



Eveready Industries India Ltd.

1, Middleton Street
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Information Update

This update covers the following –

1. Financial Results for the quarter ended September 30, 2009
2. Future outlook as per the understanding of Company Management
3. Profile containing historical and basic information on the Company

	Rs.Cr.	Rs.Cr.	Change (%)	Rs.Cr.	Rs.Cr.	Rs.Cr.	Rs.Cr.
	Q2 09-10	Q2 08-09	Gain/(Loss)	Q1 09-10	Q4 08-09	Q3 08-09	FY 08-09
Net Sales	263.00	219.13	20	232.37	204.20	214.48	860.49
PBDIT *	34.31	22.71	51	30.34	18.59	22.03	83.61
PBT *	21.12	3.11	580	15.14	3.07	9.01	17.98
PAT	17.54	2.26	674	16.05	5.59	8.43	19.40

* Only operational – excludes exceptional item (VRS) and sale of real estate

Highlights of the quarter ended September 30, 2009

- * As evident, performance of the current quarter was a significant improvement over the corresponding quarter of the previous year and also over the recent sequential quarters. Net sales were higher by 20 % and PBDIT by 51 %.
- * Operational PBDIT was stable at around 10 % of net sales till last financial year. It has moved to a 13 % or above level from Q1 of the current year – the same trend has continued in the current quarter.
- * Price of zinc, a key input material, was softer in the current quarter as compared to the Q2 of the previous year – but this gain got more than eroded on account of a weak currency in current Q2.
- * In a heartening development and in reversal of recent trend, battery volumes registered a reasonable growth of 7 % during the current quarter.
- * Growth continued to be recorded in the flashlights segment – though at a more sedate rate as compared to the previous year. YTD volumes were 16 % higher than those of the corresponding quarter of the previous year.
- * Other product segments showed improvement.



Review of operations

Dry Cell Batteries

Batteries went through significant price increases to offset material cost push in the recent past. Cumulative price increases for the various battery types ranged between 20 per cent and 50 per cent. This met with stiff consumer resistance and demand started slowing down. Unfortunately, the price increases had to be persisted with due to input costs continuing to prevail at high levels.

The consumer resistance mainly manifested itself in torch-using consumers (a key segment) looking for more energy efficient torches. Traditionally, they were using torches with incandescent bulbs using 'D' size batteries. The changed dynamics made them shift to torches with LED bulbs using 'AA' batteries (more fully covered in the next section). Thus, de-growth was most pronounced in 'D' size batteries.

This trend of de-growth continued till the last quarter of the current year. In a very encouraging development this product segment has turned to positive growth. Volumes grew in the current quarter by 7 % as compared to Q2 of the previous FY.

So far the market share position remains unaltered despite the various market changes taking place : 'Eveready' – 46.6 % : 'Powercell' – 5.2 % : Total – 51.8 % (AC Nielson : Sales value April 2009 - September 2009).

The Company launched its high-technology batteries under the 'Ultima' series in April 2009. Also new advertising campaigns on batteries with focus on both rural and urban markets were started in April 2009. The new campaigns reinforcing brand 'Eveready' seem to have delivered desired results.

Flashlights

The phenomenon of consumer resistance to pricing actions was also very significant in the flashlights business. Similar to the trend in batteries, flashlights business also experienced de-growth of volumes. The impact was most significant in the 'brass' segment of flashlights – predominantly used in the rural areas.

As a mitigation measure and with a view to giving consumers a value-for-money option, the Company introduced a new class of flashlights. This new segment has popularly come to be known as the 'LED' segment due to usage of LED bulbs being used as the light source. The Company has been at the forefront of introduction of this new segment and has encouraged consumers to take to it due to the value proposition of lower battery consumption.

Initially introduced as a value offer, this segment has now started offering life-style products. These come in multifarious styling & colour, and offer choices to consumers across the



aesthetic range and several price points. These have become the standard for flashlights in the country.

From the Company's perspective, this measure is positive. The brass flashlights were profitable and were good for consumption of D size batteries but remained for long period of in-use with consumers. The new LED torches are equally profitable and displays much lower in-use period and is good for battery consumption (mainly AA). Current trends indicate that these flashlights are increasing overall torch user-ship significantly. Being energy efficient these have longer replacement cycle – however once the cycle sets in, it will be positive to overall battery consumption.

