper and Paperboard	12%	0%	Positive	Navneet Education, Doms, ITC
	Erasers	5%	0%	NA	NA

Source: PL

## Exhibit 3: Lighting, Air conditioner, Pump companies to gain

Durables	Sub-Category / Item	Current GST (2025)	GST 2.0 Rate	Impact	Gainers/ Losers
Consumer Appliances	Air Conditioners, Air Coolers, dishwashers	28%	18%	Positive, will boost demand	Voltas, Blue star, Havells, Amber
	Computers, Printers, Mobiles,	18%	18%	No Impact	NA
	Television (> 32")	28%	18%	Positive will push demand higher	No listed player
Electrical Fittings	Switches & Fittings	18%	18%	No Impact	NA

Source: PL

## Exhibit 4: Healthcare – Domestic pharma to benefit

Healthcare	Current GST (2025)	GST 2.0 Rate	Impact	Gainers / Losers
Necessity Medicines	5%	5%	Health necessity, affordability	NA
Prescription Medicines	12%	0%	Positive	Key domestic pharma companies

Source: PL

## Exhibit 5: Sanitary ware and Cement players to benefit

Construction Material	Sub-Category / Item	Current GST (2025)	GST 2.0 Rate	Impact	Gainers / Losers
Tiles	Ceramic / GVT / PVT / Porcelain	18%	18%	Standard slab; widely used	NA
	Earthen / Roofing	5%	5%	Concessional to support rural & affordable housing	NA
Sanitaryware & Fittings	Faucets (metal taps & fittings)	18%	18%	No Impact	NA
Pipes, Panels & Wiring	PVC/CPVC Pipes, Plywood, MDF, Laminates, Veneers	18%	18%	No Impact	NA
	Wires & Cables	18%	18%	No Impact	NA
Core Construction Materials	Cement	28%	18%	Positive	All cement players
	Sand lime bricks	12%	5%	Positive	NA

Source: PL

## Exhibit 6: Apparel and Footwear - Mass end to see lower duties

Retail	Items	Current GST	GST 2.0	Impact	Gainers / Losers
Apparel	Apparel </₹2500, Fabrics	5%	5%	Negative for apparel >₹2500	AB Lifestyle, Raymond Lifestyle, Arvind Fashions, trent, Shoppers Stop, V2, Vmart, Vishal Megamart
	Apparel >₹2500	12%	18%		
Footwear	Casual MRP </₹2500	12%	5%	MRP<2500 could benefit	Relaxo, Campus and Bata
	MRP>₹2500	18%	18%		
Watches	Watches	18%	18%	No Impact, unless price-based segregation applied	NA
Jewellery	Gold, Studded	3%	3%	No change	NA
	Imitation Jewellery	18%	18%		
	Natural cut & polished diamond	18%	Nil		NA
Contact Lens, Specs Lens		12%	5%	Positive	NA

Source: PL

**Exhibit 7: Entertainment – Gaming industry might lose from GST rationalization**

Entertainment	Sub-Category / Item	Current GST (2025)	GST 2.0 Rate	Impact	Gainers / Losers
Multiplex Tickets	Above ₹100	18%	18%	No Impact	NA
	Up to ₹100	12%	12%	No Impact	NA
Online Gaming	All formats	28%	40%+ ITC	Negative for online gaming companies	NA

Source: PL

**Exhibit 8: Travel – Business class travel to get costlier, Budget Hotels to gain**

Travel & Tourism	Sub-Category / Item	Current GST (2025)	GST 2.0 Rate	Impact	Gainers / Losers
Aviation	Economy Class	5%	5%	No Impact	NA
	Business Class	12%+ ITC	18%+ ITC	Negative for business class	Interglobe Aviation
Hotels	Rooms =< ₹7,500	12%	5%	Positive	Lemon Tree, Samhi, Park Hotels
	Rooms > ₹7,500	18%	18%	No Impact	NA
Luggage	Bags, suitcases	18%	18%	No Impact	NA
	Handbags	12%	5%	Positive	NA
Ticketing Fees	Convenience fee	18%	18%	No Impact	NA
Logistics	Surface Transportation	5% (no ITC), 12% (with ITC)	No Change	No Impact	NA

Source: PL

**Exhibit 9: Sin Goods unlikely see any impact of GST rationalization**

Sin Goods	Current GST (2025)	GST 2.0	Impact	Gainers/ Losers
Cigarettes	28% + cess	40%	Neutral	ITC, Godfrey Philips
Alcohol	State VAT	Outside GST	Neutral	NA
Carbonated Drinks	28% + cess	40%	Neutral	NA

Source: PL

**Exhibit 10: Tractors and Agri implement companies to benefit**

Agri	Current GST (2025)	GST 2.0	Impact	Gainers / Losers
Tractors, Planters, Drip Irrigation, Harvesting & thrashing Machinery	12%	5%	Positive	M&M, Escorts Kobuta
Tractor Tyres, Engines & Components	18%	5%	Positive	NA

Source: PL

**Exhibit 11: Mildly positive**

Chemicals	Current GST (2025)	GST 2.0	Impact	Gainers / Losers
Ammonia, Sulphuric Acid, Nitric Acid	18%	5%	Positive	NA

Source: PL

**Exhibit 12: Positive for defense companies**

Defence	Current GST (2025)	GST 2.0	Impact	Gainers / Losers
Parts related to military transport, Aircraft, Air defence systems, Guns, Rockets, etc	18%	0%	Positive	NA

Source: PL

**Exhibit 13: Life and health insurers to gain**

Services	Current GST (2025)	GST 2.0	Impact	Gainers / Losers
Insurance	18%	0%	Positive	NA

Source: PL

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### PL's Recommendation Nomenclature

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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