

NEW GST RATES IMPACT

05 September 2025

Domestic earnings should pick up, with a lag

- Multiple fiscal and monetary measures since the start of 2025 seek to keep domestic economy healthy as external environment turns hostile
- A shift from capex to consumption driven growth and within that a push towards a broad based one instead of a K-shaped one should be good for earnings of multiple sectors, more so in FY27
- While some stocks have moved +vely in response there are some one can still look at - Banks, Cement, Consumer durables and Insurance

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Rationalization of GST one among many monetary and fiscal measures that will offset a harsh external environment: We believe it started with loosening of liquidity by the RBI in early 2025, easing of regulations including risk-weights, front loading of repo rate cuts (with another 25-50bps likely in the next 6 months), lowering of the CRR, Rs1trn tax give away and GST rate rationalization announced on 3 September 2025. These, combined with lower inflation, transmission of lower interest rates and 8th pay commission award, which is likely over the next 12-24 months, will drive domestic growth. While many of these were not specifically planned for it, they have all come together in a reinforcing fashion to offset likely softness in demand due to the first and second order impact of higher Tariffs imposed by US not just on India but also on other countries. GST Council announced a new two rate structure – 5% and 18% with special rate of 40% for sin and luxury goods and removed the 12% and 28% rates. The new GST rates are applicable from 22 September 2025.

See mixed earnings picture in 2HFY26 but should see material revival in FY27: We think a combination of weak NIMs (with likely further cuts to repo rates in 2HFY26) and lower treasury income (due to higher Gsec yields) should lead to downgrade of earnings for the banks in FY26. This could be offset to some extent by higher earnings by some domestic sectors. But we think the cumulative impact of all of these should lead to possibly mid-teen or higher earnings growth in FY27

Some stocks are already reflecting the potential support or upturn in earnings but others are not: Fig 1 indicates the price performance of NSE 100 stocks CYTD, MTD, Since 14 August (GST rate rationalization was announced) and 4 September 2025 (post official announcement GST rate rationalization). This shows that Auto OEM stocks have reacted +vely to the various monetary and fiscal measures and so did some of the NBFCs. The life Insurance companies have also likely reacted to easing of regulatory pressure that they saw in 2024. However, Banks (because of near term earnings pressure), consumer (staples and discretionary) companies, cement, consumer durable and even insurance firms have not responded adequately to the likely pick-up in demand/earnings in 2HFY26/FY27.



