



## Eveready Industries India Limited

### Q1 FY25 Earnings Conference Call Transcript

August 05, 2024

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY25 Earnings Conference Call of Eveready Industries India Limited.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you and over to you.

**Nishid Solanki:** Thank you. Good afternoon, everyone, and welcome to Eveready Industries India's Q1 FY25 Earnings Conference Call.

Today, we are joined by senior members of the Management Team including Mr. Suvamoy Saha – Managing Director and Mr. Bibek Agarwala – Executive Director & Chief Financial Officer.

Before we begin the call, let me first share the standard disclaimer:

Some of the statements that may be made on today's conference call could be forward-looking in nature and actual results could vary from these forward-looking statements. A detailed statement in this regard is available in the Press Release document which has been circulated to you earlier and also available on the Stock Exchange websites.

I would now like to invite Mr. Saha to share his perspectives with you. Thank you and over to you, sir.

**Suvamoy Saha:** Thank you, Nishid. Thank all of you for joining us on our 1st Quarter Earnings Call for the current Financial Year. We are a company that is seeking improvement and there are multiple initiatives to drive our objectives. I hope to bring clarity to these aspects through this forum.

The 1st Quarter conveys a moderated picture of revenues, and we are comparing it against the high base of same quarter previous year. However, beyond this apparent, there is underlying growth momentum in the business, which I will cover in greater detail when I address segmental perspectives.



Profitability was satisfactory, and I will provide highlights on that when I speak on Results.

Our initiatives revolve around product offerings, brand connect to consumers, the go-to market processes, and our people. And I will now draw your attention to each of these initiatives.

Our company prides itself on delivering product offerings that are not only contemporary, but also innovative and highly relevant in today's fastest market. We constantly monitor industry trends and consumer preferences to ensure our products meet the highest standards of quality and functionality. This means that we incorporate the latest technologies and aesthetic trends ensuring our products are modern, stylish, and desirable. Additionally, we focus on sustainability and efficiency, aligning our products and processes with the growing need for environmentally responsible solutions. This strategic approach allows us to stay ahead of the curve, continuously delighting our consumers and creating value for our stakeholders.

We also continuously work on our brand to stay connected with our consumers. This involves regularly updating our brand strategy, engaging with our audience through various channels, and listening to their feedback. By doing so, we ensure that our brand remains relevant, resonates with our consumers, and meets their evolving needs and preferences. Eveready is a high-recall brand, and we are actively taking steps to maintain and leverage this advantage. With an Olympian as a brand ambassador, we are creating salience in communication. We continue to expand slightly higher proportion of sales on A&P relative to the industry average at our scale, but we think this is a deemed necessity as we create a strong base for growth.

As mentioned in our earlier calls, we took an important improvement initiative in revamping our distribution in order to modernize the go-to-market processes of our company. As also mentioned in our earlier calls, we encountered challenges, both from design and implementation. These errors were identified and are being actioned upon, and we believe that this will have no great impact on our operations as we go forward. As part of our initiative, we are also using a more diverse set of channels beyond the general trade, whereas we have lacked in this previously. We have moved levers to cover better modern retail, e-commerce, quick commerce, and institutional sales. These new channels will play a crucial role in the coming quarters to boost growth.

As for the people, the company has onboarded senior-level business leaders who are each spearheading growth within segments. These new initiatives being taken up by these leaders which are opening up pockets of growth for us. Going forward, our talent pool will play a vital role in actualizing growth and profitability.

I shall now turn my attention to segmental highlights. Batteries being the largest contributor to our performance, I will commence here. We continue to hold our market share at 53% plus of the overall battery market. The segment of carbon-free batteries, which still constitutes nearly 90% of the battery market by value, remained muted during the quarter, primarily due to weak rural demand, and our performance was in line with the market. However, we had momentum in our alkaline category, which carried the bulk of our communication initiatives for batteries. Though of a small base, on the back of a 52% growth last year, we realized a 67% increase in value terms during the quarter. With 61% of our turnover and 85% of our profitability coming from the battery segment, it remains a crucial area of focus for us. We continue to invest significantly on development within this sector to maintain our competitive edge and our aspiration for growth.

Moving on to flashlights:



The key highlight for the quarter has been that the pace of degrowth in the battery-operated category has receded considerably. Historically, there has been a high degree of seasonality during the past two quarters of the year. This was somewhat missing during the last financial year. We see that having changed during the current quarter, this resulted in the battery-operated flashlight revenue de-growing by a very small 3% against 15% plus trend noticed in the previous year. Given the prediction for a normal monsoon, a rebound in agriculture is expected, which will strengthen the rural economy, rural spending recovery. This will provide a much-needed relief to the flashlights market.

Our other objective has been on gaining ground in the rechargeable category and there were a number of SKUs which we launched during the quarter. While these SKUs came with unique functionalities, impact in this segment is taking longer time due to the presence of spurious or semi-spurious products in a crowded marketplace. The overall category had a small growth during the quarter. We are the market leader of Flashlights Market, and we believe our persistence in providing the market with innovative products will not only provide us with growth, but also strengthen our leadership position.

Let me extend my discussion to LED lighting:

The value erosion that had become systemic to the industry is abating. However, it is still showing up quite starkly when compared to the same quarter of last year. We had handsome volume growth in LED bulbs by 6%, emergency bulbs by 66%, consumer luminous by 12%. Even our small professional luminous business showing 50% growth, the overall business would show a marginal growth of 1.4% only in revenue due to the higher prices prevailing in this period of last year. Also the business turned with a positive EBITDA at 3.1% vis-à-vis the break-even situation last year.

