

Logistics stocks up on GST clearance hope

Shares of companies in the logistics sector gained ground on Thursday on hope that the government will be able to secure clearance for a revised goods and services tax (GST) Bill in the Rajya Sabha next week.

Snowman Logistics, GATI, Allcargo Logistics, VRL Logistics, Patel Integrated and Transport Corporation of India are some stocks in this segment that rallied, by 3.8-7.2 per cent. In comparison, the benchmark S&P BSE Sensex and Nifty50 indices ended the day at 28,209 and 8,666, up around 0.6 per cent each.

According to reports, the empowered committee of the finance ministers of states on Tuesday agreed that the revenue-neutral rate (RNR) would not be specified in the GST Constitution amendment Bill, raising hopes that it would be passed by the Rajya Sabha next week.

While the short-term macro economic implications of GST should be mixed, longer-term implementation should lift growth and enable greater government fiscal consolidation, analysts say.

“GST will be clearly positive, as gains from a more efficient tax system, greater price competitiveness (reduced costs) and the removal of interstate tax barriers should boost growth via higher exports and investments, structurally lower inflation, and raise government (central + state) tax revenues,” say Ravi Adukia and Saion Mukherjee of Nomura in a recent report.

Indranil Pan, chief economist at IDFC Bank also suggests that the GST will eliminate multiple levies and state boundaries which should lower cost of doing business. Moreover, the current inefficient supply chain due to higher logistics costs will see dramatic improvement in turnaround times and also lead to lower transportation costs, he says.

From sector perspectives, analysts at Nomura suggest that the GST will be generally positive for consumption-related sectors (auto, consumer durables, FMCG etc.).

Logistics stocks rally as govt paves way for GST bill clearance “Logistics should benefit from the removal of inefficiencies in interstate taxation and check posts. The services sector, however, should be impacted negatively due to the higher tax burden,” the Nomura report says.

Though most analysts expect the benefits of implementation of the GST bill to accrue over the long-term, they remain cautious on the related stocks in this space given the run-up in most counters over the past few weeks.

“Logistic stocks will once again run up on the development. Most stocks in this space are overpriced and the Bill, even if it is passed, is not likely to bring profits immediately to these companies. We advise caution,” said G Chokkalingam, managing director, Equinomics Research & Advisory.

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