



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 March 31, 2008
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.
	Q4 07-08	Q4 06-07	Gain/(Loss)	Q3 07-08	Q2 07-08	Q1 07-08
Net Sales	193.20	174.95	10.4	226.06	225.31	202.60
PBDIT *	21.69	(3.79)		21.50	22.63	9.77
PBT *	1.89	(20.83)		1.33	3.29	(10.62)

* Only operational – excludes other income from sale of real estate/assets

Highlights of the quarter ended March 31, 2008

- * As evident from the table above, Q4 of the current year is a significant improvement over the corresponding quarter of the previous year. It is also evident that operations have stabilized at current improved levels over the last 3 quarters of the current year.
- * Key input material costs in Q4 remained almost at the same level as in the preceding sequential quarter (Q3) resulting in similar pattern of financial performance. While there was relief from an easing zinc price, other prices of other commodities – especially petroleum based ones - had rising trend. In the overall, however, material costs were favorable by 8.5 % of net sales value as compared to that of the corresponding quarter of the previous year.
- * Lower demand in response to earlier price increases effected on account of cost push continued to prevail in the battery business. However, concerted actions by the Company to mitigate the adverse market situation seem to be resulting in a stabilized performance.

Review of operations

Eveready Industries India Ltd.

Information Update

May 6, 2008

Attention is drawn to Important Notes on Page 8 of this Update.



Dry Cell Batteries

As mentioned briefly above, batteries went through significant price increases to offset material cost push. Cumulative price increases for the various battery types over the last 24 months or so ranged between 20 per cent and 50 per cent. It did not seem to impact consumers initially, but eventually such pricing measures 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. Such price increase attributable to cost push was last taken in January 2007. This de-growth was most pronounced in ‘D’ size batteries, which is mostly consumed in the price sensitive rural segment.

This trend of de-growth continued to prevail during the early part of the current FY. Q1 volumes were at 82 % over the corresponding quarter of the previous year. Thereafter, a gradual improving trend had set in sales volumes. Thus, by the end of the current year the overall de-growth was minimized to just 2 %, with the last 3 quarters accounting for an average growth of 4 %.

The improvement came primarily due to a handsome growth in ‘AA’ size batteries in the last 3 quarters, with an average growth 22 % over the corresponding period of the previous year – total year’s growth being at 14 %. The improvement was off-set by the continuing de-growth of the D segment. However, it will be evident from the table below that the impact of de-growth of the D segment has become lower over the last 3 quarters.

	For the current year	% Change over previous	For the last 3 quarters	% Change over previous
Loss of D volume (in million units)	(130.74)	(23)	(74.06)	(19)
Gain of AA volume (in million units)	95.76	14	111.10	22

This phenomenon of volumes being affected was not unique to the Company but was experienced by the market as a whole. The Company's market share remained by and large unaltered at 52.7 % - ‘Eveready’ – 46.5 % : ‘Powercell’ – 6.2 % (AC Nielson : April 2007 - March 2008).

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. While ‘LED’ flashlights do not fully meet all traditional consumer expectations, these have been taken on enthusiastically by the value conscious consumers.

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 AA battery consumption. Early trends also indicate this will increase overall torch user-ship significantly and will thus be positive to overall battery consumption.

The LED flashlights were introduced at the beginning of the current year. The improvement caused by it to flashlight volumes can be seen in the table below.

Quarter	Sales volume as a %age of that of corrsp. quarter of previous year
Q1 07-08	61 %
Q2 07-08	115 %
Q3 07-08	154 %
Q4 07-08	131 %

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 – 8 per cent in the various markets of the country. Sales volumes were in line with previous year in a very competitive market scenario. Turnover for the current year was at Rs.78.03 crores.

Compact Fluorescent Lamps

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 and turnover for the current year during the current year stood at Rs.44.22 crores in the few months of operation.

The Company’s distribution which is at a tangible differentiation from usual electrical trade, and brand ‘Eveready’ is set to create a long term value-enhancing proposition in this business. In recognition of this, the Company has recently disengaged from the marketing



arrangement it had with Phoenix Lamps Limited (PLL), which necessitated use of dual brands of ‘Eveready’ and ‘Halonix’ (the latter belonging to PLL) on the products. This will enable the company to use its own branding, distribution and sourcing strategies to harness the full potential offered by this business.

Insect Repellents

The launch of Mosquito Coils over the target markets across the country became complete by the end of the last financial year. Liquid vaporizers were launched from October 2007. The trade and consumer response to the Company’s mosquito coils was encouraging. 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. Turnover of Rs.10 crores was achieved during the current year.

