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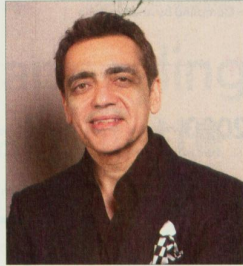


GST: The Good, the Bad and the Ugly!

With the recent announcement of GST (Goods and Services Tax) rates for various sectors, its foreseeable impact on consumer sentiment in some specific categories is more apparent than others. Consumers may be expected to loosen their purse-strings for some basics, come July 1, when GST will be rolled out. As the country goes on an overdrive to understand the impact, *BrandWagon* puts together a panel of experts to decode the implications of GST across three sectors — FMCG, cinema and travel & tourism



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'It will keep alive the growth sentiment'

THE TOURISM sector is on a growth trajectory. The GST announcement is expected to put India on the forefront in terms of boosting the tourism sector, contributing more to the GDP and generating employment. GST is expected to provide an edge to the entire travel and tourism industry by reducing costs for customers, streamlining taxes and thus promoting overall growth. Under the GST rates finalised for air travel, flying economy will attract 5% tax, down from 6%, resulting in economy airfares getting marginally cheaper. Overall this is a good move for passengers as it will keep alive the growth sentiment that the domestic air passenger market has observed over the past year-and-a-half. Also, the government's decision to levy 12% tax for business class is a huge relief for the industry against the earlier anticipated 17-18% tax rate. Budget hotels for the *aam aadmi* have been kept insulated from any increase in tariffs, while the luxury segment might see a slight increase. This will continue to support the growth momentum of the budget hotels sector going forward, though we might see a bit of pressure in the luxury segment in the short- to medium-term. We are bullish about the sector.



Travel & Tourism

'Brace for an increase in ticket prices'

GLOBALLY, TICKETS are not taxed over 5% but in India, we have been categorised under luxury along with casinos, betting, gambling, etc. I fail to understand the logic behind this. Any ticket that was priced above ₹500 could have been taxed at 28% as it could have been considered a VIP seat. But for multiplexes in smaller towns where the mass market exists, price points range from ₹80-90. There was a great opportunity for further growth, but now it seems we have gone a few steps back. Now, in states where the entertainment tax was lower than the GST, ticket prices are going to increase. In certain states, we would have reduced ticket prices but lots of states also have price caps. So we have to figure out a solution for that. The price cap in states like Tamil Nadu and Karnataka is ₹120, while for Andhra Pradesh and Chandigarh it is around ₹150. Going ahead, the consumer should brace for an increase in ticket prices. We were hoping to be placed in the 12-18% slab, but we will now have to figure out our next move to ensure that margins do not get affected. Bollywood and regional film production will get affected. The Multiplex Association of India has also appealed to the government to reconsider the GST tax rate.



Cinema

'There would be some transitional woes'

WITH THE seamless flow of tax credits and stabilisation of GST compliances, we expect good growth in the medium- to long-term. So far, the unorganised players had the advantage of operating beyond the existing tax structure which is going to change now. With this price edge gone, consumers would tend to migrate more towards organised and branded products. Increasing ayurveda awareness and preference, coupled with digital penetration and ease, are expected to act as a major boost to positive consumer behaviour. Other trends like expected good monsoon, growing popularity of natural and ayurvedic products and an increased awareness through integrated communication, are going to have a positive impact on the consumption pattern. As is natural, with every disruption, some confusion and obstacles are bound to be there. In the short-term, there would be some transitional woes and we are building the confidence with our distribution partners to face the challenge of transition in a positive manner. There could be some hassles for the initial few months after which the system will start to gradually fall into place. But in the long-term, a positive impact is expected.



FMCG

'Disappointed with 12% GST on ayurvedic products'

HOME CARE products and shampoos will attract a higher rate of 28% under GST, while most FMCG products have been placed at 18% or below levels and this is on expected lines. There's not much change in rates. Also, given the fact that we operate in a daily-use products category and don't have many discretionary items, we don't expect any major impact on the purchase of consumer goods. However, we are disappointed with the government's decision to levy 12% GST on ayurvedic medicines and products, which we feel will be adverse for the ayurvedic medicines category, especially at a time when the government has been talking about promoting traditional Indian alternative medicine. We expect to maintain our overall margin. While there may be temporary disruptions in the short-term, we expect GST to be overall beneficial in the medium- to long-term.



FMCG

— With inputs from Chandni Mathur, Shinmin Bali and Meghna Sharma