



Eveready Industries India Ltd.

1, Middleton Street
Kolkata 700 071

Information Update

This update covers the following –

1. Unaudited Financial Results for the quarter ended June 30, 2011
2. Future outlook as per the understanding of Company Management
3. Profile containing historical and basic information on the Company

	₹ Cr.	₹ Cr.	₹ Cr.	₹ Cr.	Change(%)	₹ Cr.	₹ Cr.	₹ Cr.	₹ Cr.
	Q1 11-12	Q1 10-11	YTD 11-12	YTD 10-11	Gain/(Loss)	Q4 10-11	Q3 10-11	Q2 10-11	FY 10-11
Net Sales	245.42	238.27	245.42	238.27	3	204.08	246.04	262.03	950.42
PBDIT *	23.65	36.26	23.65	36.26	(35)	17.31	21.45	27.18	102.19
PBT *	10.08	22.26	10.08	22.26	(55)	3.50	8.08	12.55	46.39
PAT	7.97	15.15	7.97	15.15	(47)	4.00	6.68	13.55	39.37

* Excludes quarter ending accounting charges for marking to market of open positions of commodities hedged, exceptional items and profit on sale of real estate

Highlights of the quarter ended June 30, 2011

- * Operating performance of the current quarter was inferior to Q1 of the previous year. While net sales registered marginal growth, PBDIT and PBT were lower.
- * Turnover of Batteries remained flat in the current quarter as compared to the Q1 of previous year, whereas flashlights showed a decent growth of 20%.
- * There were all round cost increases in the current quarter as compared to the Q1 of the previous year, which remained uncovered. The differential over the previous quarter was at 5.6 %, which primarily accounted for the dip in PBDIT margin.



Review of operations

Dry Cell Batteries

Battery volumes remained flat during the current quarter over the corresponding quarter of the previous year. Sales remained flat mainly on account of 'D' size batteries continuing to de-grow. The rate of such de-growth was 13% during the current quarter.

'AA' and 'AAA' size batteries – which constitute more than 60 % of the dry battery product segment, grew at a decent rate of 9.5 %.

Market share position remained unaltered during the quarter:

Net sales for the quarter were at ₹135.64 crores (previous year same quarter – ₹135.16 crores).

Flashlights

Flashlights had a very decent run during this quarter as compared to the same quarter in the previous year.

Sales grew to ₹60.17 crores in this quarter from ₹50.30 crores in Q1 of the previous year – thereby recording a growth of 20%. This value growth was supported by a volume growth of nearly 17%. This growth is somewhat of a reversal of weak trend seen in the immediately preceding 2 quarters.

Lighting Products

Turnover during the current quarter grew by 3 % to ₹22.34 crores as against ₹21.71 crores in Q1 of last year.

This flattish turnover can be ascribed to the fact that the Company consciously restricted sales of CFL bulbs to a few geographies (UP and Bihar) where the phenomenon of returned products was found to be on the rise – and beyond accepted levels. This market traditionally works on warranties and if returns are higher than the accepted norm, it is essentially due to the poor quality of power supply, on which the Company has little control.

This step was necessary to avoid impairment to profitability. However, sales have now stabilized on this revised orientation and the position is expected to improve hereafter.

Packet Tea

The packet tea business continued with its steady performance through leveraging of the distribution network of the Company. Current share of the market stands at 1 – 5 per cent in the

various markets of the country. Focus is currently being given to make the business profitable. As a compromise, some marginal turnover has been sacrificed.

Sales turnover for the current quarter was at ₹17.07crores against ₹16.67 crores in Q1 of last year.

Margin analysis & comments on profitability

The cost structure of the Company is sensitive to 2 specific items of the broader economy, with regard to which control is limited –

1. Price of zinc, as this constitutes about 17 % of raw material costs, and
2. US dollar exchange rate against Indian Rupee, as 40 % of the cost of materials and goods is dollar denominated.

Usually, as a coincidence or otherwise, these 2 factors had been moving in opposite directions over the last few quarters in terms of impact on costs – as will be evident from the 2 tables below. This was providing a hedge – as adverse effect from one was being neutralized by gains from the above. Luckily, both these were marginally favorable in the current quarter as compared to the Q1 of the previous year.