Fig 1 – Performance of Nifty – 100 index stocks

Ticker	Name	Holding Period Returns (%)			
		CYTD	1 Month	Since 14 August	04-Sep
ABB IS Equity	ABB India Ltd	(24.3)	2.1	3.1	(0.5)
ACEM IS Equity	Ambuja Cements Ltd	7.5	(5.2)	(0.7)	(1.1)
ADANI IS Equity	Adani Power Ltd	15.1	4.3	4.3	(0.1)
ADANIENS IS Equity	Adani Energy Solutions Ltd	(5.3)	(4.5)	(1.6)	(0.7)
ADANIGR IS Equity	Adani Green Energy Ltd	(10.1)	(5.5)	2.0	(0.7)
ADE IS Equity	Adani Enterprises Ltd	(9.4)	(3.2)	0.3	(0.4)
ADSEZ IS Equity	Adani Ports & Special Economic Zone Ltd	8.8	(4.1)	2.5	(0.3)
APHS IS Equity	Apollo Hospitals Enterprise Ltd	6.3	6.0	(1.0)	2.1
APNT IS Equity	Asian Paints Ltd	13.0	4.2	1.0	0.6
AXSB IS Equity	Axis Bank Ltd	(0.9)	(1.3)	(1.3)	(0.4)
BAF IS Equity	Bajaj Finance Ltd	32.2	1.2	4.0	4.3
BAJAJHFL IS Equity	Bajaj Housing Finance Ltd	(11.2)	(0.8)	0.4	(1.1)
BHARTI IS Equity	Bharti Airtel Ltd	19.7	(1.6)	0.5	(0.2)
BHE IS Equity	Bharat Electronics Ltd	30.2	(2.6)	(1.6)	(1.6)
BJAUT IS Equity	Bajaj Auto Ltd	6.2	11.3	11.0	(0.5)
BJFIN IS Equity	Bajaj Finserv Ltd	25.4	1.7	2.1	1.8
BJHI IS Equity	Bajaj Holdings & Investment Ltd	9.8	(6.3)	(7.9)	(0.3)
BOB IS Equity	Bank of Baroda	2.5	(1.1)	(1.8)	(1.9)
BOS IS Equity	Bosch Ltd	22.1	(0.0)	6.5	(0.9)
BPCL IS Equity	Bharat Petroleum Corp Ltd	11.4	(0.9)	(1.0)	(0.6)
BRIT IS Equity	Britannia Industries Ltd	25.7	2.1	11.4	3.0
CBK IS Equity	Canara Bank	12.1	0.5	(0.9)	(2.1)
CGPOWER IS Equity	CG Power & Industrial Solutions Ltd	0.9	10.7	10.1	0.9
CIFC IS Equity	Cholamandalam Investment and Finance Co Ltd	21.6	(2.2)	(1.5)	1.5
CIPLA IS Equity	Cipla Ltd/India	4.3	4.2	0.9	(0.0)
COAL IS Equity	Coal India Ltd	5.8	7.0	2.8	0.4
DABUR IS Equity	Dabur India Ltd	8.3	2.6	8.5	1.7
DIVI IS Equity	Divi's Laboratories Ltd	1.5	(5.0)	0.5	(0.5)
DLFU IS Equity	DLF Ltd	(6.6)	(3.6)	1.7	(0.8)
DMART IS Equity	Avenue Supermarts Ltd	33.6	13.4	9.2	1.5
DRRD IS Equity	Dr Reddy's Laboratories Ltd	(8.5)	3.0	0.1	(0.7)
EIM IS Equity	Eicher Motors Ltd	33.8	13.4	10.5	0.8
ETERNAL IS Equity	Eternal Ltd	17.3	6.8	2.4	0.0
GAIL IS Equity	GAIL India Ltd	(2.7)	2.0	2.4	(1.9)
GCPL IS Equity	Godrej Consumer Products Ltd	19.4	2.5	7.6	(2.4)
GRASIM IS Equity	Grasim Industries Ltd	14.3	0.1	0.6	1.0
HAVL IS Equity	Havells India Ltd	(5.9)	3.8	5.9	1.2
HCLT IS Equity	HCL Technologies Ltd	(21.3)	(0.6)	(1.6)	(1.6)
HDFCB IS Equity	HDFC Bank Ltd	9.1	(4.2)	(4.1)	0.7
HDFCLIFE IS Equity	HDFC Life Insurance Co Ltd	26.2	5.0	(1.6)	(2.9)
HMCL IS Equity	Hero MotoCorp Ltd	33.8	17.9	13.6	0.0
HNAL IS Equity	Hindustan Aeronautics Ltd	7.7	(1.6)	(2.0)	(0.3)
HNDL IS Equity	Hindalco Industries Ltd	24.2	8.8	6.9	(0.5)
HUVR IS Equity	Hindustan Unilever Ltd	15.7	4.8	7.4	0.1
HYUNDAI IS Equity	Hyundai Motor India Ltd	40.6	16.0	12.2	(1.4)
ICICIBS IS Equity	ICICI Bank Ltd	9.8	(3.8)	(2.1)	0.6
ICICIGI IS Equity	ICICI Lombard General Insurance Co Ltd	2.3	(3.9)	(4.0)	2.7
IH IS Equity	Indian Hotels Co Ltd/The	(11.5)	3.4	(0.1)	0.1
IIB IS Equity	IndusInd Bank Ltd	(20.0)	(4.5)	(0.2)	(1.7)
INDIGO IS Equity	InterGlobe Aviation Ltd	26.2	(0.5)	(4.4)	(0.8)
INFO IS Equity	Infosys Ltd	(20.2)	(0.1)	2.2	(1.1)

