

Consumer Durables & Apparel

India

Sector View: **Cautious**

NIFTY-50: **24,631**

August 17, 2025

Durables/footwear—implications of a potential GST cut

The government's proposal to rationalize GST rates on consumer goods could benefit some durables companies—room ACs and TVs (>32 inches) could potentially see a cut in the GST rate from 28% to 18%. We expect a partial pass-through of the cut to RAC consumers, after considering the RM inflation on account of upcoming BEE norm changes. Within our coverage, we see an upside risk in EPS of 2-4% for Voltas and 1-2% for Havells. In footwear, to cut the GST rate on products priced sub-Rs1k, the government will need to address the inverted duty structure as well.

Room ACs could benefit from a potential GST rate cut from 28% to 18%

Within the large appliances universe, room ACs, TVs (>32 inches) and dishwashers are some exceptions, which attract a 28% GST rate. The government's proposal to rationalize GST rates on 'aspirational' goods could potentially lead to these products seeing a GST rate cut from 28% to 18%. We note that when the GST rates were reduced from 28% to 18% on refrigerators and washers in July 2018, companies (LG, Samsung, Whirlpool and IFB) immediately passed on the benefit (implied price reduction of ~8%) to consumers. However, this did not result in any sustained improvement in growth or margins (Exhibits 4-6).

Despite high competition, given that the RAC industry is set to witness 5-8% RM inflation from upcoming BEE changes (January 2026E), we believe that the effective pass-through of the GST cut to consumers could be lower. An RAC unit could be 5% less expensive after the GST rate change, assuming 4% net inflation due to BEE and if the brand decides to maintain its GP per unit (Exhibit 3). Thus, a GST rate cut could (1) accelerate the liquidation of excess channel inventory and (2) give more comfort on EBIT margin forecasts for FY2027E. A 4-6% higher sales growth in potential beneficiary categories (RACs and TVs >32 inches) could lead to a 2-4% higher EPS in Voltas and 1-2% for Havells.

Solar and water purifiers (remote possibility) could also be beneficiaries

The portfolio of Crompton, Polycab and Eureka Forbes is largely at an 18% GST rate. Certain solar-related products, including solar water heaters, solar power generators and solar lamps, are currently taxed at a 12% rate. If this moves to 5%, the cost differential versus their non-solar counterparts (18% GST) would increase, potentially driving faster adoption. There is a remote possibility that the government could also rationalize the GST rate (18%) of electric water purifiers, considering the essential nature of the category.

Footwear—inverted duty structure needs to be addressed to cut the GST rate

The government raised GST on all footwear priced sub-Rs1k to 12% (from 5%) in January 2022 to address the inverted duty structure (where tax on RM was higher than the tax on FG). In order to cut the rate back to 5%, the government will have to address the inverted duty structure (reduce the tax on RM). Within our coverage, Campus derived ~22% of its sales from footwear priced sub-Rs1,050 and Metro derived ~4%/8% of its sales from footwear priced sub-Rs500/Rs501-1,500 in FY2025.

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Exhibit 1: India consumer durables/electricals–GST rates across companies by product categories

