

INFORMATION UPDATE

Eveready Industries India Ltd. (Eveready) today declared its financial results for the quarter ended June 30, 2016. Major highlights of the standalone results are the following.

Item	Q1 2016-17 (Rs.crores)	Q1 2015-16 (Rs.crores)	Gain %	FY 15-16 (Rs.crores)
Operating Income – net of Excise duty	354.35	348.16	2	1323.30
Operating EBDITA	37.61	37.57	-	121.79
PBT	30.14	27.02	12	85.65
Net Profit	22.36	20.27	10	69.08

Significant points to be noted are as follows:

Adoption of IND AS and impact on Goodwill

The Company adopted the requirements of IND AS from the current quarter and financial year, the date of transition being April 1 2015. Accordingly, the opening balance sheet as at April 1 2015 was re-stated and revenue items for the financial year 2015-16 were re-casted / re-grouped. One major outcome of this was that the goodwill amount lying in the books of the Company (Rs. 478.50 Crores as at March 31, 2015) was adjusted against General Reserves and retained earning. Accordingly, no further amount remains in the books on this account. The yearly amortization amount of Rs. 16.50 Crores (Quarterly – Rs 4.13 Crores), thus ceases to be charged to the Profit & Loss Account.

Operational Highlights

- Net profit was higher by 10% as compared to the same quarter of the previous year.
- However, the turnover and EBIDTA for the quarter remained in line with the same quarter in the previous year, on the back of muted demand, particularly in the rural segment.
- Turnover in batteries showed modest growth. This was encouraging as the market continued to be disturbed by poor quality dumped imports from China
- Similarly, in a heartening turn around, the de-growing trend in flashlights seemed to have halted during the quarter, with turnover remaining flat. The phenomenon of consumers down trading to unbranded products, though, remains prevalent.
- The lighting segment, however, did not register any growth during the quarter (in a reversal of recent trend whereby it had shown a robust growth of 46% for the full period of last financial year). This was primarily on account of a one-time occurrence of products having to be diverted to meet commitments against a Govt. (EESL) contract, as the dedicated outsourcing facility came up short in delivering requisite demand. As mentioned, this was a one-time occurrence – and deliveries have resumed from July in line with requirements. The category also recorded de-growth of nearly 30 % in the segment of CFL lamps –

but that is in keeping with overall market trends. However, LED products registered a turnover of Rs 39.34 Crores as against Rs 25.08 Crores in the corresponding quarter in the previous year, a growth of 57%.

- Higher manpower costs (higher by 95 basis points) and A & P expenses (higher by 35 basis points), as compared to the same quarter of last year, also impacted EBIDTA. Apart from routine inflation, the higher manpower costs were also related to the new category of appliances, where turnover in later quarters should neutralize this impact. Similarly, A & P expenses usually get normalized for the whole year in the later quarters.

Going forward

Countermeasures against dumping of batteries have been afoot for some time – both from an internal marketing perspective as well as in seeking regulatory support within the legal framework. The anti-dumping investigation on imports of 'AA' batteries (accounting for nearly 70% of the market) from China & Vietnam initiated by the Directorate General of Anti-dumping and Allied Duties is now believed to be in the closing stages. The industry players have also taken up the matter of product standards with BIS so that consumers are protected against such poor quality dumped batteries. The matter is in progress.

Ongoing marketing efforts to spur demand in the flashlights segment are in close focus, and hopefully benefits may be seen in later quarters.

Outsourcing efficiencies for LED products have been tightened – and thus the deficiency in supplies as experienced in the current quarter should not recur. The Company should be able to return to its high growth path in this category.

Growth should also come from the newly launched product segment of Appliances, which will see proper sales implementation in later quarters.

Outlook

Outlook on batteries remain stable – may improve significantly if regulatory support is received against dumping of batteries in the country. Improvement measures for flashlights – while initiated – may take a while to gain root. Lighting business is likely to be on high growth spurred by LED products – despite de-growth in CFL lamps. The new category of Appliances should also contribute to growth in the coming quarters. Given these and other measures, it is expected that top line should register higher growth in the coming quarters and the operating margins to improve consequently.

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, CFL & GLS lamps & other lighting products, and packet tea. Eveready has an extensive distribution network of 4000 distributors reaching all the way down to 5000 population towns.

July 25, 2016

EVEREADY INDUSTRIES INDIA LTD.

