Dimensional Securities Pvt Ltd.

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GST- The way forward

We have come out with an update report on GST highlighting the following:

❖ Salient Features:

1. *Taxes to be subsumed under GST:*
   Following are the taxes which have beene subsumed in the GST.

Central Taxes	State Taxes
Excise (Basic and Additional)	VAT/ Sales Tax
Service Tax	Entertainment tax (unless levied by local bodies).
Additional & Special Customs Duty	Luxury Tax
Surcharges	State cesses & surcharge in relation to goods & services
Cesses	Taxes on lottery, betting and gambling.

2. *Sectors expected to be kept out of GST purview:*
   As of now Alcohol for human consumption are kept outside the purview of GST. GST on five specified petroleum products (Crude, Petrol, Diesel, ATF & Natural gas) would be applicable from a date to be recommended by the GSTC.

3. The threshold exemption limit for registration under GST has been kept at Rs. 20 lakhs while the same for North Eastern States, Himachal Pradesh & Uttrakhand it has been kept at Rs. 10 lakhs.

4. Threshold for Composition Scheme has been set at Rs. 50 lakhs. The proposed structure of composition levy is 1% for manufacturers and 0.5% for traders.

5. Existing tax incentive schemes of Central or State governments may be continued by respective government by way of reimbursement through budgetary route. The schemes, in the present form, would not continue in GST.

6. It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST levied by the Centre will be called Centre GST (CGST) and that levied by State will be called State GST (SGST)

❖ Rate Fitment:

On 19th and 20th of May 2017, the GST Council at their Srinagar meeting finalized rates for goods and services. Barring handful of items, rates have been decided for all products and services. Against the pre-conceived notion that there would be one tax neutral rate at which most goods and services would be charged, the GST Council came out with 4 rate slabs– 5%, 12%, 18% and 28%. Besides, some goods and services are under the list of exempt items. In addition, a cess over the peak rate of 28% on certain specified luxury and demerit goods have been imposed for a period of five years to compensate States for any revenue loss on account of implementation of GST.

The Council has decided on fitment of rates, keeping in mind the present incidence of tax. All the items of necessity have been kept under Nil, 5% or 12% rate and remaining under 18% and 28% bucket. Though on overall basis it will be tax neutral, there will be some impact on individual industries where new GST rates are considerably different than existing ones.

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❖ Overall Impact of GST:

1. **Working Capital**
The Working Capital requirement is expected to go up. Currently, Excise Duty is paid when the goods leave the factory and VAT is paid only when sales happen. Under the GST law, taxes would have to be paid even when goods are moved by the company to its own warehouses or to third party warehouses and that too at a higher rate compared to excise. In cases where inputs are charged at higher rate than that of the output, the upfront payment for the buyer would increase and he would get the refund of excess GST paid only after specific period of time which will increase their working capital.

2. **Efficiency Gains**
Some sectors will see a great increase in efficiency. For example, trucks spend 20 to 30% of its travel time at State Check nakas burning a lot of diesel. This will mean that the efficiency of trucks will improve lowering cost of transportation, as lesser diesel will be consumed, as well as lower demand for trucks in the short term. The number of kilo meters that a truck drives in India is one of the lowest in the world and greater efficiency would mean less demand for trucks. In the long term the demand will bounce back but still on a lower base since the life of trucks will increase substantially due to lesser wear and tear.

3. **Supply chain benefits**
Another efficiency gain would be in form of improved Supply Chain management. Companies which now operate multiple warehouses in different states, to avoid CST can now consolidate logistical operations wherever economically feasible. The impact of this however cannot be calculated immediately and needs to be seen. Consolidation of warehouses will increase the use of 'hub and spoke' model for logistics and thus drive the demand for pick up vans (LCVs) in longer run.

4. **Unorganised Sector**
The unorganised sector will take a huge hit as in the long term the tax arbitrage they currently enjoy versus the organized sector would narrow making them less competitive. In the short term we believe there will be a total chaos with the threshold being Rs 20 lakhs. Almost all will not be able to comply and we expect serious issues in implementation. We believe this will seriously disrupt businesses when GST is implemented and people see the new complications that arise as a result of strict compliance requirements.

   The shift to organised sector will be gradual. Initially there will be a lot of resistance from people who currently are not liable to pay taxes. We believe that getting them into the GST net will take some time and in the interim there will be chaos and disruptions.

