

**INFORMATION UPDATE**

Eveready Industries India Ltd. (Eveready) today declared its financial results for the quarter ended December 31, 2018.

Highlights of the standalone results are the following.

Item	Q3 2018-19	Q3 2017-18	Gain %	YTD 18-19	YTD 17-18	Gain %	FY 17-18
Operating Income (Rs cr)	379.18	369.57	3	1146.01	1106.60	4	1456.35
Gross Margin (Rs cr)	145.06	143.72	1	437.59	424.56	3	545.49
Gross Margin (%)	38.3%	38.9%		38.2%	38.4%		37.5%
Operating EBIDTA (Rs cr)	34.79	33.46	4	110.78	101.60	9	97.71
Operating EBIDTA (%)	9.2%	9.1%		9.7%	9.2%		6.7%
GST transitional credit (Rs cr)	-	0.74		-	7.64		7.64
Other Income (Rs cr)	8.63	4.23		21.58	18.50		19.77
Reported EBIDTA (Rs cr)	43.42	38.43	13	132.36	127.74	4	125.12
PBT excluding exceptional item (Rs cr)	21.21	26.73	(21)	76.87	92.75	(17)	77.18
Less : Chennai plant VRS (Rs cr)	23.21	-		23.21	-		-
PBT after exceptional item (Rs cr)	(2.00)	26.73	(107)	53.66	92.75	(42)	77.18
Net Profit (Rs cr)	0.20	20.94	(99)	43.21	70.86	(39)	54.74

**Operational Highlights**

- The operating results for the quarter was marginally superior to the corresponding quarter of the previous year, consequent to improved turnover of batteries and appliances. Though the other categories witnessed dips during the quarter, higher profitability in the battery and flashlight segments coupled with fiscal benefits accruing from the manufacturing unit in Assam, somewhat favourable commodity prices and lower promotional and other spends resulted in superior profitability despite the adverse impact of a depreciating rupee.
- Employee cost as a percentage of turnover for the quarter was lower by 48 basis points in comparison to the corresponding quarter of the previous year due to savings on account of consolidation.
- Distribution cost increase was slightly higher as the Company grew in segments of Appliances and Luminaires where distribution costs are higher than the Company's traditional products. Also, high crude oil prices had an impact on cost of fuel, thereby increasing distribution cost.
- Battery volume grew by 6.2%. This growth seems to be a heartening turnaround in context of some signs of slow-down in dumped imports from China - in apprehension of mandatory quality standards issued by Bureau of Indian Standards (BIS), which comes into effect from April 2019. EBIDTA margin for the segment was a healthy 18% during the quarter. The segment of flashlight also had a robust margin of 13.4%. On YTD basis, the segments of batteries and flashlights clocked EBIDTA margins of 17.2% and 10.7% respectively.
- VRS for the Chennai manufacturing unit was successfully completed during the quarter - thereby leading to a recurring annualized savings of around Rs 15.0 crores. Cost related to the same has been shown as an exceptional item. This enabled the land to be sold for which the company has already entered into an agreement - for a total consideration of Rs 100.0 crores.
- Turnover for the lighting segment for the quarter was at Rs 88.1 crores- down by around 11%, partially due to supply constraints as well as unit price decrease in bulbs. We expect to improve the situation at the earliest as new suppliers are developed. Due to reasons mentioned above, EBIDTA margin for the segment was around 5%.



# EVEREADY

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- Turnover for the Appliance segment was at Rs. 41.0 crores for the current quarter (Rs. 23.1 crores in the previous year). This improvement trend is in line with the Company's upscaling plans for this segment. However, the segment registered an EBIDTA loss of Rs.4.2 crores for the quarter, as it is in a build-up phase and the revenues are not yet matching the cost structure. However, this will be mitigated as the segment scales up in the near future.
- The packet tea segment had an EBIDTA loss of Rs 3.7 crores during the current quarter. Work is afoot to mitigate this position.
- The Confectionery segment under the "Jollies" brand is at a very nascent stage of operation and is yet to reach scale.

### Outlook

- It is expected that the markets will shrug off the sluggish demand in the battery and flashlight segments in line with an expected buoyant rate of growth of the economy and as Government implements its plans to boost rural incomes through infrastructure spending and increase in Minimum Support Price (MSP). Subject to effective implementation of the mandatory quality standard issued by BIS on dry cell batteries, volumes of dumped imports should further decrease – to the benefit of organized players.
- Weakening of rupee is a concern. However, since bulk of materials are imported from China, which also has seen similar level of currency depreciation, there may not be significant increase in input costs. This, coupled with current softer Zinc price should restore the higher levels of profitability in these segments.
- While the Lighting segment has remained flat during the quarter, it may be more of an aberration and demand is expected to pick up in the forthcoming quarters for reasons already mentioned above. The Company continues to deliver a range of LED based products mainly in the Luminaires segment – both for indoor and outdoor lighting at attractive price points, which are likely to replace conventional lights. The performance of LED products in delivering both turnover and profitability is encouraging. It is expected that this segment will continue to clock high growth and have higher contribution to the Company's overall profitability.
- The turnover build-up in the Small Home Appliances category has so far been satisfactory. This segment will also be a major contributor to the Company's growth. Currently this segment is recording losses for reasons mentioned already – but the turnover growth over the next few quarters should allow this segment to cover its costs – and thereafter look to contributing to the Company's overall profitability.
- The Company is on course with the plans to monetize its non-core assets.

### Background

Eveready is the country's market leader of batteries and flashlights - selling more than 1.2 billion batteries and nearly 25 million flashlights. Apart from these, Eveready offers a basket of other products - LED, LED based Luminaires, GLS lamps, CFL & other lighting products, packet tea and appliances. Eveready has an extensive distribution network of 4000 distributors reaching all the way down to 5000 population towns.

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