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Consumer Durables

Expert Speak

GST 2.0: Impact on consumer durables

Mr. Pankaj Mohindroo

Mr. Mohindroo is the Chairman of the India Cellular & Electronics Association (ICEA), an industry body representing India's entire electronics sector. He is the Co-founder and Honorary Secretary of Telecom Sector Skill Council (TSSC), a not-for-profit body set up jointly by the Cellular Operators Association of India (COAI), Indian Cellular Association (ICA), and Telecom Centres of Excellence (TCOE), under the aegis of National Development Council (NSDC).

We hosted an expert session with Mr. Pankaj Mohindroo on the government's proposed changes in the GST framework, particularly the rationalization of rates from 28% to 18% on electronics products. Mr. Mohindroo is Chairman of the India Cellular & Electronics Association (ICEA), the apex industry body representing India's electronics sector. Mr. Mohindroo provided insights on the potential implications for industry dynamics, consumer demand, government revenues, and the grey market. He also highlighted structural challenges such as disposable income constraints, input tax credit (ITC) issues, and supply chain realignments.

Current GST framework and historical shifts

Historically, excise duty and VAT combined to account for 5%-24% and above taxation on most consumer products prior to GST. With the introduction of GST, most products initially fell into the higher 28% slab but were subsequently shifted down to 18%, except items like ACs and televisions above 32 inches, which continue to attract 28%.

Revenue implications of the rate cuts

He pointed out that the current proposal to move 28% products to the 18% slab would result in a revenue loss of around INR60-70b for consumer electronics and durables, as only ACs and TVs (32 inches) are taxed at 28%. Overall, a broader restructuring across the slabs, including a possible elimination of the 12% slab and some shifts from 12% to 18% and from 28% to 40% could imply a revenue shortfall of INR300-400b annually. Mr. Mohindroo noted that policymakers are prioritizing increasing disposable income and boosting consumption demand among lower-income households, even if this comes at a near-term fiscal cost.

Demand dynamics and consumer trends

He noted that while value growth has been strong across electronics categories, volume growth has stagnated. For instance, smartphone shipments have remained steady at 150m units annually for the past four years, even as industry value has doubled due to rising average selling prices.

This contrast, he explained, reflects a structural challenge: higher-income households continue to upgrade, but lower-income groups are being priced out of non-essential consumption. Hence, he said, tax rationalization is expected to support affordability and volume growth over the medium term (3-4 years), though an immediate demand uplift is likely to remain limited.

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Industry utilization, expansion, and supply chain shifts

He highlighted that capacity utilization in the consumer durables industry is currently healthy, with the expansion underway across supply chains. While final product capex remains limited, companies are investing in supply chain infrastructure to meet expected demand growth. Strategically, the industry is targeting import substitution, particularly in compressors, which are currently heavily dependent on China. He emphasized that India aims to replace compressor imports by FY27, supported by domestic investments and improving bilateral relations with China. However, he cautioned that FDI inflows into this space remain regulated and are not under the automatic route, creating some delays.

Conclusion

Mr. Mohindroo concluded that the proposed GST restructuring marks a significant step toward boosting affordability, formalizing trade, and strengthening demand over the medium term. While the near-term impact on volumes may be muted and revenue foregone could be substantial, he emphasized that the long-term benefits of improved compliance, consumer affordability, and supply chain localization outweigh immediate fiscal trade-offs. The industry, he said, enters this transition from a position of strength, with robust utilization and ongoing expansion. He further emphasized that the alignment of tax rationalization with broader policy objectives of import substitution and the ease of doing business could create a more competitive, compliant, and consumer-friendly marketplace in the years ahead.

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