

CONSUMER GOODS (DURABLES AND NON-DURABLES)

Sector Impact - Positive

Background

- Consumer goods industry is highly fragmented and is classified into two major segments namely, consumer durables and FMCG, comprising wide array of products.
- The Indian FMCG sector is the fourth-largest sector in the economy accounting for 5% of the total factory employment in the country. Sugar, classified as an essential commodity, is the country's second-largest rural agro-industry and is highly regulated by the Government.
- A combination of changing lifestyles, higher disposable income, greater product awareness and affordable pricing have been instrumental in changing the pattern and amount of consumer expenditure leading to robust growth of the consumer durables industry.
- Penetration level of consumer goods in rural areas comprising 70% of India's population is still low indicating the untapped market potential.
- Challenges faced by the industry are adverse monsoon (at times), spurious products, illegal imports, cost escalation, intense competition, high advertisement cost and complex distribution system besides the recent economic slowdown.

Budget Proposals

1. Ad valorem component of excise duty increased to 10% from 8% across board for products viz. watches, vacuum cleaners, soaps, shaving creams etc.
2. Excise duty slabs for the cigarettes have been revised and all cigarettes will attract higher duties except for the length less than 60 mm.
3. Excise duty on replaceable kits of all domestic water filters except those operating on reverse osmosis technology is being reduced from 8% to 4%
4. Imposed Excise duty at 10% on Baby diapers, clinical diapers and sanitary napkins which were fully exempt so far.
5. Excise duty of 10% is being imposed on goggles other than those used for correcting vision.

6. Reduction in excise duty on LED lights/ lighting fixtures from 8% to 4% in line with Compact Florescent Lamps (CFL).
7. Basic customs duty on magnetrons of up to 1000KW used for manufacture of domestic microwave ovens is being reduced from 10% to 5%.
8. Exemption of special CVD of 4% on goods imported in pre-packaged form and intended for retail sale and certain specified goods namely, mobile phones and watches.

Duty Structure

(%)	Existing*	Proposed*
CUSTOMS DUTY		
• Magnetrons for microwave ovens	10	5
EXCISE DUTY		
• Watches, vaccum cleaners	8	10
• LED lights/ lighting fixtures	8	4
• Baby Diapers, Sanitary Napkins	0	10
• Replaceable kits of all domestic water filters	8	4
• Goggles	0	10

*Excluding: 2% Education cess and 1% secondary & higher education cess

Budget Impact: Companies

Company	Products	% of Sales*	Applicable Proposals	Overall Impact
LG Electronics	Consumer electronics	-	1,6	▲
Eureka Forbes	Water purifier	58	1,3	▲
Golden Tobacco	Cigarettes and processed tobacco	100	2	◀▶

* for FY09

Legends:

▲▲	Highly Positive	▼	Negative	◀▶	Neutral
▲	Positive	▼▼	Highly Negative	∅	No Proposals