While we continue to use our general trade channels to distribute the basic SKUs from the portfolio, the critical success factor lies in our ability to put up a strong network of electrical outlets specializing in lighting products. While this took a backseat during the implementation of the RTM, we are strongly back on track with this and hope to have a complete network as per our requirement by the end of this financial year. Be that as it may, lighting continues to be our key focus area for growth.

I will now share my views on the Quarter's Results:

The quarter saw revenues at Rs. 349.4 crore versus Rs. 363.6 crore last year in the same period. Revenue growth for the quarter was contained by several factors including a high base effect, slower offtake in the carbon zinc range, ongoing weakness in battery operated flashlights though at a slower pace, and value erosion in the lighting segment. I have spoken of all of these in the earlier parts of my remarks. Our EBITDA and PAT numbers are strong, as we are seeing traction in value-creating categories and offerings. For the quarter, both increased by 14.2% and 18.5%, respectively. These came as a result of cost initiatives and favorable input costs. A&P expenses were sustained at a high level at 9%, which I had called out as a necessary investment in my earlier remarks.

As for the outlook:

We are gearing for a positive outlook year-on-year. There is underlying momentum in the categories where we are focused in each of the segments. Already we are seeing momentum in alkaline batteries and the expanded range of rechargeable



flashlights. The professional luminous business is showing promise and is on the path for higher contribution to growth. With the challenges from the RTM being mostly over, we shall also see stronger traction in the sales mechanism, though it will be in the second half of this year for that to become meaningful and evident.

And lastly, for an update, in line with our progress in the alkaline battery segment and our optimistic outlook on this category, the Board of the company has approved an investment of Rs. 180 crore to set up an alkaline plant with a capacity of 360 million units.

With that, I come to the end of my initial remarks, and I request the moderator to commence the Q&A process, and we are ready to address queries from the participants. Thank you.

**Moderator:** Thank you, sir. We will now begin the question-and-answer session. We will take the first question from the line of Dhruv from Ambit Capital. Please go ahead.

**Dhruv:** Sir, first question from me was around the CAPEX that you have undertaken. So, if you could just briefly highlight what necessitated this and what is the market size of alkaline? And what would be the cost difference versus importing it versus making it in-house, any color there would be very helpful.

**Suvamoy Saha:** So, alkaline is the one segment in the overall battery market which is growing much faster than the traditional carbon-zinc. Currently, the market size is of about I would say 350 odd million batteries which goes into both the retail market as well as for OEM consumption. We are currently at an annual selling rate of about 60 odd million batteries, which is improving day by day. And we are setting up this plant, which will come into commission within a year's time, at which point of time we think that we will grow much higher than the current level. So, it is to sort of address the need of a growing segment that we have made proactively this investment.

**Dhruv:** What would be the price difference versus importing and making it in India, is there any duty after charge?

**Suvamoy Saha:** There are two segments to the alkaline market. One is the premium alkaline and the other is the value alkaline. I would say for the value alkaline; the difference would be certainly at least 10% in cost where we will be favorable by making it in the country. And that also enables us to sort of seek areas which we have not explored before.

**Dhruv:** So, the second question from me was that we've seen a very sharp gross margin improvement, and you also spoke about improving the share of alkaline. Just wanted to understand what would be the like-to-like gross margin differential between alkaline and carbon-zinc batteries?

**Suvamoy Saha:** So, primarily they are in very similar zones. The premium alkaline of course is I would say 5% or 6% higher than the rest of the carbon-zinc offering and the value alkaline would be sort of similar to our popular offering on the carbon zinc segment. And as time goes by and as it has happened in all other countries, the saliency of premium alkaline will grow higher vis-à-vis the value alkaline. That is something that has been demonstrated in other countries. But India is in its very nascent stage with alkaline experience.

**Dhruv:** Sir out of these 360 million batteries, what would be the share of premium alkaline at this point of time?

**Suvamoy Saha:** The same line would produce both premium and value. So, it would depend on the market requirements that we would cater to accordingly in our production.

**Dhruv:** I was talking more from an industry perspective. So, out of 360 million market that you spoke about, at this point of time, what would be the premium share of this for the market?

**Suvamoy Saha:** The premium share would be about 30% odd in the retail market. It could be higher on the OEM side. In fact, it is higher on the OEM side. If you take all the batteries that go into the EVs and stuff like that, those are all premium products.

**Dhruv:** You spoke about alternative channels in your opening remarks. Just wanted to understand what is the share of revenue from an alternative channel perspective at this point of time and any targets that you would set say two years out?

**Suvamoy Saha:** So, currently we are at about 15% of the alternative channels that I mentioned, and I think obviously it is our day-to-day endeavor to go higher than that and maybe by the end of the year, we would try to go beyond 16% at least, if not more.

**Dhruv:** And just last thing from my side, if you could just give the segmental EBITDA numbers and revenue numbers for all the three verticals?

**Bibek Agarwal:** So, segmental, as Suvamoy said, 80% of the operating margin comes from battery. So, around Rs. 39 crore comes from batteries, flashlight around Rs. 9 crore and lighting is around Rs. 2 crore.

**Moderator:** Thank you. We have next question from the line of Mithun Aswath from Kivah Advisors. Please go ahead.

**Mithun Aswath:** I just wanted to understand in your revenues on the battery side, how much is coming from alkaline and from carbon zinc currently? And is there a degrowth in the carbon zinc market overall? So, if you could explain the size of each of the markets in terms of volume and value and since you're putting up this Rs. 180 crore, what kind of revenues could we get? What is the kind of asset turnover expected in such a facility? And by when do you think we would get to optimum utilization of that capacity, sir?

