



Eveready Industries India Ltd.

1, Middleton Street
Kolkata 700 071

Information Update

This update covers the following –

1. Unaudited Financial Results for the quarter and year ended March 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.
	Q4	Q4	FY	FY	Gain/(Loss)	Q3	Q2	Q1
	10-11	09-10	10-11	09-10		10-11	10-11	10-11
Net Sales	204.08	227.41	950.42	968.73	(2.0)	246.04	262.03	238.27
PBDIT *	17.15	23.71	102.04	118.08	(14.0)	21.45	27.18	36.26
PBT *	3.34	8.49	46.22	59.57	(22.0)	8.08	12.55	22.26
PAT	3.87	97.60	39.24	142.21		6.68	13.55	15.15

* 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 March 31, 2011

- * Operating performance of the current quarter was inferior to Q4 of the previous year.
- * Sales for the full year were marginally lower (2 %) as compared to the previous year. PBDIT was lower by 14 % and PBT by 22 %.
- * Battery volumes declined marginally during the current quarter – mainly due to the market reacting to a price increase being passed on. For the full year sales grew by a modest 2 %.
- * Flashlights sales turned significantly negative during the quarter – resulting in the full year sales being lower by 6 % as compared to the previous year.
- * Employee costs continued to prevail at a level higher than the previous year (3.0 %); there were also increase in some overhead items. These were to some extent off-set by conserving marketing costs (-2.3 %).



Review of operations

Dry Cell Batteries

Battery volume declined marginally (3 %) during the current quarter over the corresponding quarter of the previous year. This decline was mainly a trade reaction to price increases being effected in the major products – and is likely to be short-lived. For the full year, sales volumes grew by 2 %.

‘D’ size batteries continued to de-grow – even during the current quarter. De-growth in this segment stood at 16 % for the full year.

The overall marginal growth for overall batteries came after neutralizing this adverse factor – and supported by growth in ‘AA’ and ‘AAA’ size batteries.

Market share position remained unaltered during the quarter:

Net sales for the quarter were at ₹ 126.78 crores (previous year same quarter – ₹130.06 crores).

Flashlights

Flashlights had a significant de-growth during this quarter as compared to the same quarter in the previous year. This resulted in the full year sales being lower by 6 % as compared to the previous year. This somewhat unexpected reversal took place mainly on account of sudden influx of look-alike gray products in significant quantities in this segment and also on account of the emerging segment of rechargeable flashlights. Counter-measures have been established for both and this phenomenon is expected to be short-lived.

Lighting Products

Turnover during the current quarter declined to ₹ 19.86crores as against ₹ 25.72crores in Q4 of last year.

This reversal can be ascribed to the fact that 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 supply, on which the Company has little control. This step was necessary to avoid impairment to profitability. However, now all players are trying to evolve a market practice whereby such warranties are eliminated. If that comes through, sales to such areas will be resumed and the position will improve.



Despite the above position being pursued in the last 2 quarters – with considerable impact on sales, the full year turnover was maintained at ₹ 91.38 crores- same level as last year.

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 ₹ 17.55 crores in the current quarter as against ₹ 18.51 crores in Q4 of last year. Full year turnover was at ₹ 73.34 crores against ₹ 75.94 crores– thus remaining stagnant.

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 been moving in opposite directions over the last few quarters in terms of impact on costs – as will 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. Input costs were also impacted by higher prices of raw materials other than zinc. However, in the overall analysis, input costs as % of sales remained almost stagnant during the current quarter as compared to Q4 of last year. This was mainly achieved due to price increases effected during this quarter.

However, for the full year this was adverse by 175 basis points.

Quarter	Average cost of zinc consumed at (LME equivalent \$ per tonne)
Q3 09-10	1718
Q4 09-10	2011
Q1 10-11	2314
Q2 10-11	2188
Q3 10-11	2222
Q4 10-11	2200



Quarter	Average FX (INR=\$)
Q3 09-10	46.85
Q4 09-10	46.08
Q1 10-11	45.52
Q2 10-11	46.45
Q3 10-11	45.04
Q4 10-11	45.27

Certain elements of overhead costs were at a higher level during this quarter compared to Q4 of the previous year –employee costs (3.0 %), distribution expenses (0.73 %) and other expenses (1.41 %). These were to some extent compensated by conserving marketing costs (2.32 %). Due to the above, margins were squeezed by 220 basis points of net sales in the current quarter as compared to Q4 of the previous year.

As % to Net Sales	10-11	09-10	10-11	10-11	10-11	FY 10-11	FY 09-10
	Q4	Q4	Q3	Q2	Q1		
Materials cost incl.outsourced goods	62.36%	62.92%	64.12%	62.82%	60.92%	62.58%	60.83%
Staff cost	10.86%	7.86%	9.04%	8.60%	8.31%	9.14%	7.73%
Advertisement, promotions and market research	4.03%	6.35%	4.05%	4.87%	4.03%	4.26%	6.76%
Distribution cost	5.87%	5.14%	6.17%	6.08%	4.93%	5.77%	5.07%
Other Expenses	8.73%	7.32%	7.94%	7.29%	6.62%	7.61%	7.44%
Total Operating Costs	91.85%	89.59%	91.32%	89.65%	84.80%	89.36%	87.83%
PBDIT *	8.15%	10.41%	8.68%	10.35%	15.20%	10.64%	12.17%

* 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 March 31,2011 –

Category	% of shareholding
Promoter Group	40.84
Mutual Funds	7.95
Banks, FIs and Insurance Companies	5.09
Foreign Institutional Investors	16.82
Public & Others	29.30



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 thereafter some slow-down during the current year.

Both the product categories have now settled down to stable levels which seem sustainable and supported by historical statistics. In fact the major segments in batteries – viz. AA and AAA – together comprising more than 75 % of the market are growing at a rate higher than historical trends. 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 volume 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 over the last 2-3 years. In the current year, however, there has been a slow down. This market is susceptible to gray operations of unorganized players bringing copy-cat models to the market – usually without payment of taxes and duties. In the current year – especially in Q4 – operations suffered on this account. A number of new models are on the anvil of being launched by the Company to circumvent this – at least in the short term – till these are copied again.

There was also impact due to the newly emerging rechargeable flashlights. The company will be launching products in this segment in Q2 of the following fiscal.

Exciting prospects also are seen in the Lighting Products business – both from CFL and GLS products. Challenges remain with regard to handling of warranties and competitive pricing – but these are being met. This business is 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, zinc remains 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 and lighting products. Its market share in batteries is 51.8 per cent and in flashlights about 76 per cent. 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. 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 products cater to the replacement market of cylindrical batteries. 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 'Tez', 'Premium Gold', 'Jaago' and 'Classic'. 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 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 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 May 5, 2011 has taken on record the financial results for the quarter ended March 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).