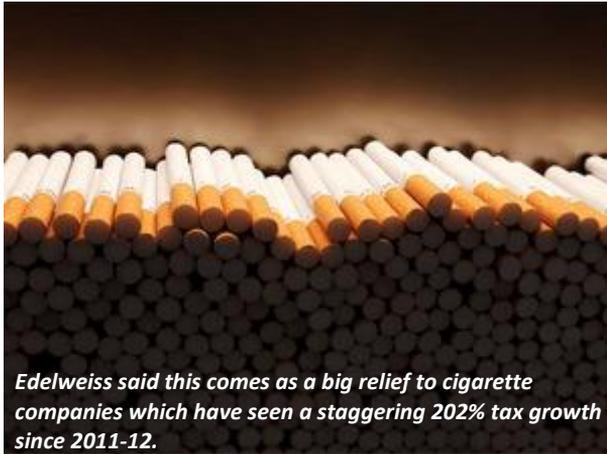


Budget 2018: Cigarette industry heaves a sigh of relief after six years

By Writankar Mukherjee , ET Bureau | Feb 02, 2018

KOLKATA: After almost six years, there will be no increase in cigarette prices after the Budget with finance minister Arun Jaitley giving a breather to the tobacco industry by not announcing any change in taxation or any anti-tobacco initiatives.



An industry executive said the tobacco industry was expecting no changes in the taxation rate in the Budget since after the introduction of goods and services tax (GST) any such decision will be taken by the GST Council.

"While we were certain that taxation will not be tinkered, still we had some concern whether any other measures might be announced. The industry got a much needed breather," he said, requesting anonymity.

Edelweiss said this comes as a big relief to cigarette companies which have seen a staggering 202% tax growth since 2011-12. "We believe cigarette volumes should improve and if corroborated by shift from illegal cigarette to legal cigarette, can be an added boost to the overall cigarette volume growth," the firm said in a report.

As expected, tobacco stocks instantly boomed on the stock exchange. The country's largest cigarette maker ITC Ltd touched a high of Rs 290.15 on the Bombay Stock Exchange and finally closed with a gain of 1.51% at Rs 275.35. Godfrey Phillips India closed on Thursday at Rs 927.85 with a gain of 0.65%, while VST Industries closed at a gain of 3.14% to Rs 3352.05. The benchmark Sensex was down by 0.16% on Thursday.

ITC in its quarterly earnings release had said that the combined impact of increase in excise duty last year and the revision in GST compensation cess had resulted in an incremental tax burden of over 20% on the company. Analysts have estimated that the company's cigarette sales volume had declined by more than 5% last quarter

Source: <https://economictimes.indiatimes.com/industry/cons-products/tobacco/budget-2018-cigarette-industry-heaves-a-sigh-of-relief-after-six-years/articleshow/62745012.cms>