EVEREADY
INDUSTRIES INDIA LTD.
1, MIDDLETON STREET, KOLKATA - 700 071
PHONE : 2288-2147, 2288-3950
FAX : (033) 2288-4059
E-mail : contactus@eveready.co.in
Website : www.evereadyindia.com

INFORMATION UPDATE

Eveready Industries India Ltd. (Eveready) today declared its financial results for the quarter year ended June 30, 2017. Major highlights of the standalone results are the following.

Item	Q1 2017-18	Q1 2016-17	Gain/(Loss) %	FY 16-17
Operating Income (Rs crores)	338.78	354.43	*(4)*	1355.18
Gross Margin (Rs crores)	128.24	135.32	*(5)*	512.37
Margin (%)	*37.9%*	*38.2%*		*37.8%*
Operating EBIDTA (Rs crores)	27.91	37.69	*(26)*	133.30
EBIDTA (%)	*8.2%*	*10.6%*		*9.8%*
PBT	17.90	30.14	*(41)*	104.71
Net Profit	13.56	22.36	*(39)*	93.63

Operational Highlights

- As would be evident from the table above, Quarter 1 performance was inferior to that in the corresponding quarter of the previous year. This was due to market conditions being impacted in the run-up to the introduction of GST, particularly due to a general trend of de-stocking in the trade channels.
- The impact was most prominently felt in the battery segment – due to the Company's very significant market share (over 50%) in this segment. De-stocking by trade channels translated to a severe 10% drop in volumes.
- While in the flashlights segment also the Company holds similar dominant status, this impact was less adverse. A significant part of the flashlights market comprises of an unorganized segment. This part seemed to have become apprehensive about the fallout of GST and it is anticipated to benefit organized players like Eveready. Turnover in the segment was down by 8%.
- Total turnover in the Lighting segment remained flat despite a robust turnover growth of 179% in LED products (Rs 50.32 crores in the current quarter as against Rs 18.04 crores in the corresponding quarter of the previous year) sold through trade channels. This was because the previous year's numbers included sales made to Energy Efficiency Services Ltd (EESL) – not so in the current quarter. Also, CFL continued to de-grow in keeping with current market trends (Rs 6.37 crores in the current quarter as against Rs 17.79 crores in the corresponding quarter of the previous year). Despite the flat turnover, the Lighting segment turned in positive EBIDTA of 7% as higher percentage of the business in this segment is now from the higher margin LED products – as compared to an EBIDTA loss in the previous year.
- Turnover for the appliance business was at Rs 17.85 crores as compared to Rs 5.00 crores in the corresponding quarter of the previous year. However, the segment had an EBIDTA loss in the current quarter.
- As a result of lower turnover, especially in the more profitable segment of batteries, the operating EBIDTA margin for the quarter was at 8.2 % - lower than that of the corresponding quarter of the previous year at 10.6%. Moreover, firmer commodity prices along with higher incidence of manpower and distribution costs, mainly relating to the new business of appliances, resulted in lower margin.
- PBT for the quarter was lower by 41% than that of the corresponding quarter of the previous year due to lower EBIDTA (as mentioned above) and higher incidence of finance cost and depreciation charge, due to commissioning of the new plant in Assam. Consequently, PAT was lower by 39% during the quarter.

EVEREADY INDUSTRIES INDIA LTD. KOLKATA

EVEREADY
INDUSTRIES INDIA LTD.
1, MIDDLETON STREET, KOLKATA - 700 071
PHONE : 2288-2147, 2288-3950
FAX : (033) 2288-4059
E-mail : contactus@eveready.co.in
Website : www.evereadyindia.com

Outlook

As mentioned earlier, the quarter witnessed de-stocking in trade channels, mainly in the battery segment, as a precursor to introduction of GST – thereby affecting the Company's performance adversely. However, early indications, post the transition, shows pickup in demand. Once all apprehensions relating to the new tax regime is put to rest, demand is expected to return to normalcy by end of Quarter 2. The current quarter is therefore not representative of the business outlook of the Company.

It is believed that the long term expected benefits of GST will eventually fructify – and this should be visible in the second half of the year. It is anticipated that the GST regime will bring in higher degree of tax compliance in the country. The segments of batteries and flashlights will benefit the most, as these bear the maximum impact of non-compliance with tax laws by the unorganized part of the market – through undervalued dumped imports from China or grey market local operators. It is expected that under the GST regime a substantial part of the unorganized segment will migrate to the organized one – thereby reducing the unfair pricing gap.

The revenue impact of GST on the Company has been, by & large, neutral. Small price adjustments, as necessary, has already been implemented to protect margins.

The performance of LED products in delivering profitability in the segment is encouraging. It is expected that this segment will continue to have higher contribution to the Company's growth and profitability, with new launches in the high margin luminaire segment.

Also, after gaining reasonable success with LED lamps, the Company is now addressing a growth path in the segment of LED luminaires and small home appliances. Due to its nascent nature, the home appliance segment is showing losses – but it is believed that the Company should be able to chart growth through this category. The Company believes that this segment can reach economies of scale in the next two years and contribute significantly in the coming years.

A normal monsoon, increased Government spending in rural India should spur consumption on medium to long term basis. The overall outlook therefore appears to be stable and the Company should remain on course to deliver growth on all parameters, barring caveats on market impact of GST as already explained above.

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, packet tea and appliances. Eveready has an extensive distribution network of 4000 distributors reaching all the way down to 5000 population towns.

August 07, 2017

EVEREADY INDUSTRIES INDIA LTD. KOLKATA