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GST REVAMP A DEEP DIVE

Auto, Consumer, Realty Among Big Winners

ET Intelligence Group: The rationalisation of GST slabs is expected to boost overall consumption and support economic growth. However, the exact impact will vary from sector to sector and will depend on factors, including the effect of input tax credit and trend in costs of intermediates. **Sachin Kumar and Ranjit Shinde** analyse the sectorwise implications.


AUTOMOBILES
Two-wheeler (2W), passenger car and tractor companies will be major beneficiaries. GST is reduced to 18% on 2Ws, below 350 cc and cars below 1,200 cc from 28%. In addition, the effective duty on large cars will be 40% compared with earlier 43-50%. Mahindra and Mahindra, Maruti Suzuki India, and Escorts Kubota will be major beneficiaries. 2W makers of higher than 350 cc bikes, including Eicher Motors and Bajaj Auto will be affected negatively due to GST rise to 40% from 31%.

BANKING AND FINANCE
Though there is no direct benefit, an expected increase in consumption of white goods is likely to result in improved credit demand, which is expected to benefit retail focussed lenders, including Bajaj Finance, ICICI Bank and HDFC Bank.

CEMENT
The reduction of GST to 18% from 28% is likely to reduce cement price by ₹25-30 per 50 kg bag. The impact of an increase in GST of coal, a major input, to 18% from 5% is likely to be neutralised given that the green energy cess of ₹400 per tonne will no more be levied separately but will now be a part of GST. While these changes are least expected to change the near term demand scenario, cement makers are expected to show improved financials in the coming quarters once construction activities increase after the monsoon recedes. UltraTech Cement, Ambuja Cement look well placed to benefit from this.

Impact Map

GST Revision and sectors



Sector	Positive	Negative
Automobiles	M&M, Maruti Suzuki, Escorts	Eicher Motors
Banking and Finance	Bajaj Finance, ICICI Bank, HDFC Bank	—
Cement	UltraTech, Ambuja Cements	—
Chemicals, Fertilisers	Aarti Industries, Tata Chemicals, GSFC	—
Consumer Goods	Voltas, Blue Star, HUL, Marico, Dabur	—
Hotels	Lemon Tree, Indian Hotels (Ginger)	—
Insurance	LIC, HDFC Life, Max Financial	ICICI Pru, SBI Life
Power	Acme Solar, Waaree, Premier Energy	NTPC, Tata Power
Textiles, Retail and Footwear	Bata India, Relaxo Footwears	Vedant Fashions, Raymond

CHEMICALS AND FERTILISERS
GST on key raw materials such as sulphuric acid, Nitric Acid, Ammonia, micronutrients, menthol and its derivatives to 5% from 12% augurs well for sector incumbents, including Aarti Industries, Tata Chemicals, GSFC, Deepak Fertilizers and RCF.

CONSUMER GOODS
Makers of air conditioners, TVs and dishwashers, including Voltas, Blue Star, Havells are expected to benefit from GST reduction on these goods to 18% from 28%. Companies selling fast moving consumer goods (FMCG) in foods and personal care categories such as HUL, Marico, Dabur, Britannia and Nestle may show demand uptick after GST reduction to 5% from 12-18%.

HOTELS
GST on average room rates below ₹7,500 is reduced to 5% from 12%. This augurs well for Lemon Tree Hotels and Ginger chain of Indian Hotels.

INSURANCE
Traditional plans such as pure protection plans currently taxed at 18% will benefit the most from the exemption. However, a nil GST will take

away the benefit of availing input tax credit (ITC). Companies with higher traditional business and lower expense structure such as LIC, HDFC Life and Max Financial Services will benefit more than ICICI Prudential and SBI Life.

POWER
GST reduction to 5% from 12% on solar cells augurs well for renewable energy companies including Acme Solar, Waaree Energies and Premier Energy. Thermal power producers on the other hand such as NTPC and Tata Power are likely to be affected by the GST increase on coal to 18% from 5%.

TEXTILES, RETAIL AND FOOTWEAR
GST reduction to 5% from 12% on Synthetic yarn, textile floor coverings, towels, woven fabrics, and technical textiles is expected to benefit Welspun Living, Vardhman Textiles and Trident. GST reduction on footwear below ₹2,500 may benefit Bata India and Relaxo Footwears. Retailers including Trent, Aditya Birla Fashions and Go Fashion may benefit from the rate cuts. However, high-end companies including Vedant Fashions and Raymond may face the brunt of GST increase to 18% from 12%.