5. **Impact on inflation**
Since the overall tax incidence is neutral and staples subjected to lower rate of tax, the overall impact on inflation will be minimal. According to a statement by Revenue Secretary the GST rates have been set in a manner that will in fact bring down the inflation going ahead.

6. **GDP Expansion**
GDP is expected to boost the economic growth of country by ~1 to 2% on the back of following:
   - Enhancement in ease of doing business
   - Increase in exports due to an Impetus for manufacturing activities
   - Higher tax collection by consuming states like Bihar and UP could lead to higher overall growth

7. **Winners & Losers**

Winners	Losers
Edible Oil	Telecom
FMCG- Soaps, Tooth Paste, Hair Oil	Small/Mid-Size/Hybrid Car Manufactures
DTH Services	Luggage
2W Tyres	Kitchen Appliances
Fertilizers- Non Urea	Non-AC restaurants
Coal & Lignite	Under Construction Real Estate in Metros (above INR 8000+/ sq. ft.)
Affordable Real Estate (Sub INR 8000/ sq. ft.)	5-Star Hotels
Quick Service Restaurants (QSRs)	Watches
	Building Materials, Sanitary Ware, Plywood and Paints

❖ Issues where clarity is awaited

1. The rate structure for the following commodities is yet to be decided: Bidi, Bidi wrapper leaves, Biscuits, Textiles, Footwear, Jewellery, Agriculture Machinery (except Tractors and Tillers)
2. Clarity on Transition rule from existing Tax regime to GST is still awaited especially pertaining to input tax credit lying on inventory.
3. GST will be levied on transaction value. Currently VAT is charged on MRP (wherever there is MRP) and no VAT reduction is available on discounts – what happens under GST?
4. GST possibly being levied on free supplies including gifts, free samples, exchange, etc.
5. How will anti-profiteering clause work?

❖ Notes to Appendices (How to read the document)

1. We have aimed to calculate the blended tax rate (current) in order to make the rate comparable to the GST rate which would be levied
    - Method of Calculation
        - Where Excise Duty & VAT are applicable:-
            - ➢ We have applied Excise duty on the ex-factory price while VAT is applicable on MRP (VAT also levied on, trade margins + Excise Duty Paid)
            - ➢ We have excluded CST from the calculation as it would not be applicable under many circumstances
        - Where Service Tax, Entertainment tax and Luxury Tax are applicable:-
            - ➢ We have applied all the taxes on the same base price (Ex-Factory Price, as these taxes do not compound (Unlike VAT on Excise Duty)

2. The column 'GST Rates Announced' contains the rates applicable to specific product/ services.

3. We have tried to classify Industries based on the share that un-organized players currently enjoy
    - Industries with a larger share of unorganized competition would tend to have a paradigm growth in sales as market share shifts toward the organized players
    - We have also mentioned a few sectors where we expect an inverse shift from organized players to un-organized players due to a steep increase in taxation post the implementation of GST

APPENDIX:

Industry	Excise	VAT	Service Tax	Current Blended Rate Ex-CST	Actual GST Announced	Unorganised share	Comments
2 wheelers	12.5%	12.5%	0.0%	25.9%	28.0%	0%	Slightly Negative due to increased incedence of tax (210 bps)on some states (60% of sales). Would be tax neutral on other states (40%) where current VAT stands at 14%.
Small Cars (Upto 4m length and 1200cc engine)	12.5%	12.5%	0.0%	25.9%	28% + 1% Cess = 29%	0%	Slightly Negative due to increased incedence of tax (310 Bps). Companies should be able to pass on most of the increased taxes.
Small Cars (Upto 4m length & 1200cc to 1500cc engine)	12.5%	12.5%	0.0%	25.9%	28% + 3% Cess= 31%	0%	Highly Negative due to a (510 bps) increase in taxation. Would cost the company's 1 years price hike. Customers might downtrade causing demand destruction for this segment.
Mid-sized cars, SUVs & Luxury cars	27.0%	12.5%	0.0%	40.6%	28% (+ Cess of 15%) = 43%	0%	This new classification includes many high-end variants of Compact SUVs like S-Cross, which were earlier taxed at 26%, into high tax brackets so it'll be highly negative for these segments. For SUVs and Luxury Cars it will largely be tax neutral. (240 bps incremental tax incedence)
Tractors	0.0%	5.5%	0.0%	5.5%	12.0%	0%	Move to be largely tax Neutral. Earlier there was no Excise and only VAT was charged at 5.5% against which manufacturer got Input Tax Credit (ITC) for only VAT on components purchased while Excise paid on the same was included in cost. Now though they will charge higher rate of 12%, they will also get benefit of ITC on all inputs. Most inputs are taxed at 28% (70% gross margin) thereby implying a complete set-off or negligible tax burden for the industry
LCV	12.5%	12.5%	0.0%	25.3%	28.0%	0%	Slightly negative due to increased cost incedence. (270 Bps). Especially because most of the customers would not be able to claim a set off (No ICT for Logistics)

