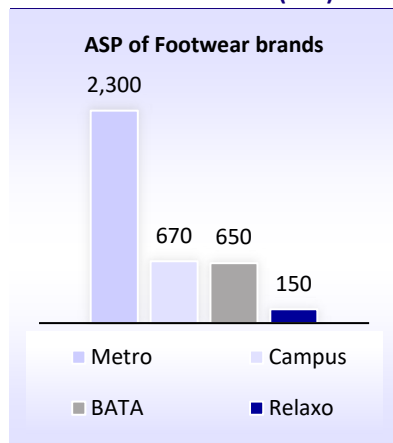
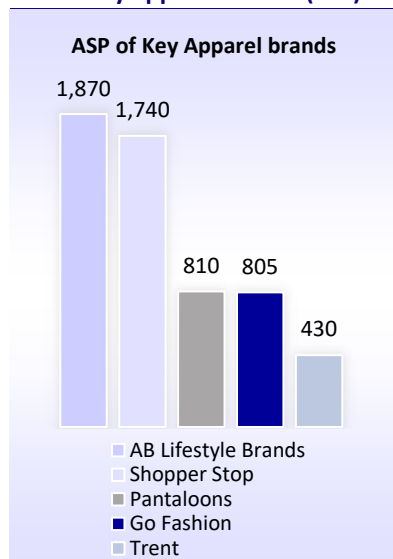


Rationalized GST, Revitalized Retail

ASP of footwear brands (INR)



ASP of key apparel brands (INR)



GST 2.0 could spur broad-based consumption revival

- The GST Council has approved a streamlined two-slab GST structure of 5% and 18%, with a 40% rate retained for sin and luxury goods, effective 22nd Sep'25.
- Under the new GST framework, there has been a reduction in GST rates for apparel and footwear up to INR2,500, appliances such as TVs and ACs, and broad-based daily essentials.
- The rationalization of GST rates could lead to a broad-based reduction in prices, as the rate cut would have to be passed on to end-consumers, which could potentially spur consumption, especially in the mass and mid-premium categories, and improve the competitiveness of organized retailers, especially in the mass footwear category.
- We believe footwear companies, mid-premium apparel retailers, consumer electronics retailers and grocery retailers such as DMart stand to benefit from the GST rate rationalization.

Apparel: Mid-premium retailers to benefit

- The GST rate on apparel priced between INR1,000 and INR2,500 has been reduced from 12% to 5%, while apparel priced above INR2,500 has seen GST rate increase from 12% to 18%. The GST rate on apparel priced below INR1,000 remains unchanged at 5%.
- While the government has talked about fixing the inverted duty structures, the quantum of price reductions will depend on the GST rate applicable to input materials.
- Prima facie, we believe the GST rationalization would be positive for mid-premium retailers such as West Side (Trent), Pantaloons, and to an extent Aditya Birla Lifestyle Brands.
- However, an increase in the GST rate could hurt the premium and ethnic wear retailers, such as Vedant Fashions, Shoppers Stop, Raymond Lifestyle, etc.

Footwear: Organized retailers could gain competitiveness

- The GST rate on footwear priced up to INR2,500 has been reduced to 5% from 12% for footwear priced below INR1,000 and from 18% for footwear priced above INR2,500.
- We note the increase in the GST rate to 12% from 5% a few years ago had been one of the reasons for subdued performance of mass footwear retailers such as Relaxo, Bata and Campus. We expect the reduction in GST rates to improve their competitiveness against low-priced unorganized players.
- With the entry-level GST rate slab rising to INR2,500, we expect Metro Brands to also benefit.
- Similar to apparel, the exact price reduction in footwear will depend on the correction of the inverted duty structure through the rationalization of rates on inputs.

Electronics retailer: Lower GST rate on high-end appliances to benefit RIL

- The GST rates on high-end appliances, such as ACs and TVs, have been reduced to 18% from 28%.
- The rate rationalization is likely to lead to delays in purchasing decisions and may impact 2QFY26 performance.
- However, we expect consumption to pick up after the implementation of new rates, ahead of the upcoming festive season, which should benefit electronics retailers such as Reliance Retail.

Daily essentials: Broad-based rate rationalization to benefit DMart, RIL

- The GST rates on several daily essential goods have been reduced from 12%/18% to ~5% and even NIL in certain cases.
- The reduction in GST rates could lead to a pick-up in broader consumption and slight uptrading to branded goods, which should benefit large organized retailers such as DMart and RIL.

Await more clarity on fix for inverted duty structure

- The organized retailers were facing certain challenges due to an inverted duty structure such as blockage of input tax credits, leading to strained working capital and impacting competitiveness vs. the unorganized sector.
- Input materials, such as man-made fiber yarn and fabric, were taxed at 12%, while garments sold below INR1,000 faced just 5%.
- Similarly, footwear inputs such as synthetic leather, rubber soles, and adhesives attracted 12-18%, while finished products were taxed lower.
- The government has talked about addressing these issues, but we await more clarity on the modalities and their implementation, which would determine the extent of the benefit that ultimately gets passed through to consumers.

