

INFORMATION UPDATE

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

Item	Q2 2018-19	Q2 2017-18	Gain %	YTD 18-19	YTD 17-18	Gain %	FY 17-18
Operating Income (Rs cr)	383.49	398.25	(4)	766.83	737.03	4	1456.35
Gross Margin (Rs cr)	148.54	152.35	(3)	292.53	280.83	4	546.23
Gross Margin (%)	38.7%	38.3%		38.1%	38.1%		37.5%
Operating EBIDTA (Rs cr)	41.14	40.22	2	75.98	68.13	12	98.45
Operating EBIDTA (%)	10.7%	10.1%		9.9%	9.2%		6.8%
GST transitional credit (Rs cr)	-	6.90		-	6.90		6.90
Other Income (Rs cr)	9.25	12.81		12.96	14.27		19.77
Reported EBIDTA (Rs cr)	50.39	59.93	(16)	88.94	89.30	-	125.12
PBT (Rs cr)	32.06	48.12	(33)	55.66	66.02	(16)	77.18
Net Profit (Rs cr)	24.66	36.35	(32)	43.01	49.92	(14)	54.74

Operational Highlights

- The operating results for the quarter was lower compared to the corresponding quarter of the previous year, consequent to a lower turnover coupled with the adverse impact of a depreciating rupee. Marginal turnover drop came from both the battery segment as well as the Lighting segment.
- The results are to be seen in context of a one time benefit of Rs 6.9 crores received during the corresponding quarter of previous year on account of available transitional benefits post GST implementation. But for this benefit in the previous year, the operating EBIDTA for the quarter is similar to the comparable quarter, despite the lower turnover. The operating results are also significantly better than the immediately sequential quarter.
- Employee cost as a percentage of turnover for the quarter was lower by 112 basis points in comparison to the corresponding quarter of the previous year due to savings on account of consolidation.
- Distribution cost increase was slightly higher as the Company grew in segments of Appliances and Luminaires where distribution costs are higher than the Company's traditional products. Also, high crude oil prices had an impact on cost of fuel, thereby increasing distribution cost.
- While there were marginal turnover drop in batteries and lighting, flashlight volume and turnover was flat during the quarter. It is worthwhile to note that post GST implementation in July 2017, there was substantial re-stocking in trade channels, thereby leading to a surge in turnover in the corresponding quarter of the previous year – a phenomenon not applicable to the current quarter. Lighting volume was also partially disrupted by supply issues with one of the outsourcing vendors.
- Turnover for the Appliance segment was at Rs. 26.4 crores for the current quarter (Rs. 20.0 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.5.8 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.



Outlook

- It is expected that the markets will shrug off the sluggishness in pick up, in both the categories of batteries and flashlights as Government implements its plans to boost rural incomes through infrastructure spending and increase in Minimum Support Price (MSP). Weakening rupee is a concern.
- However, since bulk of materials are imported from China, which also has seen similar level of currency depreciation, there may not be significant increase in input costs. This, coupled with current softer Zinc price should restore the higher levels of profitability in these segments.
- While the Lighting segment has remained flat during the quarter, it may be more of an aberration and demand is expected to pick up in the forthcoming quarters. The Company continues to deliver a range of LED based products mainly in the Luminaires segment – both for indoor and outdoor lighting at attractive price points, which are likely to replace conventional lights. 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 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.
- The Company is on course with the plans to monetize its non-core assets.

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, CFL & 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.

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