Industry	Excise	VAT	Service Tax	Current Blended Rate Ex-CST	Actual GST Announced	Unorganised share	Comments
MHCV	12.5%	12.5%	0.0%	25.3%	28.0%	0%	Slightly negative due to increased cost incedence. (270 Bps). Especially because most of the customers would not be able to claim a set off (No ICT for Logistics)
Metal Sector	12.5%	5.0%	0.0%	18.0%	Ores- 5% Steel & other base metals including their articles- 18%	NA	Being B2B business it will be largely tax neutral as the same would be availabe as ITC to the buyer. The sector however has logistics as one of its major costs ~10-15% and would be able to save ~50-75 BPS due to logistics efficiencies making the changes slightly positive.
Kitchen Appliances	12.5%	12.5%	0.0%	22.7%	28% Along with most brown goods LPG Stoves & Utensils- 18%	Large	Highly negative for concentrated cooker and electrical appliance players (Hawkins, Bajaj Electricals) Increased tax incedence (570 bps) would knock off ~1 years picing power. Impact especially large as sector does not make very high margins (~12-15%). Margin erosion of (~150 bps) likely.
Consumer Durables/ White Goods + Consumer Electronics	12.5%	12.5%	0.0%	24.2%	28.0%	Negligible	Negative, higher tax incedence of ~380 bps would take away one years price hikes. Should impact margins by ~150bps Current EBITDA Margins of ~10-15%.
Air Conditioners	12.5%	12.5%	0.0%	21.9%	28.0%	Negligible	Negative, higher tax incedence of ~610 bps would take away one years price hikes. Should impact margins by ~150bps Current EBITDA Margins of ~10-15%. Customers likely to down-trade thereby shrinking the industry profit pool. A reduction in power costs if any might turn out to be a long term positive for the sector
Air Cooler	12.5%	12.5%	0.0%	24.2%	28.0%	Air Coolers- 75-80%	Slightly Negative, 320 bps of incremetal taxes would impact pricing power. Impact on profitability however (~150bps) should be lower as Symphony enjoys ~27% EBITDA margins thereby reducing overall impact

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Cement	12.5%	12.5%	0.0%	24.7%	28.0%	Negligible	Slightly Highly negative for the B2C sector (rural demand)~40% of overall demand. The same would see pricing pressure as end consumers can not claim input tax credit. ~60% of the business, demand from B2B buyers should not be impacted as the real estate sector can now claim a complete set-off. The sector however has logistics as one of its major costs ~10-15% and would be able to save ~50-75 BPS due to logistics efficiencies making the changes largely neutral.
Restaurants	0.0%	12.5%	6.0%	18.5%	Non-AC- 12% Ac- 18%	90%	Tax negative for Non-Ac restaurants as they were not taxable at all. Might be positive for the organized space if tax compliance among unorganized competition goes up as the price differential would narrow in the favour of organized companies. For AC restaurants, its Tax Neutral.
FMCG	12.5%	12.5%	0.0%	25.0%	Essentials:-(Toothpaste, Hair Oils & Soaps) @18%. Cosmetics, Detergents Etc. @ 28%	Segment Specific	Positive for toothpaste, soap & hair oil companies, Slightly Negative to neutral for large FMCG companies. Hair oil companies to get additional volume growth benefit from a shift from the un-organized sector
Pharma- Life Saving	0.0%	0.0%	0.0%	0.0%	0.0%	NA	Tax neutral, Demand is highly price-inelastic.
Pharma Branded OTC	6.0%	4.0%	0.0%	8.9%	12.0%	NA	Tax neutral, Demand is highly price-inelastic.
Pharma Branded Non-OTC	6.0%	4.0%	0.0%	8.3%	12.0%	NA	Tax neutral, Demand is highly price-inelastic.
Pharma Generics & API	6.0%	4.0%	0.0%	5.8%	5.0%	NA	Tax neutral, Demand is highly price-inelastic.