Particulars	Revenue mix (%)	Current GST rate (%)	Particulars	Revenue mix (%)	Current GST rate (%)
Havells			Voltas		
W&C	33	18	Electromechanical projects (EMP)	27	18
ECD	18		Unitary cooling products (UCP)	69	
Fans	11	18	Room air conditioners	49	28
Water heaters	4	18	Commercial air conditioners (ducted, VRF, chillers)	10	18 (chillers)/28 (others)
Others (juicers, mixers, irons, air coolers etc)	3	18	Commercial refrigeration (deep freezers, visicoolers, MCR)	7	18
			Air coolers	3	18
Lloyd	24		Engineering products and services (EPS)	4	
Room air conditioners	18	28	Total	100	
Television sets (>32 inches)	6	28			
Washing machines, TV (<32 inches), refrigerators		18	Crompton Greaves		
Lighting and fixtures	7	18	ECD	77	
Switchgears	11	18	Fans	42	18
Others	7		Pumps (non-solar)	17	18
Solar panels/inverters	2	12/18	Solar pumps	2	18
Others (motors, pumps, water purifier, personal grooming)	5	18	Appliances (air coolers, water heaters, mixers, irons etc)	16	18
Total	100		Lighting	13	18
Polycab			Butterfly (kitchen appliances)	10	18
W&C	84	18	Total	100	
FMEG (fans, lights, switches, solar, pipes/conduits)	7	18	Whirlpool		
EPC	8	18	Refrigerators	54	18
Total	100		Washing machines	24	18
Eureka Forbes			Room air conditioners	8	28
Water purifiers	47	18	Others	8	
Vacuum cleaners	16	18	Dishwashers		28
Other products (including air purifiers)	6	18	Others (including services)		18
Service (including filters, parts)	31	18	Elica (kitchen appliances)	6	18
Total	100		Total	100	

Note: Revenue mix for companies is based on KIE estimates

Source: Kotak Institutional Equities estimates

Exhibit 2: Scenario analysis–EPS upside if room ACs/TVs (>32 inches) move from 28% GST to 18% GST rate

Company	Base case FY2027E	Scenario 1 FY2027E	Scenario 2 FY2027E	Scenario 1 Upside vs base case (%)	Scenario 2 Upside vs base case (%)	Remarks
Voltas						
UCP revenue (Rs mn)	126,635	129,635	131,135	2.4	3.6	Assume 4%/6% higher RAC revenue growth in Scenarios-1/2
UCP growth (%)	23.0	25.9	27.4			No change assumed in non-RAC segments
UCP EBIT (Rs mn)	10,131	10,500	10,753	3.6	6.1	Assume 10/20 bps higher UCP EBIT margin in Scenarios-1/2
UCP EBIT margin (%)	8.0	8.1	8.2	10 bps	20 bps	Some margin benefit in CAC assuming partial pass-through
Company revenue (Rs mn)	182,383	185,383	186,883	1.6	2.5	
EPS (Rs/share)	33.9	34.7	35.3	2.5	4.1	
Havells						
Lloyd revenue (Rs mn)	63,273	65,013	65,883	2.8	4.1	Assume 4%/6% higher RAC+TV revenue growth in Scenarios-1/2
Lloyd growth (%)	30.0	33.6	35.4			No change assumed in other segments (refrigerators/washers)
Lloyd EBIT (Rs mn)	2,107	2,321	2,471	10.1	17.2	Assume 30/50 bps higher UCP EBIT margin in Scenarios-1/2
Lloyd EBIT margin (%)	3.3	3.6	3.8	30 bps	50 bps	
Company revenue (Rs mn)	271,938	273,678	274,548	0.6	1.0	
EPS (Rs/share)	31.0	31.3	31.4	0.9	1.4	

Source: Kotak Institutional Equities estimates

An RAC unit could be 5% cheaper after the GST rate change, assuming a 4% net inflation due to BEE and assuming that the brand maintains GP per unit

Exhibit 3: Indicative change in RAC consumer price after BEE and GST rate changes (if it happens)

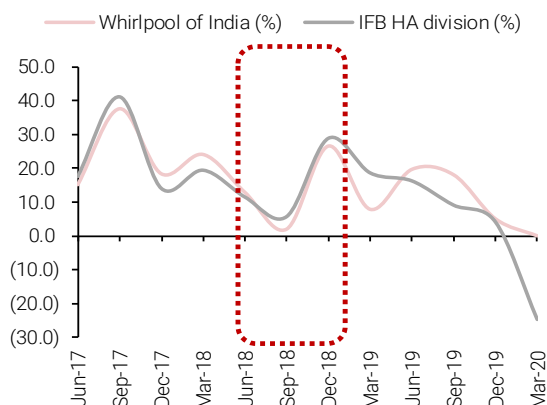
Particulars	Pre-BEE and GST change (per unit)	Post-BEE and GST change (per unit)	Change (%)
Consumer price (Rs)	35,000	33,298	(4.9)
GST (%)	28.0	18.0	
Dealer price (Rs)	27,344	28,219	
Channel margins (%)	18.0	18.0	
Manufacturer's price (Rs)	23,173	23,914	3.2
Gross margin (%)	20.0	19.4	
RM cost (Rs)	18,538	19,280	
Gross profit (Rs)	4,635	4,635	0.0

