



Eveready Industries India Ltd.

1, Middleton Street
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Information Update

This update covers the following –

1. Unaudited Financial Results for the quarter ended December 31, 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.
	Q3	Q3	YTD	YTD	Gain/(Loss)	Q2	Q1	Q4	FY
	11-12	10-11	11-12	10-11		11-12	11-12	10-11	10-11
Net Sales	253.84	246.04	755.20	746.35	1%	255.93	245.42	204.08	950.42
PBDIT *	10.61	21.45	53.22	84.89	-37%	18.96	23.65	17.31	102.19
PBT *	(6.23)	8.08	8.42	42.88	-80%	4.57	10.08	3.50	46.39
PAT	(4.84)	6.68	6.16	35.38	-83%	3.04	7.97	4.00	39.37

* Excludes quarter ending accounting charges for marking to market of open positions of commodities and exceptional items

Highlights of the quarter ended December 31, 2011

- * Operating performance for the current quarter was inferior to recent trend – attributed to margin pressure due to strong commodity prices and high cost of imports on account of a depreciating rupee.
- * The pressure on margin on account of input costs – as above – could not be passed on to the market in the current quarter (somewhat mitigated in the following period).
- * Both the lead product categories grew during the current quarter as compared to the Q3 of previous year – albeit modestly, in a sluggish market – batteries (2 %) and flashlights (7.8 %). Overall sales grew by 3 %.



Review of operations

Dry Cell Batteries

Battery volume de-grew marginally during the current quarter over the corresponding quarter of the previous year - mainly on account of 'D' size batteries continuing to decelerate – at 5 % during the current quarter. Other battery types like 'AA' and 'AAA' size batteries remained stagnant. Net sales value however was higher by 2 % in the current quarter.

As per industry information, market share position of the major players in this product segment remained by and large unaltered.

Net sales for the quarter were at ₹ 144.82 crores (previous year same quarter – ₹ 142.36 crores).

Flashlights

Flashlights volumes rose by a modest 2 % in the current quarter as compared to the same quarter in the previous year – though turnover increased by 8 %.

Sales grew to ₹ 52.22 crores in this quarter from ₹ 48.46 of the previous year.

Lighting Products

Turnover of lighting products grew by 12 % to ₹ 28.46 crores in the current quarter against ₹ 25.33 crores in Q3 of last year.

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- on which the Company has little control.

This step was necessary to avoid impairment to profitability. Sales have now stabilized on this revised orientation and the reasonable growth in the current quarter is indicative of the improvement expected 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 – 3 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.

Current quarter's sales were at ₹ 23.02 crores against ₹ 22.62 crores in Q3 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 preceding few quarters in terms of impact on costs. In the current quarter, however, zinc remained stable at a fairly high level and rupee depreciated sharply – as will be evident from the 2 tables below. As a result, there was a severe impact on margins.

Quarter	Average cost of zinc consumed at (LME equivalent \$ per tonne)
Q2 10-11	2188
Q3 10-11	2222
Q4 10-11	2200
Q1 11-12	2289
Q2 11-12	2285
Q3 11-12	2101

Quarter	Average FX (INR=\$)
Q2 10-11	46.45
Q3 10-11	45.04
Q4 10-11	45.27
Q1 11-12	44.92
Q2 11-12	45.60
Q3 11-12	50.54

Material cost as a percent of sales in the current quarter thus increased by 209 basis points as compared to Q3 of last year. Also, the Company had already embarked on an enhanced branding exercise that had to be persisted with in the current quarter, which also had an adverse impact of 261 basis points.

The combined effect of these 2 factors resulted in the margin decline of more than 4 %. The adverse impacts could not be immediately passed on to the market. The matter is being closely monitored and attempts are being made to recover this gap as soon as practicable – a moderate progress having been made in the following period.

As % to Net Sales	11-12	10-11	11-12	11-12	10-11	FY 10-11
	Q3	Q3	Q2	Q1	Q4	
Materials cost incl. outsourced goods	66.21%	64.12%	65.10%	62.54%	62.31%	62.57%
Staff cost	8.86%	9.04%	8.97%	9.34%	10.91%	9.15%
A & P and market research	6.66%	4.05%	5.01%	5.10%	4.03%	4.26%
Distribution cost	6.16%	6.17%	5.94%	5.35%	5.87%	5.77%
Other Expenses	7.96%	7.94%	7.61%	8.08%	8.67%	7.59%
Total Operating Costs	95.85%	91.32%	92.63%	90.41%	91.79%	89.34%
PBDIT *	4.15%	8.68%	7.37%	9.59%	8.21%	10.66%

* Reflects operational PBDIT – excluding quarter ending accounting charges for marking to market of open positions of commodities hedged and exceptional items

Distribution of Shareholding

Distribution of shareholding stood as follows as on December 31, 2011 –

Category	% of shareholding
Promoter Group	40.85
Mutual Funds	8.54
Banks, FIs and Insurance Companies	5.05
Foreign Institutional Investors	15.32
Public & Others	30.24

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 by new generation products and then a period of relative slow-down during last year.

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, have been growing at a rate higher than historical trends (except for in the current and the previous quarters). 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. Sales were up in the current quarter (by 8 %). This market is susceptible to gray operations of unorganized players bringing copy-cat models to the market – usually without payment of taxes and duties. The Company tries to circumvent this undesirable market phenomenon bringing out newer models with fresh value propositions. This initiative will be persisted with.

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.

The business of 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 – however a slightly longer term estimate seems to point to softening of prices. Unfortunately, even if gains are made on this account, the sudden steep depreciation of Rupee is threatening to put further squeeze on margins. As explained earlier, the Company has a fairly large import basket and the depreciating Rupee will make that expensive. This may continue to impact margins – though latest trends show a reversal of this.

While efforts are being made to recover these adverse impacts from the market, it is unlikely that the objective will be fully met. Thus, margins will remain under pressure in the prevailing situation.

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 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 – 3 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 mainly 'Tez' and 'Premium Gold'. 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 3500 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 2009-10 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.

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 February 13, 2012 has taken on record the financial results for the quarter ended December 31, 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).