

# ITC meets estimates, Q1 net rises 7.4%

**Cigarette sales,  
 profits increase  
 despite higher duty**

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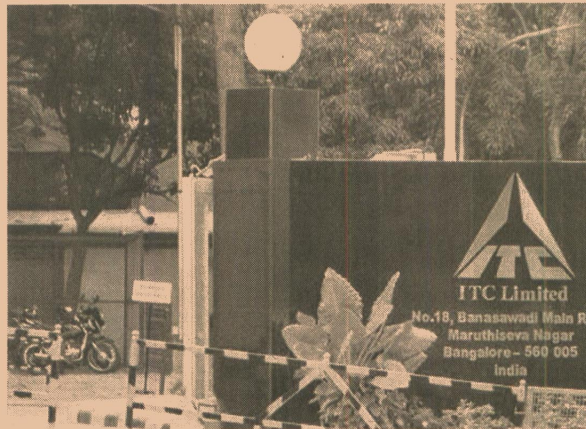
**I**n line with Street estimates, conglomerate ITC posted a 7.4 per cent rise in net profit to ₹2,560 crore for the quarter ended June, with a 4.3 per cent rise in gross revenue from sales of products and services at ₹13,722 crore.

Net profit during the corresponding period of 2016-17 was ₹2,385 crore, with revenue of ₹13,157 crore.

In a statement, the company said its cigarette sales continued to remain under pressure, due to further increase in excise duty in February. The government in the Union Budget had raised the tax on cigarettes by six per cent and furthered it under the new goods and services tax (GST) regime. However, the company posted a 6.6 per cent increase in cigarette sales at ₹8,774 crore, while gross profit from the segment increased 8.9 per cent to ₹3,274 crore. "Cigarette volumes for the quarter are likely to have been flat. Segmental margins improved 80 basis points to 37.3 per cent, leading to nine per cent growth in segmental Ebit (earnings before interest and taxes) to ₹3,270 crore," said Sameer Deshmukh, research analyst with Reliance Securities.

Despite the destocking across trade channels in the wake of GST, the company says it was able to post a nine per cent growth in the FMCG-Others segment (staples, snacks, confections, personal care products and others) revenue at ₹2,601 crore, amid a muted demand environment.

"The growth could have been higher if GST was not implemented. Destocking has definitely affected performance of the companies, par-



## IN LINE WITH EXPECTATION

Figures in ₹ crore	Q1 FY17	Q1 FY18
Gross revenue from sale of products and services	13,156.68	13,722.21
Net profit	2,384.67	2,560.50

Source: Company

ticularly in the FMCG space," Deshmukh added.

Revenue from the hotels segment rose 6.1 per cent to ₹304.9 crore in the quarter, against ₹287.4 crore a year before. Improvement in average room rate and higher food and beverage sales were primary reasons. However, the improvement in profitability was limited due to loss of revenue at certain properties, particularly the ITC Grand Chola in Chennai on account of the ban on sale of liquor at outlets in proximity to highways and gestation costs of the recently commissioned ITC Grand Bharat, Gurugram.

The agri business division's performance was impacted by lower crop output and adverse quality of the Andhra leaf tobacco crop due to drought in 2016, beside limited trading opportunities in other agri com-

modities. This resulted in the revenue from this business shrinking by 1.2 per cent to ₹2,761 crore.

The quarter also marked ITC's foray into the premium frozen prawns segment under the ITC Master Chef brand. In the paperboards, paper & packaging segment, although ITC was able to post rising profitability, revenue fell 2.8 per cent to ₹1,360 crore, owing to sluggish demand and unabsorbed capacity in the paperboard market. "Offtake of paperboards and carton packaging was impacted due to destocking of FMCG and pharma products in trade channels, ahead of the transition to GST, and the ban on sale of liquor from outlets in close proximity to highways. Profitability, however, improved on the back of benign input prices and richer product mix," the company stated.