**Suvamoy Saha:** I will answer part of this, and Bibek would address the asset turnover and the segmental in our company. But let me tell you about the industry question. So, what I'll tell you is as per Nielsen. So, as per Nielsen, the volume is about 3 billion units, and the market size is about Rs. 3,000 crore, of which about Rs. 300-odd crore is alkaline. So, 10% is alkaline, balance is carbon zinc. These are all at consumer prices. So, don't try to relate this to the company's revenue because company's revenue then plus-plus is the consumer price, which is what gets reported by Nielsen, and that is the only authentic third-party data that we have because otherwise, we cannot comment on the market as a whole. With regard to carbon zinc, how has been the growth parameter for the market? Yes, it has been muted this year, last year as well as this quarter, but primarily due to weak consumer pull in the rural side, particularly. And I will request Bibek to address the rest of this.

**Bibek Agarwala:** So, as you see that with this investment, while primarily alkaline is coming, there will be some other product lines. So, we are expecting, and we have spoken that how cost beneficial this investment of alkaline could be and new avenues will come up. So, this is preparation for the future. So, we expect in the 3rd year to become an asset turnover to be 1:1. So, that is why at a right time we thought to invest within this and get the benefit of that.



- Mithun Aswath:** So, you expect actually the alkaline market to grow quite rapidly, right?
- Bibek Agarwala:** Yes. So, actually today fortunately, it is a high double-digit growth coming while the carbon zinc is stagnant category. And globally, this is a very high percentage of the total battery share compared to India. India still, we are around 10%. But if you go to the other progressive countries, it is 40% to 50% even somewhere in U.S. and European countries is much higher. The growth in alkaline is much faster than carbon zinc.
- Mithun Aswath:** And in terms of the manufacturing cost of alkaline versus carbon zinc, are the raw materials different? Are the margins more predictable? What is the difference? And why would consumers move to this? Is it longer-lasting batteries? Just wanted your take on that?
- Suvamoy Saha:** So, consumers turn to alkaline primarily because they can afford to pay for it. And yes, the service is also commensurately higher. So, people who can afford, they will try to buy batteries, which they need to change less frequently. So, hence, alkaline. Now as far as the company is concerned, the margin profile is very much by and large the same. We are only trying to tap into the growth segment of the market.
- Mithun Aswath:** Got it. And sir, just wanted to understand on, say, the rechargeable battery segment, is that something which is likely to also scale up significantly? More electronic products are there in the house. Like I think a lot of people use those locks, which are now electronic and other such products. Just wanted your thoughts on that or that market has not at all really grown in India.
- Suvamoy Saha:** So, we are also in the business of and are the leaders of the rechargeable batteries market. When I say rechargeable batteries, I am only referring to the cylindrical cells, right, in which you can put in a device, recharge, and fit into other devices. I am not at all referring to, and I am sure you are also not referring to that batteries that goes into smartphones and all kinds of other devices. So, in the cylindrical consumer rechargeable cell, the market has remained stagnant forever. As I said, we are the market leader. I think though there is no actual enumeration of that, our estimate would be 35%-40% of that market. But that market is not going anywhere. Because the only reason is, only professionals use it, particularly photographers. Because the hassle factor is too much. I mean you take out the batteries from your device, charge it, and again put it back. People don't want that kind of hassle. So, at one point of time, the value-conscious consumers were really sort of taking on to it quite famously, but since then it has sort of fizzled out, worldwide, not only in India.
- Mithun Aswath:** Got it. Sir, lastly, I mean, obviously, now you're seeing alkaline as being a growth driver. But since a large proportion of your revenues comes from carbon zinc, would it largely kind of cannibalize your existing business? So, your overall revenues are not going to grow quite meaningfully. It could take some time similar to what's happening in your flashlights business? Do correct me if I am wrong, but I just wanted to understand how are we going to scale to those 2x of revenue targets in the next 4 years when our underlying categories are slightly under pressure. So, just wanted your thoughts on that?
- Suvamoy Saha:** So, I would say that the battery overall, our outlook is really, mid-single-digit growth. We are not talking of more. We are just ensuring that we flow with the market, get on to the right category, so that we are not sort of left holding the baby with a very large portfolio of carbon zinc batteries and with nothing. So, this is actually the first investment in alkaline batteries in the country incidentally. There will be some amount of cannibalization. We have factored all that in. And with that, we feel there would be kind of mid-single digit kind of growth in the battery. So, that is where it stands. And eventually, the salience of batteries in the company's overall turnover





profile will come down marginally and gradually as time goes. Flashlight, we still think it's a huge growth driver. We have not yet been able to extract the potential that exists for us as the leader of the market, primarily because as I said in my remarks, there are many spurious and semi-spurious informal kind of products in the market, and it will take us a little time in trying to sort of establish with the consumers. The rich functionality that we offer with our products and the safety and the longevity etc. So, it takes time, but we are quite clear that flashlight will continue to give us high level of growth. I would say, certainly, beyond 10% to 15% is what we are looking at, at this point of time. And let's see. There are other figures, which I think it will be a little premature for me to talk about at this stage. Maybe at a later stage we will talk more about that. And obviously, as I said, lighting continues to be our key growth driver. And that is what we are sort of banking upon, and that's it. I mean if you have any sort of doubts in that.

**Mithun Aswath:** Last observation was on the LED and electricals, you were mentioning that you would want to get into new categories, maybe switches or I don't know what you're looking at. Just wanted to understand, are you ready to do that now because you had mentioned that, that you wanted to postpone that. So, just wanted your thoughts there?