Ticker	Name	Holding Period Returns (%)			
		CYTD	1 Month	Since 14 August	04-Sep
INFOE IS Equity	Info Edge India Ltd	(21.1)	(0.3)	0.1	(2.5)
IOCL IS Equity	Indian Oil Corp Ltd	5.2	0.8	0.3	(0.6)
IPRU IS Equity	ICICI Prudential Life Insurance Co Ltd	(6.8)	(0.4)	(2.8)	(1.6)
IRFC IS Equity	Indian Railway Finance Corp Ltd	(16.6)	(4.7)	(0.7)	(1.6)
ITC IS Equity	ITC Ltd	(6.9)	(1.2)	0.1	1.0
JINDALST IS Equity	Jindal Steel Ltd	10.7	5.1	5.6	0.3
JIOFIN IS Equity	Jio Financial Services Ltd	5.2	(5.9)	(4.2)	(1.4)
JSTL IS Equity	JSW Steel Ltd	19.3	1.5	2.6	0.0
JSW IS Equity	JSW Energy Ltd	(20.5)	(5.3)	(3.8)	(1.3)
KMB IS Equity	Kotak Mahindra Bank Ltd	9.9	(1.8)	(0.9)	(0.5)
LICI IS Equity	Life Insurance Corp of India	(1.1)	(2.7)	(1.9)	0.8
LODHA IS Equity	Lodha Developers Ltd	(13.2)	(3.1)	(2.1)	(0.8)
LT IS Equity	Larsen & Toubro Ltd	0.7	(0.8)	(2.1)	(0.2)
LTIM IS Equity	LTIMindtree Ltd	(6.2)	2.0	1.6	0.4
MM IS Equity	Mahindra & Mahindra Ltd	10.1	2.7	0.6	5.9
MOTHERSO IS Equity	Samvardhana Motherson International Ltd	(6.7)	(1.8)	3.7	(2.3)
MSIL IS Equity	Maruti Suzuki India Ltd	39.0	20.7	15.4	(1.8)
NEST IS Equity	Nestle India Ltd	11.3	4.9	9.7	1.5
NTPC IS Equity	NTPC Ltd	1.0	0.7	(1.5)	(0.3)
ONGC IS Equity	Oil & Natural Gas Corp Ltd	1.9	1.8	0.9	(0.9)
PIDI IS Equity	Pidilite Industries Ltd	8.2	5.8	0.9	0.2
PNB IS Equity	Punjab National Bank	4.3	(0.3)	(1.9)	(0.8)
POWF IS Equity	Power Finance Corp Ltd	(9.2)	(3.8)	(4.5)	(1.1)
PWGR IS Equity	Power Grid Corp of India Ltd	(5.8)	(0.2)	(0.5)	(1.5)
RECL IS Equity	REC Ltd	(23.7)	(5.9)	(3.6)	(1.0)
RELIANCE IS Equity	Reliance Industries Ltd	13.4	(2.4)	(0.1)	(1.0)
SBILIFE IS Equity	SBI Life Insurance Co Ltd	30.5	(1.1)	(1.6)	(1.1)
SBIN IS Equity	State Bank of India	4.2	2.1	(1.7)	(0.3)
SHFL IS Equity	Shriram Finance Ltd	2.4	(6.2)	(4.9)	(0.1)
SIEM IS Equity	Siemens Ltd	(1.0)	7.3	1.4	(1.8)
SRCM IS Equity	Shree Cement Ltd	17.0	(2.3)	(1.5)	0.0
SUNP IS Equity	Sun Pharmaceutical Industries Ltd	(15.5)	(3.8)	(3.8)	0.2
SWIGGY IS Equity	Swiggy Ltd	(20.4)	7.9	8.1	(1.7)
TATA IS Equity	Tata Steel Ltd	24.4	5.2	8.1	(0.6)
TATACONS IS Equity	Tata Consumer Products Ltd	21.6	3.0	5.1	(3.0)
TCS IS Equity	Tata Consultancy Services Ltd	(22.0)	0.8	2.5	(0.1)
TECHM IS Equity	Tech Mahindra Ltd	(10.0)	2.3	1.4	(0.5)
TPWR IS Equity	Tata Power Co Ltd/The	(0.3)	0.5	1.0	(1.7)
TRENT IS Equity	Trent Ltd	(23.0)	4.4	2.0	0.9
TRP IS Equity	Torrent Pharmaceuticals Ltd	8.4	(0.2)	(0.4)	(0.2)
TTAN IS Equity	Titan Co Ltd	13.8	10.0	5.8	0.0
TTMT IS Equity	Tata Motors Ltd	(5.7)	5.9	4.1	(0.7)
TVSL IS Equity	TVS Motor Co Ltd	44.2	15.6	12.6	1.0
UNITDSPR IS Equity	United Spirits Ltd	(16.4)	0.6	2.1	(1.9)
UTCEM IS Equity	UltraTech Cement Ltd	12.1	3.9	3.4	(0.6)
VBL IS Equity	Varun Beverages Ltd	(20.6)	(0.7)	0.7	(3.1)
VEDL IS Equity	Vedanta Ltd	4.2	5.7	6.0	(0.9)
WPRO IS Equity	Wipro Ltd	(14.0)	1.4	1.1	(1.8)
ZYDUSLIF IS Equity	Zydus Lifesciences Ltd	4.9	5.1	2.0	0.4