Industry	Excise	VAT	Service Tax	Current Blended Rate Ex-CST	Actual GST Announced	Unorganised share	Comments
Multiplex	0.0%	0.0%	0.0%	~24% (Entertainment Tax)	28.0%	89%	Largely it is tax neutral as Entertainment Tax ranged from 20-50% in different States. Is marginaly negative for listed players who have tax holidays on some screens thereby implying a ~200bps incremental incedence of taxes. However as pricing is highly dynamic the industry should be able to pass on the incremental cost (~200bps) without much burden on EBITDA Margins. GST might also reduce the price gap between the organized and unorganized sector (earlier non-compliant) as tax evasion of GST would be a criminal offence. Earlier no Setoff available against Entertainment tax (ICT to add another ~200bps)
DTH/Cable	0.0%	0.0%	15.0%	27.5% (Service tax+ Entertainment tax)	18.0%	60%	Highly positive as the company's Tax burden would come down massively (~950 bps). Despite anti profiteering laws where the company's might be forced to pass on benefits to consumers, they might still be able to eke out incremental realizations by realligning offerings and packs. Earlier no Setoff available against Entertainment tax (ICT to add another ~200bps)
Jewellery	1.0%	1.0%	0.0%	2.0%	Not yet announced	85%	Would cause a huge shift to the organized sector if the rate is around the current ~2%. Would however see a sharp volume de-growth if tax rate announced at 5%. Would cause a shift of business to overseas locations such as dubai which experience a favourable tax regime. Might also incentivise smugglers

Industry	Excise	VAT	Service Tax	Current Blended Rate Ex-CST	Actual GST Announced	Unorganised share	Comments
Real Estate	0.0%	1.0%	4.5%	5.5%	12.0%	90+%	Highly negative for high end real estate in Metro cities (costing over ~12,000/ sq.ft) as set-off available only on cost of construction. Would cause the business model in these pockets to move toward a sale on completion model. Would massively increase working capital requirements of many developers. Is highly profitable for affordable housing (under ~4500/Sq.ft) which would experience sharp taxation cuts due to input tax credit on construction cost.
Oil/Gas (Equipment supplier, Naptha, Furnance Oil)	14.0%	8.0%	0.0%	22.3%	18.0%	NA	Petroleum products are broadly kept out of GST while some input and output products (like petrochemicals) are under GST. This will lead to mismatch of tax incidence as certain petrochemical products (output) would be liable to GST while their inputs would be subject to Excise, which will not facilitate ITC. Thus the input taxes will have to be passed on to the end users, making them slightly expensive. Refining companies should be able to pass on increased taxation via price hikes
Paints & Construction Chemicals	12.5%	12.5%	0.0%	24.7%	28.0%	Negligible	Slightly Negative (330 Bps) would offset a years price hikes. However Impact on profitability would be muted as a result of high ~20+% margins in the Industry
Glass	12.5%	12.5%	0.0%	24.7%	Bottles 18%, High end applications 28%	Negligible	Despite tax rate being largely neutral (as bulk of industry volumes and realizations come from bottles) which were earlier taxed at ~15-16%. Recycled glass bottles being left out of GST would incentivise firms to source existing bottles and could thereby impact demand
Edible-oils	6.0%	5.0%	0.0%	10.8%	5.0%	80%	Highly positive, would improve price competitiveness of the organized sector by reducing the price differential and would thereby cause volume gains
Aerated Drinks	18.0%	25.0%	0.0%	44.9%	28%+ (15% Cess) = 43%	Negligible	Slightly positive (190 Bps lower tax incedence) lowering of prices would be difficult due to coinage issues despite anti profiteering laws