Quarter	Average cost of zinc consumed at (LME equivalent \$ per tonne)
Q4 09-10	2011
Q1 10-11	2314
Q2 10-11	2188
Q3 10-11	2222
Q4 10-11	2200
Q1 11-12	2289

Quarter	Average FX (INR=\$)
Q4 09-10	46.08
Q1 10-11	45.52
Q2 10-11	46.45
Q3 10-11	45.04
Q4 10-11	45.27
Q1 11-12	44.92

However, the above small gain was completely wiped out by rising costs on almost all fronts –

Other materials – adverse by 1.62% over same quarter last year

Salaries and wages – adverse by 1.03%

A & P activities – adverse by 1.07%

Distribution and other overheads – adverse by 1.90%

The combined effect of all these factors was margin decline of 5.6%, which could not be recovered from the market, without putting risk to the sales volumes. However, it will be evident from the table below that the current quarter's margins have been in line with the immediately preceding 3 quarters. The matter is being closely monitored and attempts will be to recover this gap as soon as practicable.

As % to Net Sales	11-12	10-11	10-11	10-11	10-11	FY 10-11
	Q1	Q1	Q4	Q3	Q2	
Materials cost incl. outsourced goods	62.54%	60.92%	62.31%	64.12%	62.82%	62.57%
Staff cost	9.34%	8.31%	10.91%	9.04%	8.60%	9.15%
A & P and market research	5.10%	4.03%	4.03%	4.05%	4.87%	4.26%
Distribution cost	5.35%	4.93%	5.87%	6.17%	6.08%	5.77%
Other Expenses	8.08%	6.61%	8.67%	7.94%	7.28%	7.59%
Total Operating Costs	90.41%	84.80%	91.79%	91.32%	89.65%	89.34%
PBDIT *	9.59%	15.20%	8.21%	8.68%	10.35%	10.66%

* Reflects operational PBDIT – excluding quarter ending accounting charges for marking to market of open positions of commodities hedged, exceptional items and profit on sale of real estate

Distribution of Shareholding

Distribution of shareholding stood as follows as on June 30, 2011 –

Category	% of shareholding
Promoter Group	40.84
Mutual Funds	7.84
Banks, FIs and Insurance Companies	5.06
Foreign Institutional Investors	15.98
Public & Others	30.28

Outlook

Both batteries and flashlights went through some major changes in the recent past. In case of batteries, it was an unprecedented de-growth of an important segment (D) and a major shift in product mix. For flashlights, on the other hand, it was a case of very significant growth fuelled

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by new generation products and then a period of relative slow-down during last year – then again back to high growth during the current quarter.

Batteries have now settled down to a stable level which seem sustainable and supported by historical statistics. In fact the major segments in batteries – viz. AA and AAA – together comprising more than 70% of the market in terms of volume, are growing at a rate higher than historical trends. This is being brought down by the continuing de-growth of the D segment. However, this latter segment is now gone down to such low level that it should now stop having much impact on the overall market. The outlook – even in the near-term thus appears to be brighter than what was seen in the current quarter.

For the long term, battery business is linked to fundamental demand driven by device population. As India gets economically more developed, device penetration into households will increase in line with the rest of the world, boosting battery growth. It needs to be borne in mind that India remains one of the lowest per capita battery consuming nations – and hence with a potential for major improvement.

Flashlights had recorded very significant growth in the recent 3 years – excepting the last year when there was a moderate slow-down. In the current quarter, however, there has been again growth at a good rate. This market is susceptible to gray operations of unorganized players bringing copy-cat models to the market – usually without payment of taxes and duties. A number of new models launched during the quarter again spurred growth. This effort will be persisted with to circumvent this undesirable market phenomenon.

Prospects are promising in the Lighting Products business – both in the CFL and GLS segments. Challenges remain with regard to handling of warranties and competitive pricing – but these are being met. This business remains a key focus area for the Company and an avenue for growth.

Smaller businesses like packet tea will add turnover. Focus is currently on to improve profitability of this business.

As explained earlier, the Company's cost structure is sensitive to zinc and exchange rate of the Indian Rupee and overall inflationary trends. At the present moment, zinc remains stable at current levels – barring some very recent softness. Predictions on Rupee seem to indicate that it will appreciate against the dollar. So it appears that the impact of these 2 factors may off-set each other on the cost of the Company. There is no sign yet of the inflationary trend decelerating and this may continue to impact margins negatively in the short term. Efforts are being made to recover a part of the adverse impact from the market- to the extent practicable.

