



## Eveready Industries India Ltd.

1, Middleton Street  
Kolkata 700 071

### Information Update

This update covers the following –

1. Financial Results for the year and quarter ended March 31, 2007
2. Company Management's understanding of future outlook
3. Profile containing historical and basic information on the Company

|   | Rs.Cr.   | Rs.Cr.   | %      | Rs.Cr.   | Rs.Cr.   | %      |
|---|----------|----------|--------|----------|----------|--------|
|   | Q4 06-07 | Q4 05-06 | Change | FY 06-07 | FY 05-06 | Change |
| Net Sales   | 162.18   | 170.50   | (4.9)  | 772.52   | 732.81   | 5.4    |
| PBDIT *   | (3.67)   | 17.14    |        | 47.35    | 90.78    | (47.8) |
| PBT *   | (19.26)  | 2.21     |        | (13.78)  | 22.87    |        |
| * Only operating, i.e., excluding sale of real estate |          |          |        |          |          |        |

### Highlights of the quarter and year ended March 31, 2007

- \* Input material costs continued to put pressure on battery & flashlights margins.
- \* Pricing actions taken by the Company to mitigate the cost push, encountered stiff consumer resistance from Q3. This phenomenon continued during Q4. This resulted in volume drop during the quarter as well as for the whole year.
- \* The volume drop was not unique to the Company, but held true for the entire market for the relevant product categories. In fact, the market share for Eveready in batteries had shown improvement as of March 2007 and stood at 46.4 per cent (AC Nielsen).



## **Review of operations**

### ***Dry Cell Batteries***

As mentioned briefly above, cumulative price increase for the various battery types over the last 24 months or so ranged between 20 per cent and 50 per cent. While it did not seem to impact consumers initially, from Q3 06-07 it met with stiff consumer resistance and demand started slowing down. Unfortunately, the price increases had to be persisted with due to the continuing run-up in input costs.

India is known to be a price sensitive market and consumers find ways of reducing or deferring consumption. This was most acutely felt in the 'D' segment – a battery type more pre-dominantly used in the rural markets - registering de-growth of 22 per cent. This was somewhat compensated by the growth in the 'AA' segment of 12 per cent, but total batteries de-grew by 9 cent.

This phenomenon of volumes slowing down was not unique to the Company but was experienced by the market as a whole. The Company's market share as of March 2007 was slightly improved at 46.4 per cent (AC Nielsen).

### ***Flashlights***

The phenomenon of consumer resistance to pricing actions was also very significant in the flashlights segment. Brass which is the most profitable segment and traditionally popular among the rural masses dipped 39 percent in volumes during the year over the last year.

As a result, overall flashlights volumes came down by 27 per cent as compared to the previous year.

### ***Packet Tea***

The packet tea business continued with its steady improvement in performance through leveraging of the distribution network of the Company. Current share of the market stands at 2 – 8 per cent in the various markets of the country. Packet tea revenue was higher by 18 per cent during the year over the previous year. This was backed by volume growth of 10 per cent during the year.

### ***Mosquito Coils***

The launch of Mosquito Coils over the target markets across the country is now over. The business is still in a nascent stage with a market share varying between 1 per cent and 4 per cent in the various states, which was achieved during the last few months of launch of the product. The trade and consumer response to the launch was encouraging.



## Margin analysis

In view of significantly lower volumes and cost push during the quarter and the year, there was a hit to the overall margins as brought out by the analysis below.

| As % to Net Sales                     | 06-07<br>Q4   | 05-06<br>Q4  | 06-07<br>FY | 05-06<br>FY  |
|---------------------------------------|---------------|--------------|-------------|--------------|
| Materials cost incl. outsourced goods | 74.71         | 62.71        | 66.46       | 59.25        |
| Staff cost                            | 9.11          | 6.52         | 9.09        | 8.51         |
| Advt., promotions & market research   | 5.10          | 0.14         | 5.57        | 5.16         |
| Distributions costs                   | 4.52          | 5.32         | 4.66        | 4.91         |
| Other expenses                        | 8.81          | 15.26        | 8.10        | 9.82         |
| Total Operating Costs                 | 102.24        | 89.95        | 93.89       | 87.65        |
| <b>PBDIT *</b>                        | <b>(2.24)</b> | <b>10.05</b> | <b>6.11</b> | <b>12.35</b> |

\* Reflects only operational PBDIT, i.e., excluding profits on sale of real estate.

Margins took a hit for reasons already explained earlier and due to the current shift of product mix away from the 'D' segment in batteries and brass flashlights.