Spurred by the above phenomenon, flashlights sales have been growing significantly in the last 2 years. Such growth continued to prevail in the current quarter – at 16 % over the corresponding period of the previous year.

In a diversification of this product range, the Company launched a new range of lighting solutions for homes - addressing lack of electricity or the prevalent power-cut situation. This range of products with a message to 'light up your homes' is creating new usage and conversion from kerosene lamps.

The product-range was received with enthusiasm by consumers. The products were soft-launched gradually from April 2009 and an advertisement campaign has been launched to communicate this new offering. This segment is expected to have significant positive impact on the revenue stream and profitability of the Company in the foreseeable future. Turnover from this range during the current quarter was at Rs.21.33 crores.

Lighting Products

The Company started distributing compact fluorescent lamps (CFL) through the Company's distribution network during the current year. The launch of the products took place in June 2007. The products were received quite enthusiastically by the market.

The Company's distribution which is at a tangible differentiation from usual electrical trade, and brand 'Eveready' creates a long term value-enhancing proposition in this business.

The Company also launched in April 2009 the full range of General Lighting Service (GLS) lamps – the normal mass market incandescent lamp. This market is stagnant on account of shift taking to CFL lamps - but still has big volumes, and the Company needed to enter this as it plans to be a full range player in the lighting products business. The Company's brand and distribution edge should be able to get it an attractive share of this market.

Turnover for the quarter was at Rs.25.30 crores against Rs.9.42 crores in the Q2 of the previous year – thereby nearly trebling it.



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 2 – 6 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 is being sacrificed. Sales turnover for the current quarter was at Rs.17 crores – somewhat lower compared to Rs.20.4 crores in Q2 of the previous FY.

Insect Repellents

The launch of Mosquito Coils and Liquid Vaporizers over the target markets across the country was completed in the last financial year. The trade and consumer response to these products was encouraging. The business is still in a nascent stage. Current market share varies between 1 per cent and 3 per cent in the target markets. Turnover for the current quarter was at Rs.2.65 crores.

Margin analysis & comments on profitability

The earlier rapidly rising price of zinc, which put margins under pressure, had gradually eased out over the last few quarters. However, with the gradual turn around of the global economic situation, zinc price once again hardened during the current quarter.

Quarter	Average cost of zinc consumed at (LME equivalent \$ per tonne)
Q2 08-09	1792
Q3 08-09	1561
Q4 08-09	1125
Q1 09-10	1390
Q2 09-10	1505

A more severe adverse impact has been coming from the depreciating Rupee which has impacted the import or the dollar-denominated materials basket, which constitutes nearly 40 % of total material consumption.

Quarter	Average FX (INR=\$)
Q2 08-09	43.76
Q3 08-09	48.78
Q4 08-09	49.76
Q1 09-10	49.03
Q2 09-10	48.38



In the overall, however, margins were favorable by nearly 3 % of net sales in the current quarter as compared to Q2 of the previous year. This is attributed to several factors – like saving in excise duty, better quality of price realization in the current product mix, etc. This improvement comes despite the Company taking conscious decision of increasing ad-spends by nearly 2 % of net sales as an investment to improve business levels.

As % to Net Sales	09-10 Q2	08-09 Q2	09-10 Q1	08-09 Q4	08-09 Q3
Materials cost incl. outsourced goods	60.58	61.74	59.18	62.38	66.11
Staff cost	7.18	9.22	8.46	9.83	9.00
Advt., promotions & market research	6.89	4.99	6.70	4.23	3.08
Distributions costs	5.30	4.66	4.73	5.01	4.99
Other expenses	7.02	9.06	7.90	9.51	6.57
Total Operating Costs	86.97	89.67	86.97	90.96	89.75
PBDIT *	13.03	10.33	13.03	9.04	10.25

* Reflects only operational PBDIT, i.e., excluding exceptional items (VRS) profits on sale of real estate.

Current developments

- The Company signed a Term Sheet on May 14, 2009 with C G Holding, France, for investment by the Company, both by way of equity and debt upto a maximum amount of 10 million Euro in an overseas Company in order to acquire a controlling stake in Uniross SA, a French Company.
 - 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 has come through financial difficulties in the recent past on account of a high-cost acquisition not going as per plan and also on account of a commodity-led cost push.
 - It has however a compelling case in terms of potential and the Company believes that it can be nursed back to sustainable profitability in the foreseeable future.
 - A sum of Rs.41.10 crores (equivalent to 6 million Euro) was remitted by the Company on June 27, 2009 towards the equity stake.
 - The Company effectively became the Holding Company of Uniross from July 1, 2009.