**Suvamoy Saha:** So, let me put it this way. When we talked about going into another category, it meant a new category. We are not talking of adjacent products. The adjacent products should be captured as it is. Like, for example, switches that you mentioned or let us say, within the batteries, something, let us say, a power bank etc., that we can capture every piece within the current categories. The fourth category on which we also need to work on, that work has not started yet. That would be a completely fresh category.

**Mithun Aswath:** And what about on the adjacencies, are you seeing something, which is significant that you're looking at, which could come in this year?

**Suvamoy Saha:** So, I am unfortunately sort of a little, how shall I say, forced to remain silent on this and offer no comments. We are sort of close to launching a few of those. So, it may not be the appropriate forum to just now announce this. We will obviously keep everyone appraised as we come closer to that market launch. But these are, as I said, adjacent categories.

**Moderator:** Thank you. We have a next question from Chirag from Keynote Capital. Please go ahead.

**Chirag:** Sir, my first question is related to the capacity expansion that we are taking. I just wanted to know what is our current capacity size in terms of the million units that we are manufacturing? And bifurcation for carbon zinc and alkaline separately?

**Bibek Agarwala:** So, currently, we don't have any alkaline capacity. So, see, today, currently, we import the alkaline and we repack and sell here, okay? So, whatever capacity we have, we have only the carbon zinc. So, cost disparity is so high import versus the in-house making that is why it's separate. First time as Suvamoy has mentioned, it is the first investment in the country itself. No other company also has an alkaline facility in India.

**Chirag:** And secondly, sir, as you said that the asset turns for the particular capacity will be 1:1. And we are expected to spend about Rs. 180 crore. Just wanted to know what kind of utilization levels are you expecting to reach in a couple of years' time span? As well as what will be the source for the money of Rs. 180 crore that we have, is it completely internal accrual or we are going to take debt?



- Bibek Agarwala:** So, there are 2 parts. So, first of all, as we said currently at 360 million capacity you are talking about; currently, trained it to 60 million and where we are seeing that it will be disproportionately growing in coming time. So, you can make it out maybe at least next 3 to 4 years, we want to cross the half of the capacity separately. And we can also tap up the many other growth opportunity possible whether in the institution or some other manufacturing things. So, that is beyond B2C retail. And with respect to the funding of that part, we will get something borrowed outside because there could be some interest benefit on that. So, that will be looking, but yes, partially it will be given internally, but most of that will be a borrowed fund.
- Chirag:** Sir, I actually missed on the revenue and the margin bifurcation when you gave about the segments. Could you repeat it once?
- Bibek Agarwala:** So, revenue, if you ask me that the quarter revenue is around, as I said, 60% is a Battery, around 17% Flashlight and 23% is the Lighting. That is our quarter revenue for breakup. And with respect to margin, 80% the battery goes, and to give you like Rs. 39 crore is the Batteries, Rs. 9 crore is the Flashlights and Rs. 2 crore is the Lighting.
- Chirag:** So, we are finally making profits for the Lighting segment. Could you just, by what end we are expecting lighting business EBITDA margins to reach in high single to low double digit, what is our internal expectation for that?
- Bibek Agarwala:** As of now, our full focus is to make lighting neutral, right, breakeven. Over the last couple of years, we are at loss because lighting business to become a breakeven, it is probably Rs. 400 crore turnover milestone we have to cross first time, and we are looking forward to that. And so this year, our effort has to be at least we cross breakeven level. And the next that mid to high level of I think it's a 2- to 3-year journey from there.
- Chirag:** Sir, my next question is related to the market size of alkaline battery that you have mentioned. Could you give some color on the bifurcation. If there is 350 million battery market size for alkaline currently, what is the mix of OEM and replacement at this moment?
- Suvamoy Saha:** It is roughly 50-50. And as I said, the current market size is about 300-odd million pieces. And the total value of that would be somewhere upwards of Rs. 300 crore.
- Chirag:** Right. And we are expecting it to grow in high double digit, this particular segment?
- Suvamoy Saha:** Yes. It is already growing at double-digit. It is growing at around 20% odd. And we expect that trend to continue for, I mean, in the foreseeable future at least.
- Moderator:** Thank you. Next question is from the line of Vikas Srivastav from RBC Financial. Please go ahead.
- Vikas Srivastav:** Mr. Saha, finally, some positive and turnaround. Congratulations. Things seem to be looking good. I come back to my old questions, Mr. Saha. What's happening on the court case, KKR? I also noticed in the balance sheet, there is some real estate. My question is, if we get some settlement in KKR, what is expected. Of course, KKR has sold debt and it's not there. What is the real estate which we have, which either we are not using, or we don't plan to use? What is it worth in the market today? And is there any plan to dispose it off? And what do you intend to do with the money? And what numbers are we talking about of this real estate?