Source: Company, BOBCAPS Research | Note: Returns till 3 September 2025

Fig 2 – Sectoral announcements and impact

Sector	Previous Rate	Current Rate	Impact	Other Notes
Pharma: All Drugs and medicines intended for personal use	12%	5%	Beneficial for companies like Sun, Alkem, Cipla, Mankind, Abbott etc. who are domestic focused and have MR count of 8000-12000. Abbott is the second largest company in the IPM with MR count of ~3500	
Pharma: life saving drugs used for treatment of cancer and rare diseases	12%/ 5%	0%	Reduction of GST on life saving drugs used for treatment of cancer and rare diseases. 33 lifesaving drugs GST reduced from 12% to 0% (Onasemnogene abeparvovec, Asciminib, Mepolizumab, Pegylated Liposomal Irinotecan, Daratumumab, Teclistamab, Amivantamab, Obinutuzumab etc.) and Reduction of GST from 5% to 0% on 3 lifesaving drugs (Agalsidase Beta, Imiglucerase, Eptacog alfa activated recombinant coagulation factor VIIa). Beneficial for companies like Astrazeneca, Alkem, Biocon who have biosimilars launched in the Indian market.	Our view – reduction of GST rates across drugs from 12% to 5% is a positive for the sector as it will push volume growth in the IPM which is currently at 1-1.5%. However, the domestic region sales growth for our coverage companies is likely to be 100-150 bps above the IPM growth of 7-9%. However, India region contribution to the sector is ~33% which would not have meaningful impact at the blended level, therefore we do not revise our estimates.
FMCG (Packaged foods)	12%	5%	Packaged foods GST is cut from 12% to 5% while personal care GST is cut from 18% to 5%. For FMCG, this implies a ~8-10% reduction retail price reduction on biscuits, noodles, dairy, chocolates, shampoos, soaps, oral care, homecare. Volume uplift will depend on the pass through of lower GST in retail prices. The reform improves affordability, supports market penetration, and drives demand across general trade, modern trade, and quick commerce platforms. Foods Portfolio Britannia, Nestlé India, Tata Consumer, ITC are key beneficiaries of the GST cut to 5%. with large exposure to biscuits, noodles, packaged staples, dairy, butter and ghee. Britannia and Nestle see the highest impacts. Tata Consumer gains in coffee and staples; ITC benefits in biscuits, snacks and dairy.	Risks & United Breweries Retail price changes considerably depends on companies balancing margins / volumes resulting in pass-through and MRP resets along with the government's execution on pricing audits. Companies may stagger cuts through grammage adjustments to defend gross margins. United Breweries is unaffected as alcohol remains outside GST. ITC's cigarette business is outside GST, tentatively until December 2025, post which it would attain the 40% slab, in line with sin goods. Key risk is muted premiumisation if companies over-pass benefits. Overall, reform is consumption-accretive, setting up FY26 as a strong demand year.
FMCG (Personal care)	18%	5%	Personal & Healthcare HUL, Godrej Consumer, Dabur, and Marico gain from the GST cut to 5% in shampoos, soaps, hair oils, oral care, and select nutrition products driving retail price relief. HUL (personal + home care) and Godrej (again home+personal care) have tailwinds. Dabur benefits in oral care, hair oils while Marico in hair oil, cosmetics, vitamins / supplements.	
Banks				The GST rate cut is expected to improve credit growth for the banking sector. The banking sector had outstanding loans in personal loans segment (retail loans) of Rs 61.6 tm (+11.9% YoY) as of July 2025. Personal loans segment mainly includes housing, vehicle, credit cards,

