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INFORMATION UPDATE

Eveready Industries India Ltd. (Eveready) today declared its financial results for the quarter ended September 30, 2017. Highlights of the standalone results are the following.

Item	Q2 2017-18	Q2 2016-17	Gain %	YTD 17-18	YTD 16-17	Gain%	FY 16-17
Operating Income (Rs cr)*	398.25	366.63	*9*	737.03	721.06	*2*	1355.18
Gross Margin (Rs cr)	159.30	141.45	*13*	287.53	276.76	*4*	512.37
Margin (%)	*40.0%*	*38.6%*		*39.0%*	*38.4%*		*37.8%*
Operating EBIDTA (Rs cr)	47.12	42.60	*11*	75.03	80.29	*(7)*	133.30
EBIDTA (%)	*11.8%*	*11.6%*		*10.2%*	*11.1%*		*9.8%*
PBT	48.12	35.08	*37*	66.02	65.22	*1*	104.71
Net Profit	36.35	25.62	*42*	49.92	47.98	*4*	93.63

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

Operational Highlights

- All key product segments demonstrated recovery - thereby neutralizing to a large extent the impact of trade de-stocking in the preceding quarter, as a pre-cursor to implementation of GST. Stimulated by the growth in the battery, torch and lighting segments, the operating EBIDTA grew to Rs. 47.12 crores (a growth of 11% over the corresponding quarter of the previous year).
- EBIDTA margin for the quarter was at 11.8% - higher than that of the previous year at 11.6%. Despite this improving trend, the year to date margin for the current year was lower than that of the previous year on account of the poor result in Q1 of the current year, which was severely impacted due to de-stocking by trade, as mentioned earlier.
- Battery volumes grew by 7% while turnover grew by 5% during the quarter in keeping with this recovery. However, prices of input material commodities (particularly zinc) continued to be firm during the quarter – and was significantly higher as compared to the same period in previous year, resulting in margin erosion of about 2% - though partially offset by favourable impact from the Rupee exchange rate.
- Further, there was impact on battery margins on account of withdrawal of fiscal benefits at the Hardwar unit. This was anticipated and the greenfield unit at Assam was set-up to off-set part of this. However, this unit is yet to avail such benefit, as the Government has not issued the relevant notification for such tax free zones under the GST regime (though the same is expected shortly). Consequential price adjustments in batteries, as necessary, may need to be made to alleviate such impact – but the same was not done in the current quarter due to prevailing dynamic situation in the market in the aftermath of GST implementation.
- Though flashlight volumes grew by 8%, the turnover in the segment degrew by 4% due to the adverse impact of GST rates. Price increases were taken during the quarter to mitigate the adverse impact. The effect of this will materialize in the future quarters.
- Total turnover in the Lighting segment grew by a modest 11% to Rs. 85.8 crores despite a robust turnover growth of 112% in LED products sold through trade channels (Rs 70.6 crores in the current quarter as against Rs 33.2 crores in the corresponding quarter of the previous year). This was because the previous year's numbers included sales made to Energy Efficiency Services Ltd (EESL) of Rs. 17.3 crores – none in the current quarter,

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and CFL continued to de-grow in keeping with current market trends (Rs 3.5 crores in the current quarter as against Rs 14.9 crores in the corresponding quarter of the previous year). More than 80% of business in the lighting segment is now from the higher margin LED products.

- The lighting segment turned in a healthy EBIDTA margin of 16% - this compares well against an EBIDTA loss in the corresponding quarter of the previous year.
- Turnover for the appliance business was at Rs 20.0 crores as compared to Rs 5.4 crores in the corresponding quarter of the previous year. On a year-to-date basis, turnover in the segment stood at Rs 37.8 crores as against Rs 10.4 crores in the previous year. This improvement trend is in line with the Company's upscaling plans for this category.
- Higher incidence of manpower and distribution costs, mainly relating to the appliances business, resulted in an overall margin erosion of around 70 basis points. However, the impact of this will be mitigated as the business scales up in the near future. Appliances clocked in an EBIDTA loss of Rs.3.08 crores.
- The packet tea business had an EBIDTA loss of Rs.1.6 crores during the current quarter and Rs.3.6 crores for the current half year.
- While distribution costs increased due to higher volumes, promotional spends were rationalized to set off these adverse cost impacts
- Transitional benefits under the GST scheme were accrued during the quarter while provision for compensation to dealers for losses consequent to GST transition was also made.
- Other income includes an income of Rs 8.7 crores received towards building and structures situated at the Company's closed unit at Kolkata on handing over the premises to Kolkata Port Trust.
- Overall, PBT for the quarter was higher by 37% than that of the corresponding quarter of the previous year due to higher EBIDTA (as mentioned above), other income despite higher incidence of finance cost and depreciation charge (due to the new plant in Assam). Consequently, PAT was higher by 42% during the quarter.

Outlook

As mentioned earlier, the quarter witnessed a decent recovery in trade channels – resulting in improved demand for the key segments of batteries and torches. Good demand was witnessed in the Lighting segment too. All these helped in improving the Company's performance.

The market situation continues to be dynamic as the new tax regime gets entrenched. However, it is believed that the long term expected benefits of GST will eventually fructify – and this should be visible over the next quarters. 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 parts of the market. 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. Price adjustments – for example in the flashlights segment have been passed on and will protect margins in the forthcoming period. Any other necessary price adjustments, as mentioned before, will be effected once markets become more stable.

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

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high margin luminaire segment. Also, in keeping with the market trends, the Company will phase out CFL products from its range in the next 2 quarters.

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 and is therefore investing its efforts towards brand building in such pursuit.

As mentioned earlier, the Company's manufacturing unit in Assam is eligible for financial benefits applicable to units established in tax free zones. Although rules and notification are yet to be released under GST law, the benefits for the unit shall start accruing from the second half of the year.

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.

November 10, 2017

EVEREADY INDUSTRIES INDIA LTD.
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