Note: We assume net inflation of 4% from BEE norms change (after factoring in value engineering initiatives).

Source: Kotak Institutional Equities estimates

While there was a spike in quarterly growth for a quarter or so after the GST cut, the benefit was not visible in annual numbers

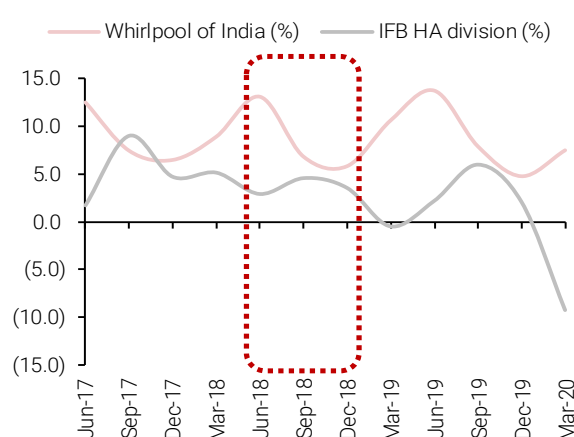
Exhibit 4: Quarterly growth trends of Whirlpool of India and IFB's home appliances division (%)



Source: Company, Kotak Institutional Equities

There was no perceivable improvement in EBIT margins, immediately after the GST cut

Exhibit 5: Quarterly EBIT margin trends of Whirlpool of India and IFB's home appliances division (%)



Source: Company, Kotak Institutional Equities

FY2019 did not see any improvement in revenue growth, despite the GST cut in July 2018
Exhibit 6: Revenue growth across white goods players in India, March fiscal year-ends (Rs mn, %)

Particulars	2017	2018	2019	2020
Revenue (Rs mn)				
Whirlpool (standalone)	39,408	48,319	53,977	59,925
LG (ref + washers)	74,593	78,941	79,860	83,954
Samsung (home appliances)	58,463	67,322	74,082	78,328
Godrej appliances (ref + washers + ACs)	30,943	33,416	39,399	39,233
Haier	21,568	29,795	35,501	33,744
Total	224,974	257,793	282,818	295,185
Revenue growth (%)				
Whirlpool (standalone)		22.6	11.7	11.0
LG (ref + washers + ACs)		5.8	1.2	5.1
Samsung (home appliances)		15.2	10.0	5.7
Godrej appliances (ref + washers + ACs)		8.0	17.9	(0.4)
Haier		38.1	19.2	(4.9)
Total		14.6	9.7	4.4

Note:

(1) Haier follows calendar year ends and hence CY2016 shown in FY2017 and so on

Source: Company, Kotak Institutional Equities

Exhibit 7: Havells—financial summary, March fiscal year-ends (Rs mn, %)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model															
Total income	81,858	85,694	76,126	61,558	81,464	100,734	94,403	104,573	139,385	169,107	185,900	217,781	232,602	271,938	306,890
EBITDA	7,425	7,211	7,580	8,182	10,434	11,843	10,287	15,718	17,604	15,966	18,426	21,309	23,597	28,947	32,512
Interest (expense)	(741)	(640)	(544)	(133)	(248)	(163)	(197)	(727)	(534)	(336)	(457)	(432)	(453)	(476)	(500)
Depreciation	(1,155)	(1,387)	(1,344)	(1,205)	(1,405)	(1,494)	(2,180)	(2,489)	(2,609)	(3,121)	(3,385)	(4,004)	(4,465)	(5,265)	(6,065)
Other income	413	505	866	1,382	1,179	1,287	1,134	1,874	1,604	1,777	2,490	3,033	2,639	2,791	3,207
Pretax profits	5,941	5,690	6,559	8,225	9,960	11,473	9,044	14,376	16,066	14,286	17,074	19,905	21,318	25,997	29,155
Extraordinary items	-	-	8,621	(949)	(312)	-	-	-	-	-	-	-	-	-	-
Reported PBT	5,941	5,690	15,180	7,276	9,648	11,473	9,044	14,376	16,066	14,286	17,074	19,905	21,318	25,997	29,155
Tax	(1,478)	(1,836)	(2,193)	(2,288)	(3,038)	(3,594)	(1,688)	(3,932)	(4,101)	(3,753)	(4,366)	(5,203)	(5,386)	(6,557)	(7,346)
Minority interest	-	-	18	(44)	14	4	-	-	-	-	-	-	-	-	-
Adjusted PAT	4,463	3,854	13,005	4,945	6,624	7,884	7,356	10,443	11,965	10,533	12,708	14,702	15,932	19,440	21,808
EPS (Rs)	7.2	6.2	7.0	9.0	10.9	12.6	11.8	16.7	19.1	17.1	20.3	23.4	25.4	31.0	34.7
Balance sheet															
Total equity	16,660	18,182	30,277	32,768	37,292	41,976	43,116	51,763	60,028	66,255	74,468	83,238	92,709	104,285	117,282
Deferred tax liability and minority interest	468	(137)	1,058	1,259	2,193	3,168	2,865	3,391	3,506	3,615	3,575	3,753	3,753	3,753	3,753
Total borrowings	10,506	4,191	855	2,083	1,424	405	-	3,937	2,726	-	-	-	-	-	-
Long-term provisions	3,889	4,524	127	100	247	327	356	584	763	1,367	877	547	547	547	547
Current liabilities	21,801	20,980	11,560	13,714	24,918	25,608	24,398	28,848	38,209	40,338	45,407	50,556	52,619	61,005	68,462
Total liabilities and equity	53,324	47,740	43,876	49,925	66,074	71,484	70,735	88,523	105,232	111,574	124,327	138,094	149,628	169,591	190,045
Cash	8,817	9,530	14,680	19,745	15,620	13,114	11,325	16,528	25,480	18,702	30,382	33,781	31,870	37,326	45,159
Current assets	28,059	22,417	14,696	15,302	21,851	26,795	24,872	38,026	41,673	53,325	50,563	56,151	58,061	67,833	76,519
Fixed assets plus intangibles	16,448	15,793	14,500	14,878	28,603	31,575	34,537	33,969	38,079	39,547	43,382	48,162	59,697	64,432	68,367
Total assets	53,324	47,740	43,876	49,925	66,074	71,484	70,735	88,523	105,232	111,574	124,327	138,094	149,628	169,591	190,045
Free cash flow															
Operating cash flow, excl. working capital	6,962	5,474	6,328	7,102	8,298	9,723	8,481	13,607	14,043	12,613	15,257	17,591	18,211	22,390	25,166
Working capital changes	1,719	4,152	(1,015)	1,135	2,702	(4,711)	(214)	(7,003)	3,236	(6,964)	4,272	(2,438)	153	(1,385)	(1,229)
Capital expenditure + acquisitions	(1,764)	(1,739)	8,326	(2,344)	(15,968)	(5,014)	(3,609)	(2,499)	(2,583)	(5,878)	(7,861)	(7,660)	(10,000)	(10,000)	(10,000)
Free cash flow	6,918	7,887	13,638	5,893	(4,969)	(1)	4,658	4,104	14,695	(229)	11,668	7,493	8,364	11,005	13,937
Ratios (%)															
Gross margin					39.0	37.6	38.2	37.9	32.4	30.8	32.4	32.9	33.4	33.1	32.8
EBITDA margin	9.1	8.4	10.0	13.3	12.8	11.8	10.9	15.0	12.6	9.4	9.9	9.8	10.1	10.6	10.6
Debt/equity	0.6	0.2	0.0	0.1	0.0	0.0	-	0.1	0.0	-	-	-	-	-	-
Net debt/equity	0.1	(0.3)	(0.5)	(0.5)	(0.4)	(0.3)	(0.3)	(0.2)	(0.4)	(0.3)	(0.4)	(0.4)	(0.3)	(0.4)	(0.4)
RoE	28.7	22.1	18.0	18.8	19.8	19.9	17.3	22.0	21.4	16.7	18.1	18.6	18.1	19.7	19.7
RoCE	26.4	26.9	29.9	35.2	35.3	27.5	21.6	27.1	29.2	22.3	24.4	27.3	25.9	27.7	28.4

