

INFORMATION UPDATE

Eveready Industries India Ltd. (Eveready) today declared its financial results for the quarter ended December 31, 2017. Highlights of the standalone results are the following.

Item	Q3 2017-18	Q3 2016-17	Gain %	YTD 17-18	YTD 16-17	Gain%	FY 16-17
Operating Income (Rs cr)*	369.57	329.46	12	1106.60	1050.57	5	1355.18
Gross Margin (Rs cr)	144.48	124.51	16	432.04	401.47	8	512.37
Margin (%)	39.1%	37.8%		39.0%	38.2%		37.8%
Operating EBIDTA (Rs cr)	34.20	35.30	(3)	109.24	115.64	(6)	133.30
EBIDTA (%)	9.3%	10.7%		9.9%	11.0%		9.8%
PBT	26.73	28.55	(6)	92.75	93.77	(1)	104.71
Net Profit	20.94	35.19	(40)	70.86	83.17	(15)	93.63

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

Operational Highlights

- Turnover for the quarter grew by 12% riding on a robust growth of 33% in the Lighting Products segment and contribution from the recently launched Appliances segment, despite a flat performance in the battery segment.
- Operating EBIDTA was marginally lower at Rs 34.20 crores against Rs 35.30 crores in the corresponding quarter of last year, primarily on account of increase in certain costs as a planned measure in the newer business categories, with an eye to sustained future growth. These were in the nature of marketing spends to capture the festive season during the quarter and distribution costs as the network is being set.
- Operating EBIDTA margin for the quarter was at 9.3%. Despite improvement in gross margin by 1.3%, EBIDTA margin was lower due to cost factors necessitated to upscale new and growing categories of Appliances and LED based lighting, as mentioned above. More specifically, Advertising & Promotional spend was at 5.1% of turnover against 2.8% of turnover in the same period last year. This level of spend is not likely to be repeated in the following quarter – hence margins should revert to higher levels. Cost increase also came on manpower costs from the Appliances segment, which is on a building up phase.
- Battery turnover was flat as GST rates on the segment got reduced from 28% to 18% from mid November, though such reduction should provide impetus for volume growth in future quarters. Prices of battery input materials 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. There was also an adverse impact on battery margins on account of withdrawal of fiscal benefits at the Hardwar unit which was partially off-set at the new greenfield unit at Assam, which started accruing CGST benefit from the current quarter post issuance of requisite notification by the Govt.
- Flashlight volumes grew by 7%, but the turnover in the segment was flat due to the adverse impact of GST rates having gone up considerably as compared to the consolidated rate of the earlier regime. However, the GST rate has now been reduced from 28% to 18% and this should have salutary effect on both volume & turnover in the forthcoming quarters.
- The quarter's turnover in the Lighting segment grew by a healthy 33% to Rs. 98.8 crores. Actually, turnover of LED products sold through trade channels had a robust growth of 93% (Rs 80.5 crores in the current quarter as against Rs 41.8 crores in the corresponding quarter of the previous year) – which was to some extent muted by low sales of CFL products, as per prevailing market trends (Rs 0.8 crores in the current quarter as against Rs 13.0 crores in the corresponding quarter of the previous year) and because the previous year's quarter included sales made to Energy Efficiency Services Ltd (EESL) of Rs. 4.9 crores (Rs 1.6 crores in the current quarter).



- The lighting segment turned in a healthy EBIDTA margin of 14%, which compares well against an EBIDTA margin of 4% in the corresponding quarter of the previous year.
- Turnover for the appliance business was at Rs. 23.1 crores as compared to Rs. 11.5 crores in the corresponding quarter of the previous year. On a year-to-date basis, turnover in the segment stood at Rs 61.0 crores as against Rs 21.9 crores in the previous year. This improvement trend is in line with the Company's upscaling plans for this category. The Company has obtained EESL order in the category for Rs 22.0 crores which shall further facilitate upscaling plans.
- Appliances segment clocked in an EBIDTA loss of Rs.5.5 crores (YTD loss at Rs. 12.5 crores), as it is in a budding up phase and the revenues are yet not enough to cover costs. However, the impact of this will be mitigated as the business scales up in the near future.
- The packet tea business had an EBIDTA loss of Rs.3.2 crores during the current quarter and Rs.6.9 crores on a year-to-date basis. As a measure to improve the business, work is in progress to put this business in a special purpose vehicle (SPV), where Eveready will hold 50%, the balance being held by Mcleod Russel India Ltd., the world's largest tea plantation company.
- Overall, PBT for the quarter was lower by 6% than that of the corresponding quarter of the previous year due to lower EBIDTA (as mentioned above), higher incidence of finance cost and depreciation charges, due to the new plant in Assam. PAT was however lower by 40% during the quarter – as in the corresponding quarter of last year a non-recurring tax credit was received.

Outlook

- As already mentioned, the quarter witnessed a somewhat muted performance from both batteries & flashlights. However, with time this is set to improve with higher demand from consumers encouraged by lower GST tariff and hopefully through curbs on the unorganized segments of these product categories imposed by the new GST regime.
- 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.
- Performance in the Small Home Appliances have so far been satisfactory. This segment will also be a major contributor to to the Company's growth. Currently this business is recording losses – but with turnover growth over the next 4 quarters should allow this business to cover its costs – and thereafter look to contributing to the Company's overall profitability.
- Growth is also expected from the second half of next financial year from the soon to be launched confectionary category 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, 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.

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