Outlook and beneficiaries

- We believe the shift in the government's stance toward consumption-led growth through recent reform measures, such as income tax cuts and the GST rationalization, should boost consumption and bode well for organized retailers.
- We believe footwear retailers such as Bata, Campus, Relaxo and Metro Brands are the biggest beneficiaries of the GST rate rationalization.
- In the apparel pack, we believe this is positive for mid-premium brands such as Westside (Trent), Pantaloons (ABFRL), etc., whereas it could be negative for premium and ethnic retailers such as Vedant Fashions, Raymond, and Shoppers Stop.
- A broad-based pick-up in consumption also bodes well for the likes of DMart and Reliance Retail.

Exhibit 1: Current and revised GST rates for footwear and apparel

Price (INR)	Apparel		Footwear	
	Current	Revised	Current	Revised
0-1,000	5%	5%	12%	5%
1,000-2,500	12%	5%	18%	5%
2,500+	12%	18%	18%	18%

Exhibit 2: Metro Brands' ASP-wise revenue share; avg footwear net ASP stands at ~INR2,300

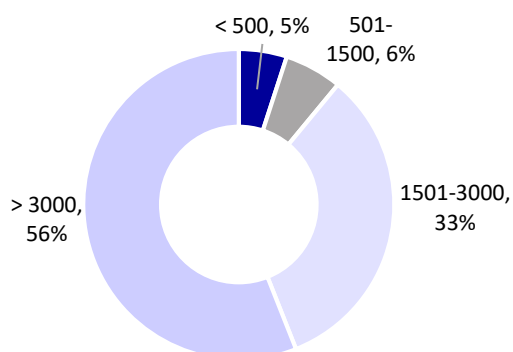


Exhibit 3: Campus' ASP-wise revenue share; avg footwear net ASP stands at INR670

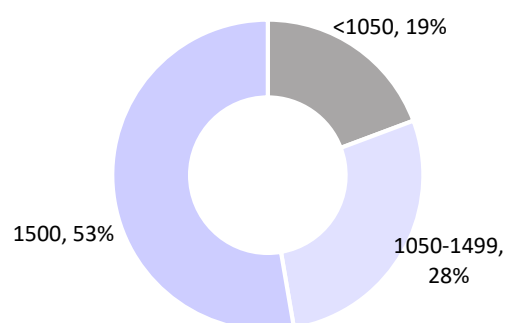


Exhibit 4: ASP of footwear brands (INR)

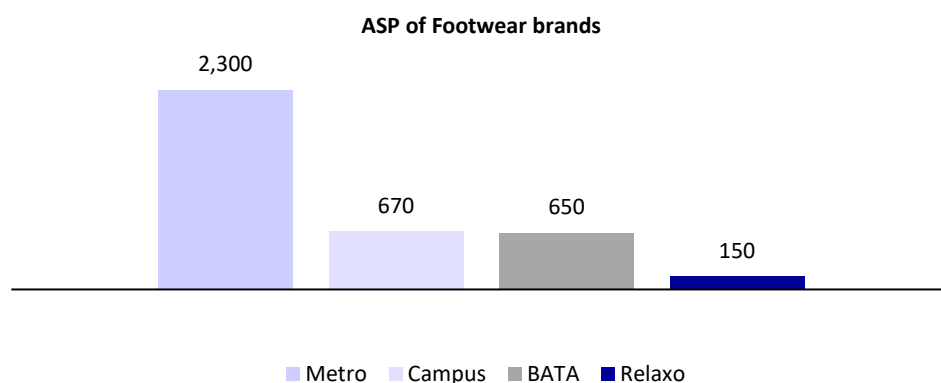
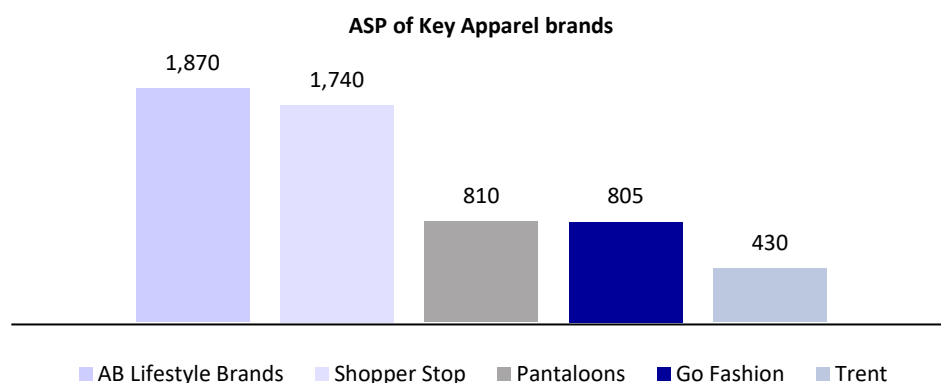


Exhibit 5: ASP of key apparel brands (INR)



Trent's reported ASP impacted by sale of lower priced accessories and lower ASP for Zudio, Westside
ASP would likely be INR1,000+

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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