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: Voltas—financial summary, March fiscal year-ends (Rs mn, %)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit Model													
Revenues	57,198	60,328	64,044	71,241	76,581	75,558	79,345	94,988	124,812	154,128	152,942	182,383	210,018
EBITDA	4,330	5,669	6,626	6,117	6,867	6,414	6,816	5,724	4,746	11,162	9,330	13,508	15,705
Other income	1,367	2,120	1,741	1,863	2,306	1,889	1,892	1,685	2,533	3,245	3,251	3,413	3,584
Depreciation	(263)	(245)	(244)	(240)	(320)	(339)	(373)	(396)	(476)	(618)	(771)	(883)	(982)
EBIT	5,433	7,545	8,124	7,740	8,853	7,963	8,335	7,012	6,803	13,789	11,810	16,038	18,306
Interest expenses	(158)	(160)	(119)	(330)	(211)	(262)	(259)	(296)	(559)	(621)	(625)	(481)	(324)
Pre-tax profit	5,275	7,384	8,005	7,410	8,642	7,702	8,076	6,716	6,244	13,168	11,185	15,557	17,982
Taxation	(1,696)	(2,004)	(2,270)	(1,635)	(2,235)	(1,804)	(1,913)	(1,709)	(2,377)	(3,565)	(2,841)	(3,952)	(4,567)
Adjusted PAT	3,580	5,380	5,735	5,775	6,407	5,898	6,163	5,007	3,867	9,603	8,344	11,606	13,415
Minority interest & Associate Profits	2	(217)	(17)	(578)	(726)	(646)	(1,122)	(1,219)	(1,347)	(1,189)	(1,063)	(388)	192
Recurring PAT	3,582	5,163	5,718	5,197	5,682	5,251	5,041	3,788	2,520	8,414	7,280	11,217	13,606
Reported PAT	3,871	5,174	5,724	5,079	5,170	5,251	5,041	1,350	2,520	8,414	7,280	11,217	13,606
Recurring EPS (Rs)	10.8	15.6	17.3	15.7	17.2	15.9	15.2	11.5	7.6	25.4	22.0	33.9	41.1
Balance sheet													
Shareholders funds	28,111	33,066	39,052	41,100	42,802	49,934	54,996	54,521	58,205	65,133	70,229	78,081	87,605
Non controlling interest	267	285	317	348	365	361	381	417	337	271	292	314	338
Loan funds	2,707	1,709	1,423	3,147	2,179	2,606	3,482	6,252	7,226	8,738	6,738	4,738	2,738
Total sources of funds	31,085	35,061	40,792	44,594	45,346	52,901	58,858	61,189	65,769	74,141	77,259	83,133	90,681
Net fixed assets	2,050	1,825	1,842	2,401	2,760	2,556	2,897	4,593	7,577	9,022	10,750	12,367	13,885
Investments & Goodwill	20,471	23,858	28,706	25,044	24,609	31,743	35,129	33,020	34,774	32,935	33,487	33,915	33,915
Cash balances	1,855	3,314	2,837	3,211	3,084	4,588	5,717	7,084	8,523	6,782	8,153	7,234	8,807
Net current assets excluding cash	6,398	5,866	7,361	12,944	14,047	13,323	14,594	15,833	14,723	25,202	24,668	29,416	33,874
Total applications of funds	31,085	35,061	40,792	44,594	45,346	52,901	58,858	61,189	65,769	74,141	77,259	83,133	90,681
Cash flow statement													
Operating cash flow	2,984	3,589	3,726	3,242	5,533	7,139	6,281	5,430	6,814	8,690	6,490	9,556	11,137
Working capital changes	(793)	692	(473)	(6,456)	(911)	(1,580)	(438)	(3,837)	801	(10,932)	534	(4,749)	(4,457)
Capital expenditure	(501)	(257)	(346)	(818)	(905)	(208)	(482)	(1,799)	(2,931)	(2,082)	(2,500)	(2,500)	(2,500)
FCF	1,885	3,880	2,802	(4,348)	3,577	5,161	5,061	(530)	4,028	(4,826)	3,898	1,827	3,855
Key ratios (%)													
Gross margin	28.5	29.8	28.7	26.1	27.5	26.2	25.7	22.3	21.4	22.4	22.8	22.7	22.2
EBITDA margin	7.6	9.4	10.3	8.6	9.0	8.5	8.6	6.0	3.8	7.2	6.1	7.4	7.5
PAT margin	6.3	8.6	8.9	7.3	7.4	7.0	6.4	4.0	2.0	5.5	4.8	6.2	6.5
RoE	14.6	16.9	15.9	13.0	13.5	11.3	9.6	6.9	4.5	13.6	10.8	15.1	16.4
RoCE	13.9	16.1	15.4	12.9	13.1	11.2	9.4	6.8	4.8	12.9	10.4	14.5	16.0