Margin analysis

Margins were under squeeze over the past 2 years for reasons already explained earlier and due to the current shift of product mix. However, PBDIT margin in the current quarter (and the previous 2 quarters) has been stable and in significant improvement over recent trend.

Rising price of zinc - with its significant weightage on input costs - put severe pressure on margins. This has eased out over the last 3 quarters as would be seen from the data below. However, newer pressure has arrived in the form of rising prices of other commodities – mainly the petroleum based ones.

Quarter	Average cost of zinc consumed at (LME equivalent \$ per tonne)
Q4 06-07	3956
Q1 07-08	3697
Q2 07-08	3101
Q3 07-08	2954
Q4 07-08	2784

However, in the overall, material costs were favorable by about 8.5 % of net sales in the current quarter as compared to the corresponding quarter of the previous year. The following table with details of margin analysis will reveal that PBDIT margins have been stable at around 10 % of net sales over the last 3 quarters, which is a matter of some encouragement after the severe squeeze suffered earlier.

As % to Net Sales	07-08 Q4	06-07 Q4	07-08 Q3	07-08 Q2	07-08 Q1
Materials cost incl. outsourced goods	65.68	74.25	64.28	64.79	66.84
Staff cost	7.08	9.65	8.60	7.82	9.62
Advt., promotions & market research	3.90	7.00	4.06	4.14	6.12
Distributions costs	4.72	2.70	5.58	5.21	4.87
Other expenses	7.46	8.56	8.04	8.01	7.74
Total Operating Costs	88.84	102.16	90.56	89.97	95.19
PBDIT *	11.16	(2.16)	9.44	10.03	4.81

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

Current developments

- 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 has received Rs.11.50 crores as Earnest Money Deposit for the same and a further advance of Rs.50 crores. The balance amount of Rs.53.50 crores will be realized shortly.
- The Company has allotted 45,00,000 convertible warrants to Williamson Magor & Company Limited (a Promoter Group Company) on October 17, 2007. Each warrant carries an option of conversion into one equity share of Rs.5 /- at a premium of Rs.53/- per share, totaling to Rs.58/- per share. This option is exercisable within a period of 18 months from the above date in one or more tranches. An amount equal to 10% of the underlying value of the shares has been already received.
- The Company has initiated test marketing of dishwashing detergents in 4 states from August 2007, on completion of which, the products will be formally launched.
- By an order dated December 5, 2007, the Hon'ble High Court at Calcutta has sanctioned the Scheme of Amalgamation of the wholly owned subsidiary, Powercell Battery India Limited., with the Company, with effect from April 1, 2007. The said Order has been filed with the Registrar of Companies, West Bengal. Due effect of the amalgamation has accordingly, been given in these results. The amalgamation will have financial advantages of scale and tax benefits. **The financial results shown in this analysis are the amalgamated numbers, and accordingly the same will differ from stand-alone results analyzed in some previous updates issued by the Company.**
- As already mentioned earlier in this update, the Company through an agreement dated April 21, 2008 with Phoenix Lamps Limited (PLL), disengaged itself with the



latter from the marketing arrangement it had with PLL for distribution of compact fluorescent lamps. The Company will henceforth pursue this business on its own.

Distribution of Shareholding

Distribution of shareholding stood as follows as on March 31,2008 –

Category	% of shareholding
Promoter Group	40.17
Mutual Funds	11.55
Banks, FIs and Insurance Companies	6.61
Foreign Institutional Investors	16.43
Public & Others	25.24

Outlook

The Company firmly believes that there has not been any change in the basic fundamentals of the 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 and flashlights as it consumes almost the lowest numbers of these products in the world. The current downturn (which seems to have stabilized from the earlier declining trend) relates to the severe price hikes and the inability of the consumers to absorb the same immediately.

Current trends indicate 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. As India gets richer, device penetration into households will increase in line with the rest of the world, boosting battery growth. LED flashlight introduced by the Company is already proving this hypothesis. While this is the medium to long term prognosis, for the short term the present going has indications for volumes to return to normal levels sooner than later.

Input cost related to zinc has eased off quite considerably and looks set to remain at current or lower levels in the foreseeable future. Though there will be some off-setting on account of impact from rising cost of other commodities, overall margins will still be better on account of the gain from zinc.

The new products to be introduced over the next few months (including CFL) will improve 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 mosquito repellents. Its market share in batteries is 53 per cent (AC Nielsen – June 2007) and in flashlights about 85 per cent (Company estimate). 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. Its share in the mosquito coil market 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 3rd largest zinc carbon player, putting to the market about 1.5 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'. Eveready has recently commenced marketing of compact fluorescent lamps (CFL).

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, 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 excise duty and income tax benefits.

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 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).
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 6, 2008 has taken on record the financial results for the year and quarter ended March 31, 2008.
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).