

# EVEREADY

## INDUSTRIES INDIA LTD.

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### OPERATIONAL HIGHLIGHTS FOR THE QUARTER JUNE 30, 2020

Eveready Industries India Ltd. (Eveready) today declared its financial results for the quarter ended June 30, 2020. Highlights of the standalone results are the following.

Item	Q1 2020-21	Q1 2019-20	Gain/(Loss) %	FY 19-20
Operating Income (cr)	263.45	321.04	(18)	1210.93
Gross Margin (cr)	122.43	123.72		475.24
Gross Margin (%)	46.5%	38.5%		39.2%
Operating EBIDTA (cr)	39.56	24.71	60	121.13
Operating EBIDTA (%)	15.0%	7.7%		10.0%
Other Income (cr)	11.68	7.43		46.73
Reported EBIDTA (cr)	51.24	32.14	59	167.86
PBT before exceptional items (cr)	30.29	9.07	234	68.48
Add : Profit on sale of Chennai land (cr)	-	-		89.55
Add : Profit on sale of Hyderabad land (cr)	-	-		62.04
PBT after exceptional item (cr)	30.29	9.07	234	220.07
Net Profit (cr)	23.61	6.85	245	179.57

#### Operational Highlights

- The turnover for the quarter fell sharply by around 18% - primarily attributable to non achievement of optimal sales during April 2020 consequent to a complete stoppage / disruption of economic activities during the initial phases of the countrywide lockdown. Despite the lower turnover, gross margin was at par with that of the previous year due to a better turnover mix towards the more profitable segments of batteries and flashlights. Though the battery and flashlight turnover was also in the negative territory, the impact for these segments was lower in comparison to the other segments of lighting and appliances. As the economy started to open up during the latter part of April 2020 mainly for essential supplies, a healthy demand for batteries and flashlights was witnessed – primarily aided by a depleted inventory position in trade consequent to a prolonged shutdown of the economy. The lighting and appliance segment was, however, significantly impacted by prolonged restrictions on trade of non-essential items coupled with a weak demand as consumers deferred discretionary consumption. In spite of the aforesaid turnover dip, operating EBIDTA was higher by 60% due to an improved gross margin, lower employee cost, lower distribution cost, lower promotional spends and lower overheads as the various establishments of the Company continued to run in a restricted manner even after lockdown restrictions were relaxed / removed. The discontinuance of the packet tea business further helped the Company in improving margin and releasing working capital.

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- Battery and flashlight volumes for the quarter were lower than that in the corresponding quarter of the previous year as optimal sales could not be achieved in April 2020 due to lockdown restrictions. Post the relaxation of restrictions, however, a healthy demand for batteries and flashlights was observed as trade inventory got depleted and the market continued to witness a reduction in dumped imports from China, post implementation of quality standards issued by Bureau of Indian Standards (BIS). During the months of May and June 2020, battery volume was higher by around 12% over the corresponding months of the previous year. Even the flashlight volume was higher by around 6% during May and June 2020 as the large unorganized gray market got affected by the sudden disruption in economic activities. Despite these uptick, the volumes for the quarter remained subdued due to a lower April as mentioned earlier. However, the EBIDTA margin for the battery segment was healthy at 21.9% on a turnover of Rs. 176.9 crores during the quarter, mainly attributable to favourable commodity prices coupled with upward pricing revisions taken to mitigate the impact of a nearly 7% rupee depreciation and general inflation. The segment of flashlight also had a robust margin of 18.7% during the quarter on a turnover of Rs. 50.2 crores.
- Turnover for the lighting segment for the quarter was at Rs. 30.2 crores - down by around 48%, largely attributable to lockdown restrictions in April 2020, thereby limiting distribution channels. In addition, demand sentiment was weak as mentioned earlier coupled with supply disruptions during this period. This has resulted in negative segment EBIDTA of Rs. 2.1 crores during the quarter due to reduction in economies of scale – though trends suggest that the segment is gradually progressing towards a break-even EBIDTA.
- Turnover for the Appliance segment was at Rs. 5.9 crores for the current quarter ( Rs. 16.6 crores in the corresponding quarter of the previous year) as sale of fans which constitutes 50% of the portfolio could be achieved only in a limited manner due to lockdown restrictions. This apart, weak demand and supply constraints for key products which necessitated a consolidation of portfolio, rationalizing channels for distribution and price decreases also contributed to the lower turnover. The segment registered a EBIDTA loss of Rs. 4.9 crores during the quarter, though the quantum of loss has reduced substantially in comparison to the corresponding quarter of the previous year. As the segment scales up in the near future, revenues should start matching the cost structure in the forthcoming years and should result in positive impact on the financials.

## Outlook

- While the countrywide lockdown has been lifted in phases thereby ensuring phased start of economic activities, the supply chains are yet to become normal.
- The Company's core categories of batteries and flashlights, however, are witnessing a healthy demand, given the sharp decrease in dumped imports from China and the disruptions caused to the unorganized market for non-availability of supplies. The situation in the battery segment should continue to look positive as full effect of implementation of the BIS standards comes into force. The flashlight segment is also likely to benefit as many of the unorganized gray market players may have been adversely impacted by cash flow constraints

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arising out of economic disruption. Furthermore, Government initiatives on restricting imports from China are likely to benefit both the segments.

- Apart from the disruption caused by the lockdown, the Lighting segment has been adversely impacted by a weak consumption demand and supply constraints. The situation is likely to improve in the forthcoming quarters as normalcy is restored in demand and as supply sources are stabilized. Once normalcy is restored in the supply chain, the Company would be able to augment its turnover through its various channels of distribution.
- The turnover in the Small Home Appliances category has somewhat faltered due to an overall weak demand. Apart from that, supply constraints have also impacted turnover for some of the key products in the category. The current COVID situation is expected to impact demand for the category in the near-term as consumers are likely to curb discretionary spending over essential purchases. However, in the medium to long term, with growing disposable incomes and Government's initiative towards rural electrification, this category is expected to improve
- Given the outlook, the Company is expected to improve operating margins in the forthcoming quarters.

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 & other lighting products and appliances. Eveready has an extensive distribution network of 4000 distributors reaching all the way down to 5000 population towns.

September 9, 2020

Very truly yours,  
**EVEREADY INDUSTRIES INDIA LTD.**



**(T. PUNWANI)**  
**VICE PRESIDENT – LEGAL**  
**& COMPANY SECRETARY**

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