Sector	Previous Rate	Current Rate	Impact	Other Notes
				<p>education among others. This segment accounted for ~33% of total non-food credit outstanding at the industry level as of July 2025. Of which, the housing remains the largest segment at Rs 30.8tm as of July 2025. The GST rate cut in the building materials is expected to reduce construction costs and may support the demand for housing as well as affordable housing segments. In addition, the GST rate cut in the vehicle segment (Rs 6.4tm outstanding credit) is likely to improve the credit demand for non-luxury vehicles. We note that retail focused banks such as ICICI, HDFCB, Kotak, Axis and SBI to benefit in terms of higher credit growth. Overall, the banking sector is expected to witness a second order impact due to GST rate cut.</p>
Exemption on GST on Individual Life and Health Insurance to Nil	18%	Individual: Nil (Exempted) Group: 18%	<ul style="list-style-type: none"> HDFC Life SBI Life ICICI Pru Life LICI 	<p>Mixed - ITC would be no longer available, hence pass through would be difficult/ incomplete.</p> <p>There can be a volume game, while there would be a meaningful reduction in the premiums for the policyholders, prospective policyholders demand may increase with the prices (premiums) becoming now affordable.</p> <p>Further, there could be challenges in terms of policies purchased before two to three months or one month, as these may be withdrawn on account of lower future premiums. There could be delay in the purchases until the rate cut gets implemented/effective ie. 22nd Sep.</p> <p>In case, the companies decide not to pass the cost and take the entire hit on their books, then the ITC hit of ~5% would be there. It has to be noted that the ensuing policies particularly the protection would see better demand with higher sum assured and hence would aid margins as these products carry higher VNB margins. However, the back book which was priced considering the ITC credit would impact EV of companies going forward.</p> <p>Hence, the VNB margins may get impacted in the medium term if price hikes are not undertaken to offset the rate cut.</p>
			<ul style="list-style-type: none"> Bajaj Finance 	<p>Positive - GST rate rationalization is expected to serve as a significant demand catalyst, particularly for consumption-driven and price-sensitive sectors. Lower taxes would aid consumption demand, thereby supporting credit growth.</p>
Consumer Durables				<p>A cut in the GST rate on consumer durables would have a twofold impact: demand revival and margin dynamics.</p> <p>On the demand side, lower effective prices could stimulate discretionary spending, especially in price-sensitive categories like entry-level refrigerators, washing machines and Acs thereby aiding volume recovery in a weak consumption environment. The benefit is typically more pronounced in mid-tier products where affordability drives penetration. On the margin front, companies may choose to pass on the full tax benefit to consumers to gain market share, hence we don't see any improvement in margin in near term. However, over the medium term, sustained demand elasticity from lower prices could improve operating leverage for manufacturers and distributors, but the overall impact will hinge on demand recovery in rural which is still under pressure—how it responds to the lower price points.</p>
Cement	28%	18%		<p>The decision, announced after the 56th GST Council meeting, is expected to reduce cement prices by Rs 10–40 per 50kg bag (assuming cement bag prices at Rs350-450 range), offering relief to homebuyers, real estate developers, and infrastructure firms.</p>