Source: Company, Kotak Institutional Equities estimates

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BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5+5% returns over the next 12 months.

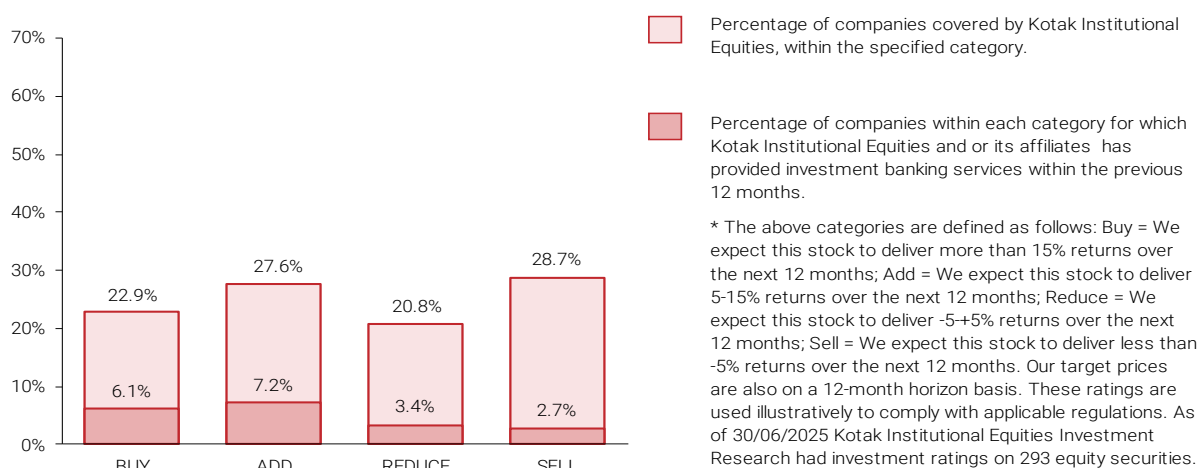
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

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