- Suvamoy Saha:** So, first of all, thank you for the compliment. As far as KKR is concerned, I am unable to give any further sort of report on any progress because the claimant has sought adjournment of the arbitration proceedings, which the arbitration panel which was supposed to be in the month of July has now been pushed to November. Now our understanding and what even the claimant has officially mentioned to the arbitration panel is that they are trying to reach the borrowers for some kind of settlement. So, which doesn't really concern us, but that is where it stands. Till that matter gets resolved, we are not looking at any kind of real estate sale or anything because we are not permitted to. We have embargo on that. Depending on the situation, we run the company for its operations. I mean if only something that seems very appealing, as a principle, then only we will consider sale. There is no such articulated vision on any property being identified for sale as such.
- Moderator:** Next question is from Gargi, an individual investor. Please go ahead.
- Gargi:** Sir, my question was in your recent interview, you mentioned that our B2C revenue contribution was 5%. And last year, it was zero. So, a few questions on this. Firstly, is this 5% of B2C sales as a percentage of just the lighting segment or as a percentage of total revenue?
- Suvamoy Saha:** Madam, could you just once again explain, we are primarily a B2C company. So, almost 95% or 96% of our sale is B2C. So, I am unable to understand in what context that 5% came in.
- Gargi:** Sir, direct retail, I understand that 95% sales is through distributors. I was talking about the direct retail market.
- Suvamoy Saha:** That is counted as B2C only, like any other FMCG company. And we have no direct sale to the consumer. Not even that 5% also, it is actually 0%. Nor is there any plan to directly reach out to consumers. Our model is not that.
- Gargi:** Sir, secondly, in the Battery segment, in your annual report, it is mentioned that we are doing sales of 1.3 billion and there is EBITDA of Rs. 130 crore. So, that gives an EBITDA per unit of Rs. 1. So, that is considering our current mix, which is higher towards carbon zinc. So, I wanted to understand how this unit economics will look for the alkaline battery segment at a similar utilization level?
- Bibek Agarwala:** So, as we have maintained that this alkaline investment is not from a margin perspective. It is the consumer trend, right? Now since we said that our carbon zinc is stagnant and where the alkaline is growing double digits. So, it is always important that we stay ahead on our curve, and we invest in the right place. So, margin profile in both the business at average level will be both same. So, I hope that I have clarified for you.
- Gargi:** Yes, sir. Sir, what is the payback that we are expecting from this Rs. 180 crore investment, what kind of return ratios could this make?
- Bibek Agarwala:** Since it will be gradual, as you know, that our investment we have planned for like 350 million capacity we are going because it's a standard line and we will be gradually progressing from 60 million to some number to or going to some level. So, we look to at least 5 to 6-year timeframe to get money back from that other investment.
- Gargi:** All right, sir. And when do we start expecting manufacturing of alkaline batteries?



**Suvamoy Saha:** So, 1 year from now, but the internal target is to try to do it faster. So, let us say, we are on 5th of August, we could talk of a 1st of August kind of date.

**Moderator:** Next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

**Saket Kapoor:** Sir, firstly, you mentioned about 60 million is our alkaline battery capacity or this is the imports we do annually?

**Suvamoy Saha:** This is our current throughput.

**Saket Kapoor:** Current throughput is 60 million.

**Suvamoy Saha:** Annualized.

**Saket Kapoor:** Annualized is 60 million. And sir, what is the current market for alkaline battery and who are the major dominant players?

**Suvamoy Saha:** Major player is, of course, Duracell. So, we are second, but they are quite a lot ahead of us. They will be 5x at least of our size.

**Saket Kapoor:** And sir, when we look at the margin's expansion, for this quarter, the EBITDA margins have expanded to 14.2%, so how confident are you that these are the sustainable numbers or the factors, which you alluded, which has contributed to this margin increase. If you could just give us some understanding how are margins likely to shape going ahead?

**Bibek Agarwala:** So, we are looking for certainly a double-digit margin. But always, the first quarters are good in terms of margin as it's a very heavy quarter from a battery perspective. But for the full year, definitely, we are looking for double-digit operating margin.

**Saket Kapoor:** So, we were at double digit last financial year, sir, at 10.7%.

**Bibek Agarwala:** Therefore, it has to be better than that. It has to be certainly better than that.

**Saket Kapoor:** Can you give me the debt number, sir? Bibek-ji, what is the net debt number and the cost of fund?

**Bibek Agarwala:** Around Rs. 260-odd crore is our debt number.

**Saket Kapoor:** And what is our cost of fund?

**Bibek Agarwala:** 8.7%.

**Saket Kapoor:** And sir, when we look at the other expenses line item, we find that for this quarter, it is at Rs. 68 crore. So, what is the nature of this line item? Because last year also, I think so at revenue of Rs. 364 crore, we had other expenses of Rs. 68 crore. And this year also even on a lower topline, we are having the same line, other expenses. So, if you could just explain the nature of the same?

**Bibek Agarwala:** I am just telling you broadly. So, that part is that other expenses also include some inflation, as you know. So, this are broadly freight, keeping expenses, advertisement, professional charges, repair maintenance, traveling and all this put together.



**Saket Kapoor:** No one-off items?

**Bibek Agarwala:** No, no one-off item. These are regular items.

**Saket Kapoor:** And the last point is about the main capital investment, which we made earlier for making our company RTM, ready-to-market, as alluded by Saha-ji. So, where are we in terms of that implementation? And when are we going, are we bearing the fruit of the same currently? Or are we still in the implementation stage? When are we going to see the benefits of the same?

**Suvamoy Saha:** So, Saket, as we have been maintaining that this was an improvement initiative from the company to sort of make our market reach more efficient. In doing so, we did face some challenges, which I also highlighted during my remarks. Most of those challenges are behind us. Some still remain, which we are working upon. And I think the full benefit of the RTM and, let us say, no challenge kind of operation would certainly happen from the second half of this year.

**Saket Kapoor:** That would lead to a margin improvement, sir?

**Suvamoy Saha:** That should provide revenue growth rather than any cost improvement per se. Because the idea of the RTM was not to improve costs, it was with a view to improve efficiency of the go-to-market processes.

**Moderator:** Thank you. We have a follow-up question from Chirag from Keynote Capital. Please go ahead.

**Chirag:** Sir, my one question is related to the appeal that we have filed with NCLT related to the penalty that was levied by CCI. What is the update on that?

**Suvamoy Saha:** So, there has to be no movement since we spoke last or whatever that we reported in our year-ending report, there has been no further movement.

