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INFORMATION UPDATE

Eveready Industries India Ltd. (Eveready) today declared its financial results for the quarter ended June 30, 2018. Highlights of the standalone results are the following.

Item	Q1 2018-19	Q1 2017-18	Gain %	FY 17-18
Operating Income (Rs cr)*	383.34	338.78	*13*	1456.35
Gross Margin (Rs cr)	143.99	128.24	*12*	553.96
Margin (%)	*37.6%*	*37.9%*		*38.0%*
EBIDTA (Rs cr)	38.54	29.37	*31*	125.12
EBIDTA (%)	*10.1%*	*8.7%*		*8.6%*
PBT	23.60	17.90	*32*	77.18
Net Profit	18.35	13.56	*35*	54.74

* Adjusted for Excise Duty for periods earlier than July 1, 2017 to facilitate comparability

Operational Highlights

- The operating results for the quarter showed improvement over the corresponding quarter of last year, consequent to a growth in turnover of 13%. However, this growth has to be seen in context of a lower base last year, wherein both turnover and profit were impacted adversely in the run up to GST implementation. The results are also a significant improvement over the immediately sequential quarter.
- Nevertheless, in a heartening turnaround, all business segments have now mostly come out of uncertainties associated with GST implementation and is trending towards near-normal volume growth. Stimulated by the growth in turnover in all segments of the business, EBIDTA grew to Rs 38.54 crores (a growth of 31% over the corresponding quarter of the previous year).
- EBIDTA margin for the quarter was at 10.1% - higher than that of the corresponding quarter of last year at 8.7%. Notably, the EBIDTA margin was substantially superior as compared to the whole of last financial year at 8.6%. This improvement in margin is significant in context of the fact that it was despite adverse impacts on account of withdrawal of fiscal benefits at the Haridwar unit, sudden rise in commodity prices and sharp devaluation of the rupee.
- Much of the investment in manpower resources for the newer segments of Professional Luminaires, Appliances and Packaged foods are being front-ended. However, additional turnover in these segments are leading to better margins. Employee cost as a percentage of turnover for the quarter was lower by 83 basis points in comparison to the corresponding quarter of last year. The positive impact of these expenses would be further felt in the coming quarters as these categories scale up revenues.
- Distribution cost increase was slightly higher as the Company grew in segments of Appliances and Lighting where distribution costs are higher that the Company's traditional products
- Battery turnover showed a growth of 8.6% during the quarter – as the base quarter had a de-growth preceeding GST implementation. The segment however continued to be disturbed by dumped imports from China. The segment saw EBDITA margin expansion, despite pressure on margins on account of strong input materials costs, withdrawal of fiscal benefits at the Haridwar unit (partially offset by benefits from the new greenfield unit at Assam) and devaluation of the rupee.
- Flashlights turnover was almost flat despite a volume growth 5.2% during the quarter due to adverse impact of high GST rates. The segment clocked EBIDTA margin of around 11%.

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- Turnover of LED products in the Lighting segment grew by a healthy 24% despite downward pricing rationalization done for the quarter and that too on a higher base. However, this was to an extent neutralized by the withdrawal of CFL products from the Company's basket in keeping with market trends. Accordingly, the turnover of the full Lighting segment grew for the quarter by 8% to Rs. 74.7 crores. The Lighting segment emerged as a strong profitable segment, registering an EBIDTA margin of 10% - despite pricing corrections as mentioned above.
- Turnover for the Appliance segment was at Rs. 36.0 crores for the current quarter (Rs. 17.9 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.3.9 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.2.1 crores during the current quarter. Work is afoot to mitigate this position.
- The Confectionery segment under the "Jollies" brand is at a test marketing phase. It is expected to scale up from the second half of the year.
- For the reasons mentioned above, overall EBIDTA and correspondingly PBT & PAT were higher during the quarter.

Outlook

- It is expected that the markets will continue to grow in expectation of a normal monsoon, in both the categories of batteries and flashlights. Signs of the same are already visible in the beginning of the second quarter. This itself,coupled with current softer Zinc price should restore the higher levels of profitability in these segments despite a weakening rupee.
- The Bureau of Indian Standards (BIS) has in April 2018 issued mandatory quality standards for dry cell batteries being marketed in India. This will come in full effect from October 2018 as a 6-month period has been allowed for compliance. It is expected that the dumped imports from China may not be able to comply these standards. Subject to effective administration at the ports of entry by concerned authorities, volumes of such imports may decrease - to the benefit of organized players.
- The Lighting Products segment witnessed encouraging growth. 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 recent entrance in the high margin consumer luminaire segment and professional lighting will further augment this position.
- 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.
- Growth is also expected from the second half of financial year from the recently launched confectionery segment under the 'Jollies' brand – leveraging the existing FMCG distribution of the Company.

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

July 26, 2018

EVEREADY INDUSTRIES INDIA LTD. KOLKATA