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INFORMATION UPDATE

Eveready Industries India Ltd. (Eveready) today declared its financial results for the quarter and year ended March 31, 2018. Highlights of the standalone results are the following.

Item	Q4 2017-18	Q4 2016-17	Gain %	FY 17-18	FY 16-17	Gain%
Operating Income (Rs cr)*	349.75	304.61	*15*	1456.35	1355.18	*7*
Gross Margin (Rs cr)	120.93	111.25	*9*	553.96	512.37	*8*
Margin (%)	*34.7%*	*36.5%*		*38.0%*	*37.8%*	
Operating EBIDTA (Rs cr)	(3.88)	17.66		105.36	133.3	*(21)*
EBIDTA (%)	*-1.1%*	*5.8%*		*7.2%*	*9.8%*	
PBT	(15.57)	10.93		77.18	104.71	*(26)*
Net Profit	(16.12)	10.46		54.74	93.63	*(42)*

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

Operational Highlights

- The operating results for the quarter and the year was inferior than last year despite growth in turnover (15% for the quarter and 7% for the financial year).
- As is evident, much of the below par performance is attributable to the quarter itself, as operational EBIDTA turned negative at Rs 3.88 crores as against a positive of Rs 17.66 crores in the corresponding quarter of last year
- Employee cost for the quarter increased by 18% (Rs 6.95 crores) during the quarter and by 17% (Rs 24.43 crores) during the year as the Company needed to front-end expenditure on resources for diversification in newer categories of Professional Luminaires. Appliances and Confectioneries. The positive impact of these expenses would be felt in the coming quarters/year as these categories scale up revenues.
- Advertising & Promotional spend was higher by 66% during the quarter – 6.1% of turnover as against 4.2% during the corresponding quarter last year – necessitated to upscale new and growing categories of Appliances and LED based lighting.
- The Company also incurred during the year a one-time Management consulting charges at Rs. 3.07 crores, to identify potential cost-saving areas. This one-time cost will result in tangible benefits in the forthcoming quarters
- Distribution cost increase was also relatively much higher as the Company grew in segments of Appliances and Lighting where distribution costs are higher that the Company's traditional products
- Though turnover grew by 15% during the quarter as mentioned above, there was an erosion of Gross margin by about 200 basis points, as the growth came primarily from the still evolving category of Appliance, where margin is still much lower than that of the other established categories
- Battery turnover showed a nominal growth of 2.5% during the quarter while the yearly turnover remained flat. The segment turnover was muted initially, saddled with high GST rate of 28%, which got subsequently reduced from mid-November to 18%. While that has provided some impetus for growth subsequently, the pick-up continued to be sluggish in after effects. The category was also disturbed by dumped imports from China. However, the segment still continues to be profitable and remains the mainstay for the Company's profit profile, despite squeeze in its gross margin by 114 basis points on account of strong input materials costs and withdrawal of fiscal benefits at the Haridwar unit, though partially offset by the new greenfield unit at Assam.
- Due to the same reason mentioned above on account of GST rates, flashlights turnover for the year was lower by 5.1%. This also had indirectly an impact on the gross margin in the category being 110 basis points lower.

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- Turnover of LED products in the Lighting segment grew by a robust 47%. 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 14% to Rs. 90.3 crores and for the year by 15% to Rs 344.4 crores. The Lighting segment emerged as a strong profitable segment, registering an EBIDTA margin of 11% for the year as against 2% in the previous year.
- Turnover for the Appliance segment was at Rs. 48.2 crores for the current quarter (Rs. 18.0 crores in the previous year). For the year, turnover in the segment stood at Rs 109.2 crores as against Rs 39.9 crores. This improvement trend is in line with the Company's upscaling plans for this segment. However, the segment registered an EBIDTA loss of Rs.7.5 crores for the quarter and a loss at Rs. 20.1 crores for the year, as it is in a build-up phase with costs (A&P and manpower) being up fronted and the revenues 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.4.4 crores during the current quarter and Rs.11.6 crores for the year. Work is afoot to mitigate this position.
- For the reasons mentioned above, overall EBIDTA and correspondingly PBT & PAT were lower during the year.

Outlook

- It is expected that the markets will shrug off the sluggishness in pick up witnessed post implementation of GST in both the categories of batteries and flashlights. Early signs of the same are already visible. This itself should restore the higher levels of profitability in these segments.
- 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.
- As already mentioned, the quarter witnessed gross margin erosion due to higher growth in turnover of the evolving lower margin Appliance segment. Coupled with higher employee costs, promotional spends and a few other charges, the results for the quarter and year was much inferior than that of the previous year
- 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 next financial year from the recently launched confectionery segment under the 'Jollies' brand – leveraging the existing FMCG distribution of the Company.

Other Developments

The Board of Directors of the Company in its meeting today resolved that surplus and unutilized land/assets will be monetized within a time frame of 12-18 months

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.

May 29, 2018

EVEREADY INDUSTRIES INDIA LTD. KOLKATA