Sector	Previous Rate	Current Rate	Impact	Other Notes
				<p>Real estate developers stand to benefit from improved project viability, while infrastructure projects under schemes like PM Awas Yojana and Bharatmala gain cost efficiencies. However, the cement industry will be indifferent from margins or earnings perspective as the industry will pass on tax savings to consumers amid scrutiny from the Competition Commission of India and Government tax authorities.</p> <p>Despite the price drop, cement demand is not expected to increase significantly in the short term due to fixed construction cycles, inelastic demand and cement's perishable nature, limiting stockpiling. While immediate consumption may not surge, the lower costs could shift consumer preference toward premium, branded cement products, boosting market share for established players. The move also helps curb inflation in building materials.</p> <p>The long-term outlook is positive, with potential demand growth in H2FY26 as infrastructure spending ramps up. However, challenges like rising input costs (e.g., limestone, coal) and monsoon-related delays could temper benefits.</p> <p>We continue our BUY rating on Ultratech Cement and Star Cement.</p>
Automobile				<p>The tax cut is expected to reduce on-road prices by 6–8% for small cars and two-wheelers, translating to savings of Rs 30–80k for models like Maruti WagonR, Baleno, Dzire, Tata Tiago, and Hyundai Grand i10, and Rs 6–10k for 2W like Honda Shine, Bajaj Pulsar, and Hero Splendor. Compact SUVs under 4m with sub-1200cc petrol engines, such as Tata Nexon, Hyundai Venue, Kia Sonet, and Mahindra XUV 3XO, are poised to see the most significant demand boost due to their popularity and price sensitivity. It could positively affect EMI for these models, enhancing affordability for first-time buyers and rural households. Larger SUVs like Hyundai Creta and Mahindra XUV700 may see price reductions of Rs 40–130k, as the elimination of the 1–22% cess offsets the new 40% slab, and the uniform 18% tax slab for all the auto part through the value chain though savings are less pronounced.</p> <p>3W like Bajaj RE and Mahindra Treo is expected to get cheaper by Rs 5-15k boosting affordability for commercial operators. 3W sales, tied to last-mile transport, could see a 5–7% uptick, per ICRA, driven by lower costs and festive demand. Tractors are expected to decline in prices by Rs 10-20k.</p> <p>The tax changes create a mixed outlook for fuel types. Diesel vehicles, often larger models, and luxury cars face the 40% slab with no significant relief, widening the cost gap with petrol and CNG vehicles, which could accelerate their declining market share (diesel adoption has dropped steadily in India). EVs remain at a 5% GST rate, but the reduced tax differential with ICE vehicles (from 23% to 13%) may slow EV uptake, particularly for price-sensitive 2W and entry-level cars, where EVs' higher upfront costs are a barrier. Hybrid vehicles face mixed outcomes: small hybrids benefit from the 18% slab, while larger hybrids (e.g., Maruti Grand Vitara) fall under 40%, potentially dampening their appeal compared to EVs.</p>

Source: Company, BOBCAPS Research

Fig 3 – Price Impact Across Automobile Segments

Segment	Models Examples	Pre-GST Rate	Post-GST Rate	Est. Price Drop (Rs)	Est. EMI Drop (Rs/mo)
Small Cars (<4m)	Maruti WagonR, Tata Tiago, Hyundai i10	28% + 1–3% cess	18%	30,000–80,000	1,000–2,000
Compact SUVs (<4m, <1200cc petrol)	Tata Nexon, Hyundai Venue, Kia Sonet	28% + 1–3% cess	18%	30,000–80,000	1,000–2,000
Large SUVs (>4m)	Hyundai Creta, Mahindra XUV700	28% + 15–22% cess	40%	40,000–1,30,000	1,500–2,000
Two-Wheelers (≤350cc)	Honda Shine, Bajaj Pulsar, Hero Splendor	28%–31%	18%	6,000–10,000	300–500
Three-Wheelers	Bajaj RE, Mahindra Treo	28%	18%	5,000-15,000	200-400
Tractors	Mahindra 575	12%	5%	10,000-20,000	300-600
Luxury Cars & Large Hybrids	Mercedes E-Class, Toyota Camry	28% + 15–22% cess	40%	Marginal or none	Negligible
Motorcycles (>350cc)	Classic 650, Harley Davidson	28% + 3% cess	40%	None or increase	None or increase
Electric Vehicles	Tata Harrier EV, Mahindra XEV 9e	5%	5%	Unchanged	Unchanged

Source: Company, BOBCAPS Research

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