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 June 30, 2010
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.
	Q1 10-11	Q1 09-10	Gain/(Loss)	Q4 09-10	Q3 09-10	Q2 09-10	FY 09-10
Net Sales	**238.27**	*232.37*	3	227.41	245.96	263.00	**968.73**
PBDIT *	**36.29**	*30.34*	20	23.74	29.80	34.31	**118.19**
PBT *	**22.28**	*15.14*	47	8.51	14.91	21.12	**59.68**
PAT	**15.15**	*16.05*	(6)	97.60	11.03	17.54	**142.21**

* 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, 2010

* Operating performance of the current quarter was an improvement over Q1 of the previous year. While net sales rose only by 3 %, PBDIT and PBT were higher by 20% and 47 % respectively.
* Growth in net sales was modest on account of delay in demand pick-up due to late on-set of monsoon, which impacted June sales.
* Cost conservation efforts and marginal deferment of advertisement programme resulted in the PBDIT for the quarter to be at 15.2 % of net sales, which is a significant improvement over recent trend.
* Quarter ending accounting charges of Rs.4.08 crores (Q1 of last year – nil) for marking to market of open zinc hedging positions and with no comparable income from sale of real estate in the current quarter (Q1 of last year – Rs.3.90 crores) resulted is PAT being marginally lower than Q1 of last year.
* Price of zinc, a key input material, was significantly higher in the current quarter as compared to Q1 of the previous year. This adverse was to some extent compensated by the Rupee being stronger in the current quarter over the comparable period.

Attention is drawn to Important Notes on Page 7 of this Update.

Review of operations

Dry Cell Batteries

Traditionally, batteries display a seasonal trend of higher pick-up by trade during monsoon months of June and July. This is most pronounced in the large consumption states of UP and Bihar. The pick-up expected in June did not take place due to the delayed on-set of monsoon.

Sales of batteries were thus flat in the current quarter as compared to Q1 of the previous year. It is expected that this trend will revert to growth in the following months.

Market share position remained unaltered during the quarter:

Net sales for the quarter were at Rs.135.16 crores.

Flashlights

The same phenomenon of seasonal higher pick-up also holds true for flashlights. Tardy growth was thus also seen this segment – mainly due to lower than expected sales in June.

Turnover of flashlights and home lighting products (lanterns) were at Rs.61.43 crores against Rs.58.73 crores in Q1 of the previous year.

Lighting Products

This product segment continued to grow during the current quarter – albeit at a slower pace. The market was still in the process of adjusting prices of 'high power factor' CFL bulbs - made mandatory by BIS - and was thus somewhat disturbed, with branded products being at somewhat low prices. Eveready, on the other hand, has passed on the adverse cost impact on this account to the market and was thus impacted by lower priced competition.

Turnover for the quarter was at Rs.21.71 crores against Rs.14.10 crores in the Q1 of the previous year – i.e. a growth of 54 %.

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 is being sacrificed. Sales turnover for the current quarter was at Rs.16.67 crores – at a marginal decline from the turnover of Rs.17.04 crores in Q1 of the previous FY.

Attention is drawn to Important Notes on Page 7 of this Update.

Margin analysis & comments on profitability

The cost structure of the Company is sensitive to 2 specific items of the broader economy –

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.

As a coincidence or otherwise, these 2 factors had had been moving in opposite directions over the last few quarters in terms of impact on our costs – as would be evident from the 2 tables below. The same phenomenon continued in the current quarter. Thus, the hardening zinc price was to some extent neutralized by the appreciating Rupee.

Quarter	Average cost of zinc consumed at (LME equivalent $ per tonne)
Q1 09-10	1390
Q2 09-10	1505
Q3 09-10	1718
Q4 09-10	2011
Q1 10-11	2314

Quarter	Average FX (INR=$)
Q1 09-10	49.03
Q2 09-10	48.38
Q3 09-10	46.85
Q4 09-10	46.08
Q1 10-11	45.52

The net adverse impact as a consequence of the hardening commodity prices, as explained above, and also the 2% excise duty hike announced in the last Union Budget was passed on to the market. The implementation of the same was done mainly in the current quarter.

In the overall, margins were favorable by 218 basis points of net sales in the current quarter as compared to Q1 of the previous year. This is attributed to primarily on cost conservation and marginal deferment of the advertisement programme.

As % to Net Sales	10-11 Q1	*09-10 Q1*	09-10 Q4	09-10 Q3	09-10 Q2	09-10 FY
Materials cost incl. outsourced goods	**60.92**	*59.18*	62.92	60.74	60.58	**60.83**
Staff cost	**8.43**	*8.46*	8.08	7.71	7.18	**7.83**
Advt., promotions & market research	**4.03**	*6.70*	6.35	7.04	6.89	**6.76**
Distributions costs	**4.93**	*4.73*	5.14	5.07	5.30	**5.07**
Other expenses	**6.48**	*7.90*	7.09	7.34	7.02	**7.33**
Total Operating Costs	**84.79**	*86.97*	89.58	87.90	86.97	**87.82**
PBDIT *	**15.21**	***13.03***	**10.42**	**12.10**	**13.03**	**12.18**

* 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, 2010 –

Category	% of shareholding
Promoter Group	40.55
Mutual Funds	5.81
Banks,FIs and Insurance Companies	5.82
Foreign Institutional Investors	13.45
Public & Others	34.37

Outlook

Both batteries and flashlights went through some major changes in the recent past. In case of batteries, it was an unprecedented de-growth along with 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.

Both the product categories have now settled down to normal organic growth levels which seem sustainable and supported by historical statistics. The current quarter has been modest in terms of sales growth due to a temporary phenomenon – viz., late on-set of monsoon resulting in low pick-up in demand. This should get corrected during the course of the balance period of the financial year.

Focus of the Company continues to making these segments more profitable by improving the quality of business. Being a dominant market leader in these 2 product segments offers the Company to improve margins through product enhancements and cost efficiency improvements. There are identified programmes in implementing these improvement measures.

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 over the last 2 years. The rate of growth has now matured to more sedate levels - though continuing to be robust. This business will continue to bring significant revenue and profitability going forward.

The newly introduced product range for battery powered lighting (lanterns) 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 is now a key focus area for the Company.

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. At the present moment, it appears that zinc will remain strong. 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. Even if there will be a negative impact, the same will be recovered from the market.

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 51.8 per cent (Source : AC Nielsen) and in flashlights about 76 per cent (Source : Industry data). 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. 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, 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 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.

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 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 July 30, 2010 has taken on record the financial results for the quarter ended June 30, 2010.
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.