Brief profile of the Company

Eveready Industries India Ltd. (Eveready) is one of India's leading FMCG Companies. Eveready possesses expertise in manufacturing, marketing and distributing a diverse range of products to the entire length & breadth of the country. Its portfolio comprises of dry cell batteries, rechargeable batteries, flashlights, packet tea and lighting products. Its market share in batteries

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is 51.8 per cent and in flashlights about 76 per cent of the organized market. It is relatively a recent entrant in the packet tea segment. Its market share ranges between 1 – 5 per cent in the various regions where the products have been launched. Eveready recently commenced marketing of lighting products like CFL & GLS lamps.

Eveready is the world's 2nd largest manufacturer of zinc carbon batteries, putting to the market about 1.3 billion units a year, catering to the entire range of equipments that need portable energy. Its rechargeable batteries cater to the replacement market of cylindrical cells. It has a complete range of flashlights – for both indoor and outdoor applications. Battery and flashlight products are branded as 'Eveready', 'Powercell', 'Shakti' and 'Mahashakti'. Packet tea products are branded 'Tez', 'Premium Gold', 'Jaago' and 'Classic'. Lighting products are also branded 'Eveready'.

Key strengths of Eveready lie in its 4 core assets – powerful brands led by the iconic 'Eveready', a distribution system that is deeply entrenched, its skill of efficient mass-manufacture and its human capital.

Brand 'Eveready' has already celebrated its 100 years of existence in India. Across generations 'Eveready' has emerged as more than a battery or a flashlight; it has emerged as an idea – that of trusted reliability of the enduring and the dynamism of the contemporary.

Eveready's manufacturing facilities are located at Chennai, Lucknow, Noida, Haridwar, Maddur and Kolkata.

Eveready's sales network is wide and comprises of 15 sales branches and 55 C&F points. It also comprises of a family of nearly 4000 distributors and a team of 1000 exclusive vans servicing retailers covering the length & breadth of the country. Eveready's products are available in about 3.2 million outlets, which give it a retail penetration exceeding 65% in its class of outlets. Out of this, more than 1 million outlets are directly serviced by the Company's network.

Eveready's unique strength in distribution lies in its ability to access and service rural parts of the country. Eveready is a clear leader in its 2 mainstay businesses – batteries & flashlights.

It has taken an objective to scale up operations by adding new products to its range with a pan-Indian presence – cutting across the rural & urban divide. Towards this, products like packet tea and lighting products have been introduced.

The Company acquired 80 % shareholding in Novener SAS, France in the last financial year in order to acquire a controlling stake in Uniross SA. Uniross is engaged in the manufacturing and marketing of rechargeable batteries and allied products. Uniross has presence in various parts of the world and is particularly strong in Europe. Uniross faced major financial difficulties prior to this acquisition on account of a high-cost acquisition going wrong and also due to a commodity-led cost push. However, Eveready believes that it can be nursed back to sustainable profitability in the foreseeable future and its network will be amenable to significant expansion of products marketed by Eveready.

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Important Notes :

- 1) Eveready's Investor Relations activities are co-ordinated by Ms.Tehnaz Punwani, Sr.General Manager & Company Secretary (tehnazpunwani@eveready.co.in).
- 2) Eveready may be contacted for any further information or clarification on Telephone No. +91-33-2288 4436 ; Fax No. +91 33 2288 4059.
- 3) This Update is being issued after the Board of the Company at its meeting held on August 10, 2011 has taken on record the financial results for the quarter ended June, 2011.
- 4) Some forward looking statements on projections, estimates or expectations are included in this update for better comprehension of the Company's prospects. Actual results may, however, differ materially on account of several economic or market related factors.
- 5) The results reviewed here are the stand-alone results of Eveready Industries India Ltd. and do not contain any impact of consolidation with the results of its subsidiaries.
- 6) This Update is also available on the Company's website: www.evereadyindustries.com . In view of this, information in this Update is also available to the public and does not therefore constitute unpublished price sensitive information under the SEBI (Prohibition of Insider Trading Regulations, 1992).