## Current developments

- The Company entered into an agreement on April 20, 2007 with Phoenix Lamps Limited for a marketing arrangement for distribution of compact fluorescent lamps (CFL) through the Company's distribution network. The products will be distributed under the dual brands of 'Eveready' and 'Halonix'. The launch of the products will take place in May 2007.
- On April 2, 2007 the Company's greenfield plant at Uttaranchal commenced commercial production as per schedule. With this, the current capacity of 1.6 billion batteries (including its wholly owned subsidiary) will stand increased to 2.0 billion batteries. Land search is on for setting up another unit.
- The Company has embarked on a process to amalgamate its subsidiary, Powercell Battery India Ltd. (PBIL) with itself with effect from April 1, 2007. The amalgamation will have financial advantages of scale and tax benefits.



## Distribution of Shareholding

Distribution of shareholding stood as follows as on March 31, 2007 –

| Category                           | % of shareholding |
|------------------------------------|-------------------|
| Promoter Group                     | 40.58             |
| Mutual Funds                       | 14.23             |
| Banks, FIs and Insurance Companies | 6.85              |
| Foreign Institutional Investors    | 21.38             |
| Public & Others                    | 16.96             |

## Subsidiary Company

The company's subsidiary, PBIL also did not escape the market related phenomenon of consumption slowing down in the face of price increases. The rapid volume gain in the initial part of the current financial year slowed down during the later part. However, this is the only battery operation which had positive volume growth during the year. PBIL's net loss for the year stood at Rs.9.26 Crores (including reversal of deferred tax asset of Rs. 4.25 Crores as per AS 22), as compared to Rs.1.88 Crores in the previous year.

The financial results shown in this analysis contains only the stand-alone results of the Company and does not contain any element of those of PBIL.

## Outlook

The Company firmly believes that there has not been any change in the basic fundamentals of the business. The demand drivers continue to be the same and India still consumes almost the lowest numbers of batteries and flashlights in the world. The current downturn relates to the severe price hikes and the inability of the consumers to absorb the same immediately.

It is expected that after the initial difficulty in adjusting to the new high cost regime the market will gradually come back to consumption levels as determined by fundamental demand. There has already been a significant lapse of time since consumers started refusing to meet their basic need of portable energy. It can be reasonably expected that volumes will return to normal sooner than later.

Input costs will continue to put pressure. After a short period of metal prices deescalating, these are once again on an incline. However, the impact is minimal as current level of pricing seem to be adequate to cover the estimated cost level – if not allow the luxury of passing any reduction to the market.



The new unit at Uttaranchal will expand margin by about 1%. The new products to be introduced over the next few months (including CFL) will improve 07-08 business volumes and profitability.

### **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 now mosquito coils. Its market share in batteries is 46.4 per cent (AC Nielsen) and in flashlights about 85 per cent (Company estimate). (Combined market share in batteries with its subsidiary PBIL is 55 per cent). It is a recent entrant in the packet tea segment. Its market share ranges between 2 – 8 per cent in the various regions where the products have been launched. Share of the mosquito coil varies between 1 - 4 per cent in the various markets where the product has been progressively launched in the course of the last 1 year.

Eveready is the world's 3<sup>rd</sup> largest zinc carbon player, putting to the market about 1.5 billion units a year (including volume sold by its wholly owned subsidiary PBIL), 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 – plastics, aluminium & brass. All battery and flashlight products are branded 'Eveready'. Packet tea products are branded 'Tez', 'Premium Gold', 'Jaago' and 'Classic'. Mosquito Coils are branded 'Eveready PowerOn'. PBIL sells its products under the brands 'Powercell', 'Shakti' and 'Mahashakti'.

Key strengths of Eveready lie in its 4 core assets – brand 'Eveready', a distribution system that is deeply entrenched, its skill of efficient mass-manufacture and its human capital. Brand 'Eveready' celebrated its 100 years of existence in India last year. 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, Hyderabad, Lucknow, Noida and Kolkata. Its latest state-of-the-art battery plant has come up at Hardwar, Uttaranchal, which has a capacity of 360 million pcs of AA batteries. This plant is eligible for income tax and sales tax benefits. Another project to augment capacity (by another 400 million pcs) is also on the anvil – in a tax-benefit area – plans for which are in advanced stage of finalization.

Eveready's sales network is wide and comprises of 15 sales branches and 40 C&F points. It also comprises of a family of 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, about 1 million outlets are directly serviced by the Company's network.

*Eveready Industries India Ltd.*

*Information Update*

*May 11, 2007*

**Attention is drawn to Important Notes on Page 6 of this Update.**



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 goal to have a pan-Indian presence – cutting across the rural & urban divide. Towards this products like packet tea and mosquito repellants have already been introduced. The latest in line is CFL to be followed up with other items on the anvil.

**Important Notes :**

1. Eveready's Investor Relations activities are co-ordinated by Tehnaz Punwani, Sr.General Manager & Company Secretary ([tehnazpunwani@eveready.co.in](mailto: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 May 11, 2007 has taken on record the financial results for the quarter and year ended March 31, 2007.
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](http://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).