**Chirag:** And sir, second question is related to, in your remarks, you have mentioned that due to premiumization, there was an improvement in EBITDA margin. As you have mentioned, alkaline batteries also have similar kind of margins. So, I just wanted to understand what were the actual reasons? What product mix has changed leading to improvement in gross margin and EBITDA margin?

**Bibek Agarwala:** So, that premiumization is not only for the improvement on the margin. Premiumization also goes for the revenue part. Like you can see alkaline batteries are coming at a much higher premium like just to tell you what our market perspective that premium batteries are Rs. 45 to Rs. 50 per alkaline, whereas our normal battery is ranging between Rs. 13 to Rs. 18. So, that is one part. Second part is that there's a good mix change between the battery-operated flashlight and the rechargeable flashlight. The battery-operated flashlight carries a much higher margin, and the revenue profile compared to the rechargeable one. And for our lighting portfolio also now since we are moving more on our emergency lamps than the LED and other categories, which are also getting to the higher revenue impact on the business.

**Moderator:** Thank you. Next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:** So, this new line, which we are setting for 360 million alkaline batteries will be in any of our existing facility? Or this will be entirely a greenfield project that we have to embark on. Where is the location sir, you have selected?



**Suvamoy Saha:** The Board has just now approved the investment. It does include some allocation for even a new location. But we have not clear that what is currently on. I think we would have a complete clarity on this by the time we speak next, if not earlier.

**Saket Kapoor:** No, sir, since you mentioned that within 1 year, we are contemplating to streamline the same.

**Suvamoy Saha:** No. Because we will get an opportunity to speak again in 3 months' time, but this decision is going to be crystallized within 1 month.

**Saket Kapoor:** So, we can hear separately in the form of press release when we are finalizing the same also?

**Suvamoy Saha:** Yes. I think so. Since there is such curiosity, normally we don't make such press statement. I mean we just needed to inform the investors and the analysts of the overall investment, but we can certainly advise once the location is decided.

**Saket Kapoor:** Sir, your opening remarks, you alluded to this high base effect part also, could you please explain the reason what you are referring in terms of high base effect when we have already mentioned that 1st Quarter is generally the best quarter for the battery offtake. So, can you explain sir, in detail?

**Bibek Agarwala:** So, basically, last year, you have seen that we have seen around 9-odd percent of growth in the last year, okay? Generally, at that point of time, we also did not have alkaline in the growth factor. So, last year, since we have just begun the RTM exercise, we have gone all bang in the market, and this is the first month of our RTM. So, we have gone, and revenue was a 9% growth. Generally, the battery, as you say, it is a mid-single-digit growth type of number. So, that is the context of giving the high base effect.

**Suvamoy Saha:** So, the salience of last year's 1st Quarter on the overall year, is much higher than what we estimate for this quarter to be on the FY25. That is what we meant by the high base effect.

**Saket Kapoor:** And sir, you also mentioned about weakness in the battery-operated flashlight, although you mentioned that the battery-operated flashlight definitely commands a higher premium than the rechargeable segment, is the price differentiation that has created the weakness? Or what factors led to this weakness? And again, what are we embarking going ahead from this category, especially the battery-operated flashlight?

**Suvamoy Saha:** So, as you know, Saket, this company was 100% battery-operated. We started the rechargeable segment only a couple of years back. And last year was the first time we really went into it in a serious manner. Now the battery-operated business is sort of dwindling down not because of the pricing. What has happened is people with the gradual usages and their experience of smartphone charging, they also see value in charging another additional product, which they use on a day-to-day basis, particularly in the rural segment. I hear there was no habit of charging. So, people would just be happy replacing their batteries every 2, 3 months and carry on with life. You know that consumers in this country are extremely cost sensitive and cost conscious. So, when they have seen that for almost the same price, they can buy a product, which they can keep charging and use it for maybe 1.5, 2 years, they have opted for this. So, it has nothing to do with the battery-operated flashlight's price to the consumer. It is more people's lifestyle and that people mode of how they contact, their life is changing. For this reason, happily, this quarter saw that decline to be



coming down. Last year, right through the year, we saw a trend of something like 15-odd percent. This quarter, it came down to 3%, which is a happy news for us.

**Saket Kapoor:** So, we are looking that this has now moderated out and this will remain at this level.

**Suvamoy Saha:** We do not know, Saket. We have to be very clear. We don't know whether this moderation is sustainable, whether it has sort of settled out to this level forever because you are very familiar with the company, earlier D size batteries when they've started degrowing after a period of degrowth, we thought that okay the worse is over and now it will settle down at this level. But it just kept degrowing and degrowing, now it has almost become next to nothing. So, our thrust on the Flashlight segment is on the rechargeable one. We are facing challenges there, not from developing a portfolio or any such thing. We have a very decent portfolio now. There are other spurious kind of products and all kinds of, what shall I say, informal products because they do not comply with the formal norms, that's why we call them informal product. But ultimately, an organized player will finally make his mark. So, we are biting our tongues. We know that this is something that we are banking on double-digit growth from this segment. I mean, rest assured.

**Saket Kapoor:** A small point. Then, the sales mix between battery operated and rechargeables out of the total flashlight portfolio, what percentage is rechargeable and balance the battery-operated?

**Suvamoy Saha:** Battery operated is still two-thirds. Rechargeable, which is the one that we started practically from last year, has now come up to 35%.

**Saket Kapoor:** And last question is on the Lighting segment part. Sir, this segment definitely, as you mentioned about the value erosion part also. And also, we see the choice for consumers also changing. So, what is giving you confidence? There are many players in this Lighting segment, especially, I think, the professional lighting is also gaining a lot of traction. So, what is our thought process, especially as you alluded, that growth will come from the Lighting segment? And are we doing sir, this third-party manufacturing in this segment with players like Dixon and all managing our manufacturing, if you could just allude the same?