- The Company entered into an MOU on August 29, 2007 with Housing Development & Infrastructure Limited (HDIL) for the transfer of its leasehold premises at Navi Mumbai for a consideration of Rs.115 crores. Necessary clearances are being obtained to complete the transfer. In the meanwhile, the Company had earlier received advance / EMD of Rs.61.50 crores and thereafter the balance amount on July



29, 2008, resulting in full recovery of the transaction value. The income effect for the transfer will be recorded in a following period on completion of relevant formalities.

- Operations at the manufacturing facility at Cossipore, Kolkata was suspended from September 4, 2008, due to unjustified & illogical demands by a section of workers and in the face of very aggressive stand taken by them. This however had no impact on the operations of the Company, as supplies to the market were met by other units.
- Operation was also suspended at its factory in Hyderabad, the plant being surplus to the Company's needs. A VRS scheme agreed with the Workmen's Union had been opened in April 2009 and all but 24 workmen have started opting for VRS.

Distribution of Shareholding

Distribution of shareholding stood as follows as on September 30, 2009 –

Category	% of shareholding
Promoter Group	40.29
Mutual Funds	7.47
Banks, FIs and Insurance Companies	6.07
Foreign Institutional Investors	12.92
Public & Others	33.25

Outlook

It is believed that an inflection point may have been reached in the battery segment, where negative growth of the recent past has been halted and instead the business has moved on to positive growth. This development is in line with the Company's belief that even during the phase of de-growth, there were no changes in the fundamental conditions of this business. Need for portable energy is intrinsic to mankind and there is no substitute to batteries for it on any practical commercial scale. The demand drivers continue to be the same and India still has good potential in batteries as it consumes almost the lowest numbers of these products in the world. The recent trend was related to the severe price hikes and the inability of the consumers to absorb the same immediately. Current trends indicate that the market is gradually coming back to consumption levels as determined by fundamental demand. As India gets economically more developed, device penetration into households will increase in line with the rest of the world, boosting battery growth.

Flashlights have now shown very significant growth over the last 2 years. The rate of growth rate continues to be robust though the base has become significantly large. This business will continue to bring significant revenue and profitability going forward.



The newly introduced product range for battery powered lighting at homes is a new concept. Once understood well by consumers, this segment will provide significant turnover and profitability.

Exciting prospects also are seen in the Lighting Products business – both from CFL and GLS products. This business will become a key focus area for the Company.

Smaller businesses like packet tea and repellents will add turnover. Focus is currently on to improve profitability in these businesses, which will see result in the next financial year.

Input cost related to zinc has eased off quite considerably – though there has been some hardening of prices in the current quarter. However, it looks set to remain range-bound at a slightly higher level for the balance part of the current FY. Currency fluctuations have so far been adverse to margins during the current year – but recent trends indicate an appreciating Rupee, which will neutralize any adverse impact from zinc. In the overall, margins may not significantly change due to these larger economic factors.

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, mosquito repellents and lighting products. Its market share in batteries is 51.1 per cent (AC Nielsen – April 2008 - March 2009) and in flashlights about 76 per cent (Industry data – April – March 2009). It is relatively a recent entrant in the packet tea segment. Its market share ranges between 2 – 6 per cent in the various regions where the products have been launched. Its share in the mosquito repellent market varies between 1 - 3 per cent in the various target markets. Eveready has recently commenced marketing of lighting products like CFL & GLS lamps.

Eveready is the world's 3rd largest zinc carbon player, putting to the market about 1.3 billion units a year, catering to the entire range of equipments that need portable energy. Its rechargeable products cater to the cylindrical replacement market and cordless phones. It has a complete range of flashlights – LED, plastics, aluminium & brass. Battery and flashlight products are branded as 'Eveready', 'Powercell', 'Shakti' and 'Mahashakti'. Packet tea products are branded 'Tez', 'Premium Gold', 'Jaago' and 'Classic'. Mosquito Coils are branded 'Eveready PowerOn'. 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, Hardwar, 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 gives 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, mosquito repellents and lighting products have been introduced.

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 October 28, 2009 has taken on record the financial results for the quarter ended September 30, 2009.
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. 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).