Industry	Excise	VAT	Service Tax	Current Blended Rate Ex-CST	Actual GST Announced	Unorganised share	Comments
Capital Goods (Industrial Machinery & Electrical Machinery)	12.5%	4.0%	0.0%	17.0%	18.0%	Large	Tax Neutral and moreover being a B2B business it doesn't make much difference as ITC would be available for the same.
Wires & Cables	12.5%	5.5%	0.0%	16.5%	18.0%	Small	Tax Neutral and moreover being a B2B business it doesn't make much difference as ITC would be available for the same.
Telecommunication Services	0.0%	0.0%	15.0%	15.0%	18.0%	Negligible	Negative, highly unlikely increase in tax will be passed on to customer given current competitive intensity
Logistics	0.0%	0.0%	4.5%	4.5%	5% (No ITC will be aalowed)	Huge (90+% trucking)	Tax Neutral, would however greatly benefit from higher asset turns given efficiency gains expected
Hotels	0.0%	0.0%	9.0%	21% (includes Luxury tax which varies from State to State)	12%- Daily charge Rs. 1000-Rs. 2500 18%- Daily charge Rs. 2500-Rs. 5000 28%- Daily charge above	(80+%)	Negative for most of the listed space (negligible ability to claim input tax credit). Positive for budget hotels (lower tax). Liquor served in 5* hotels and restaurants to attract 28% tax. Would greatly impact occupancy coming from weddings in 5* hotels.
Education-Coaching business	0.0%	0.0%	15.0%	15.0%	0.0%	80+%	Huge positive given increase in affordability due to reduction of taxes. However would continue to see the un-organized sector persist in the economy. Might see some shift due to narrowing of price differential
Tyres	12.5%	5%-2W 12.5%-CV/PV	0.0%	2W 16.5% CV/PV 25.8%	2/3W- 5% Others- 28%	Negligible	Highly beneficial for 2W/3W tyre manufacturers as final prices will come down by ~8-10% due to lower tax incidence. PV/ LCV tyre taxation in-line with expectations would require a slight price hike to pass on the same. Aftermarket prices being opaque however might see the companies and distribution channel retain some of the tax benifits in the 2W/3W segment.
Batteries	12.5%	12.5%	0.0%	25.0%	28.0%	35-40%	Slightly Negative, increase in taxation might cause a shift to un-organized segment in profitable aftermarket segment
Home Furnishings	12.5%	12.5%	0.0%	20.5%	28.0%	Very High	Slight negative, as one can observe an increase in taxation despite input tax credit.

Industry	Excise	VAT	Service Tax	Current Blended Rate Ex-CST	Actual GST Announced	Unorganised share	Comments
Ceramics	12.5%	12.5%	0.0%	22.0%	28.0%	50%	Highly negative, as one can observe an increase in taxation despite input tax credit. Customers might downtrade/ shift to the un-organized sector given the widening price gap
Faucets & Sanitaryware	12.5%	12.5%	0.0%	22.0%	28.0%	Faucets-55-60%,Sanitary ware-35-40%	Slight negative, as one can observe an increase in taxation despite input tax credit. B2B sales would see a massive shift toward the organized sector as real estate one of the largest consumer sectors is now allowed input tax credit and would demand the same from suppliers. B2C sales however might see a shift away from the organized sector given the widening price gap
Watches	12.5%	12.5%	0.0%	20.5%	28.0%	60%	Highly negative, Sharp increase in taxation to make businesses outside the country in key business hubs (Singapore, Dubai, Hong Kong etc.) more competitive than Indian retailers
Processed Foods	12.5%	5.0%	0.0%	16.7%	18.0%	Negligible	Slightly negative due to a slight increase in tax rates. Ability to claim input tax credit is questionable as most of the inputs (fruits & vigitables) are tax exempt
Dairy Products	0.0%	0.0%	0.0%	0.0%	Cheese, Butter 12%, Ice Cream 28% Milk, Curd, Lassi- Nil	High	Neutral for pure dairy players. Negative for players in the value added segments such as Butter etc. as customers might see a shift to the un-organized segment due to a higher tax differential.
Tea	0.5%	4.0%	0.0%	4.5%	5.0%	High (70+%)	Slight increase in tax rates however input tax credits might off set the differential. Would increase the share of organized players in the market as distributors would now demand input tax credit.
Coffee	0.0%	4.0%	0.0%	5.0%	5.0%	High (70+%)	Slight increase in tax rates however input tax credits might off set the differential. Would increase the share of organized players in the market as distributors would now demand input tax credit.