**Suvamoy Saha:** So, this market dynamic is not something that has happened just now. It has been a competitive market for all its times. There are 10, 12 very recent brands. Like for example, you are a consumer, you go to the shop in, there is Philips, there is Havells, there is Eveready, there is Orient. Any of those brands, you are happy to take, correct? So, it is a matter of whether you have the right product, where the question of making the right portfolio comes in. And then making the product available at the counters. Now every retailer prefers to keep 3 or 4 brands because beyond that, it becomes too cluttered for him also. So, it is the company skill set, whichever it is, I mean whether it is Philips or Havells or us, you have to be that preferred partner in that retailer counter. So, it is hard work. There's nothing much else. So, that people have made space. As you rightly said, professional lighting. There were very few players in there. Philips of the world would be good at it. Crompton would be good at it. But today, a Surya or an Orient, they are equally good at it. They have grown faster than those bigger players. So, we have entered that segment. We are growing at a faster speed than anybody else, but of a very small base. We grew 50%, but on a very small base. But we will keep growing. So, we are quite confident that while the market is competitive, it is hard work, it is structure, it is organization, it is brand, which will take you there.

**Saket Kapoor:** Right. And if I can just squeeze in one, for understanding. We also find in our country, the mosquito racket, the electrical ones, are gaining a lot of traction in societies and homes because of the menace of all varieties mosquitoes and the diseases



associated. So, do we contemplate anything in the product pipeline wherein we can look to launch, or we are working as the price segment is around Rs. 150?

**Suvamoy Saha:** We already entered that segment. We already entered that segment during the quarter, with a very small turnover, but we plan to be a reasonable player in that segment as well.

**Saket Kapoor:** And what are the entry prices sir, for the sale?

**Suvamoy Saha:** I think the consumer price, we have got 2, 3 variants. One is at, I think, Rs. 499, Rs. 599 and Rs. 799, which is the best we have.

**Saket Kapoor:** But market prices are Rs. 150 to Rs. 250 is the consumer choice, what we people are buying.

**Suvamoy Saha:** No. So, the consumer operating price is always different in this market, just like lights. The MRP would be, say, Rs. 150, the product is sold to the consumer at Rs. 100 or less. Same are with mosquito rackets and it is also for us. But we don't compare ourselves with Rs. 150. That we are not in the same space. So, those are Chinese or whatever, informal products, they will keep selling. We don't want to compete with them.

**Saket Kapoor:** All the best sir and hope for an improved set of reported earnings going ahead and much to hear on the alkaline part of the story. I think, sir, that would be a good growth trigger for the company, which we are waiting for a very long time. That would be a sustainable number also.

**Moderator:** Thank you. We will take our next question from the line of Vikas Srivastav from RBC Financial. Please go ahead.

**Vikas Srivastav:** Very quickly, my question was on that litigation and the real estate. Specifically, to the real estate, do you have any premises factory anywhere in India? Because I do remember many years back, I've been a very old investor with you. We did sell some Hyderabad property. Is there a factory premises, land, anywhere in India today, which is lying unutilized for manufacturing or office purpose? I'll ask you a very specific question. Because I do remember at that time, there were 2 pieces of land, which sale was being conducted. I am talking about as good as 7 or 8 years back.

**Suvamoy Saha:** So, the KKR matter has been deferred to November for the next hearing. The final hearing was supposed to take place in July, but at the request of the claimants, the arbitrators have deferred into November. So, in any case, till November, there is no possibility of any sale that is first and foremost, that is the reality. Number two, we run the company for the business of the company, not for the sale of any particular asset. Having said that, we have 6 units out of which we make our manufacturing. All of them are not of the same importance in terms of how much they produce, how much we require. So, it is possible that going forward, 1 day, 1 unit may seem like completely redundant. And so if the management at that point of time feels that there is a case for no further requirement or that unit, it may decide to sell. So, we have got, yes, that's it.

**Vikas Srivastav:** Now on this KKR, I have a few more questions. You were kind enough to answer many questions. I got left out till then because I dropped out. So, kindly bear, I know 1 hour is over. But just if you bear with me one question was, is this KKR arbitration in any manner headed towards a settlement? Or are we waiting for the arbitral award?





**Suvamoy Saha:** No. So, for the moment, the company has made its stand very clear that the company never participated in any of that transaction, so it was not even aware. And so it should not have any and there is officially no claim on the company. So, this current adjournment, which has taken place has happened at the request of the claimants and they have officially stated that they are trying to come to some kind of a settlement with the respondents. So, we just leave it at that. I mean there has been no sort of no move to come and settle with us so far. So, perhaps they are reaching out to the primary borrowers. So, that is what it appears like.

**Vikas Srivastav:** So, Mr. Saha, I am a lawyer and a chartered accountant, that's even better news. If they are reaching out to the primary borrowers, that's even better news for us. So, that's good news. Let me ask you a few more questions. These cylindrical disposable batteries, what is the world trends now? I know India demography is different, we have a growing middle class, but just wanted to know, cylindrical, I am not talking about rechargeable disposable batteries, what is the world trend now? Is it stable or very simply put, is a company like Duracell growing worldwide or similar companies in terms of demand?

**Suvamoy Saha:** Can you just explain what do you mean by disposable rechargeable batteries?

**Vikas Srivastav:** Cylindrical, you talked about 2 batteries, right? Rechargeable and disposable.

**Suvamoy Saha:** Cylindrical, yes. No, I explained that cylindrical rechargeable battery has lost its shine all over the world. Because of the hassle factor, people don't really prefer that as a battery.

**Vikas Srivastav:** I was talking about, that's why I used the term disposable, Mr. Saha. Non-rechargeable, I was talking about world trends of consumption of non-rechargeable, cylindrical.

**Suvamoy Saha:** Normal batteries?

**Vikas Srivastav:** Yes, that's right.

**Suvamoy Saha:** Yes. So, worldwide it is about mid-single-digit kind of growth.

**Vikas Srivastav:** There is mid-single digit. And for some strange reason, India is not showing any growth for the last 4, 5 years. Is my understanding, right?

**Suvamoy Saha:** Not 4, 5 years, last year and even in the current quarter, the carbon zinc segment is not showing any growth, but that we ascribe more due to the rural part of the market having a lower pool due to the demand sort of fell off the card.

**Vikas Srivastav:** Growth, we can expect over the next 5, 10 years is what I was asking. My takeaway is from the world. I have a few more questions. Tell me, what is the delta when you said decent numbers, what is the delta between factory price and retail price, just as a percentage?

**Suvamoy Saha:** Between factory price and retail price to the consumer?

**Vikas Srivastav:** Yes.

**Suvamoy Saha:** Price to the consumer could be as much as 3x the factory cost. It depends on product to product, of course.



**Vikas Srivastav:** So, you were saying that both for batteries and flashlights, both or which segment are we talking about?

**Suvamoy Saha:** More pronounced in the Lighting segment, where the market, there is a standing practice of the MRP being discounted heavily. So, what happens is that the sticker price is Rs. 160, the consumer could, depending on his relationship with the retailer or the retailer being whatever mindset he has could actually sell it for even Rs. 100, giving you a discount of Rs. 60. So, between the company and the MRP could be even 3x.

**Vikas Srivastav:** And I never talked about MRP really. My question was price actually, the average...

**Suvamoy Saha:** Then you take it as double.

**Vikas Srivastav:** Take it as double. Okay, because you're saying that the deviation will be large from consumer to consumer, I can take it. So, I would therefore say that as per Nielsen data, if you're saying it's Rs. 3,000 crore, then the factory price is about Rs. 1,500 crore the market size. So, a very rough estimate of the market.

**Suvamoy Saha:** Very, very rough, but close.

**Vikas Srivastav:** Mr. Saha, I have been with you for a long time. A few more questions. Just a couple of more questions. On the margins, earlier you used to give more crisp replies to margin. Now obviously, with a little bit of past history in the year or 2 where we didn't meet our targets, you do 10% last year and you tell me that we will do 10% and better. I would say that for your investors, you should take a little more, at the end of the day, these are all forecasts, right? So, why should we say better than 10% when we are 10% last year, our RTM is coming in place, our flashlights are doing better. I would urge all of you here and to give us a little bit more flavor on margins on how you're doing on your 2x in 4 years target? And some kind of a road map for long-term investors like me as to what are we looking at?

**Bibek Agarwala:** So, that what we have responded to you that we will be holding double digits. We have never mentioned 10%, okay, first of all. Then the point came up that you mentioned that is 10.7% last year. What we have mentioned, definitely...

**Vikas Srivastav:** I don't know. That was not my question. My question was...

**Bibek Agarwala:** Someone else has asked, and I think you are responding to that. So, we will try to give you a better clarity on that. But what we are saying that we will be holding to double digit and somebody who has asked and he said that 10.7% in the last. So, our always effort has to be better than this, but we are sitting on a commodity-driven business, also you understand. So, we have demonstrated actual numbers. And I think the things have to be appreciated that we have shown healthy growth compared to last year on an operating margin. Our always endeavor has to be better than the last year and better quarter so that we can give our shareholders a better value, that is our always effort.

**Vikas Srivastav:** No. I am not doubting that. All I am saying is that with RTM in place, which we have put volume and economies of scale, for this financial year, instead of saying better, cannot be a better, more crisp guidance, maybe a range 11% to 14%, 14% to 16%, 12% to 14%. You do have this thing, I know it's a commodity-driven business, which there's so many other competitors who have a commodity. But worldwide, they do give little, a range, which is a little more crisp.

**Bibek Agarwala:** So, we will try to be more crisper in the coming times. Got your point and well noted.



**Vikas Srivastav:** Very well. And you are sticking to your 2x in 4 years.

**Bibek Agarwala:** So, as of now, as we said that we are hoping towards that number because we have not changed anything. I think Suvamoy has detailed graphs that what will the battery growth road map, what will be the flashlight growth and what will be lighting. As we are saying that I am just iterating again, we are looking forward for a mid-single-digit growth in the battery coming time, double-digit growth in the flashlight and in lighting it is a very wide space available. So, this is the way we are holding. And of course, in the coming time, we will also look for another fourth category if required in maybe a 4 to 6 quarter time of frame.

**Vikas Srivastav:** One last question, if I may, please. Where is your existing line of alkaline batteries, where are those located?

**Bibek Agarwala:** We import batteries. We don't have the line. We do packing in India. We don't have the manufacturing facility in India.

**Moderator:** Thank you. I now hand over the conference to management for closing comments. Over to you, sir.

**Suvamoy Saha:** Thank you, everyone, for taking time out to join us on this earnings call today. I hope we have adequately answered all your questions. If you still have some more queries, please reach out to our Investor Relations team, and we will be happy to address those. We try to interact with you all every quarter through this forum, and we will continue to do so. Thank you once again and look forward to connecting with you again in the next quarter. Thank you.

**Moderator:** Thank you, members of the management team. On behalf of Eveready Industries India Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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