Industry	Excise	VAT	Service Tax	Current Blended Rate Ex-CST	Actual GST Announced	Unorganised share	Comments
Newspapers/Magazines	0.0%	0.0%	0.0%	0.0%	0% on sale, 5% on sale of advertisement space	Negligible	Slightly negative as advertisements would now be taxed at 5% as compared to 0% under service tax. Would increase competitiveness of other advertising mediums such as television etc. as tax differential narrows a bit
TV/ digital Advertisements	0.0%	0.0%	15.0%	15.0%	18.0%	NA	Slightly negative due to increased incedence of tax as compared to newspaper advertisements. However most companies advertising are from the organized sector and would be eligible for a complete set-off of the same.
Air Tickets	0.0%	0.0%	6%-Economy 9%-Higher	6-9%	5% for Economy Travel, 12% for Business Class (On Base Fare)	0%	Positive for budget airlines such as Indigo, Spice. Negative for Jet Airways. Would further increase the price/gap between the business class and economy class thereby impacting occupancy in the business class seats.
Defence Goods	0.0%	0.0%	0.0%	0.0%	18.0%	0%	Neutral as the companies would pass on the entire burden to the government (key customer)
Construction Equipment	12.5%	5.0%	0.0%	18.1%	18.0%	0%	Neutral, Slight reduction in rate observed after accounting for input tax credit
Rail Freight	0.0%	0.0%	6.0%	5.0%	5.0%	None	Slightly Positive, key benificiaries would be consumers such as cement companies & steel, mining companies. Railways now allowed input tax credit on services. The same benefits would be passed on to consumers.
Luggage	15.0%	5.0%	0.0%	13.9%	28.0%	50%	Highly negative, Sharp increase in taxation would increase the price gap between the organized and un-organized sector. Purchases are also highly discretionary and might see customers down-trading thereby impacting margins. Impact on overall profitability would be high as the industry currently operates on high single digit EBITDA margins.

Industry	Excise	VAT	Service Tax	Current Blended Rate Ex-CST	Actual GST Announced	Unorganised share	Comments
Footwear	12.5%	5.5%	0.0%	13.0%	Not yet announced	50%	Would be positive if announced rate is ~12% or lower with input tax credits. (the business might see some shift to the organized sector as most of the inputs are from the organized sector (pet-chem inputs) where the unorganized players would not be able to claim set-off.
Pre-school	0.0%	0.0%	15.0%	15.0%	18.0%	80%	Neutral, similar tax rate if one were to consider input tax credit. Share of un-organized to persist
Fertilizers Urea	1.0%	0.0%	0.0%	0.9%	0.0%	NA	Neutral, Margnial reduction in taxation would be passed on to consumers
Fertilizers Non Urea	12.5%	5.0%	0.0%	16.7%	12.0%	NA	Positive, Reduction in taxation on NPK fertilizisers would increase affordability vis a vis Urea and might help increase adoption
Chemicals Elements-(Both organic and inorganic)	12.5%	12.5%	0.0%	25.8%	18.0%	NA	Neutral as it will be passed on.
Coal	5.0%	5.0%	0.0%	10.2%	5.0%	0%	Neutral, Benefits to be passed on to the end consumers in the form of lower power tarrifs, no changes to volumes or margins due to GST
Auto Components	12.5%	12.5%	0.0%	24.5%	28.0%	80%	Largely neutral due to input tax credit and logistics costs, the difference would be small enough to be passed on. Would see a shift to the organized sector in the OEM category as customers would require input tax credit. Unorganized share might still persist in the after market category.
General Insurance (including Mediclaim)	0.0%	0.0%	15%	15.0%	18.0%	0%	Would be taxed at 18% as not mentioned anywhere in the exempt list. Is largely neutral as input tax credit would be allowed thus making the same tax neutral
Life Insurance	0.0%	0.0%	3.75% and 1.875%	~3%	0.0%	0%	Positive, might lead to an increase in first time premiums due to increased affordability/ increased attractiveness of products
Agrochemicals	12.5%	5.5%	0.0%	17.4%	18.0%	60%	Neutral, Same as expected no shift from unorganized sector as farmers are not under the tax net and would not care about input tax set-offs

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Biscuit	6.0%	5.0%	0.0%	10.6%	Not yet announced	Low	Would be positive if announced in the 5% basket, could cause massive margin pressure if category taxed like other FMCG products at 18%
Seeds	0.0%	0.0%	0.0%	0.0%	0.0%	High	Neutral, Same as expected no shift from unorganized sector
PVC Pipes	12.5%	5.5%	0.0%	17.2%	18.0%	Moderate	Neutral, Rate as expected, however will cause volume growth for organized players due to a shift from the unorganized sector
Ply-Wood, Fibre Boards	12.5%	5.0%	0.0%	16.0%	28.0%	High (70+%)	Very Negative:- Rate higher than expected, (1200bps) might cause a massive shift to the un-organized sector due to a steep price diferential. Impact on Profitability would be very high given mid teen EBITDA margins for the sector
Health Care Services	0.0%	0.0%	0.0%	0.0%	0.0%	High	Neutral, Same as expected no shift from unorganized sector

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    - We have also mentioned a few sectors where we expect an inverse shift from organized players to un-organized players due to a steep increase in taxation post the implementation of GST

ANALYST CERTIFICATION

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