



Eveready Industries India Limited Q1 FY23 Earnings Conference Call Transcript August 03, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Eveready Industries India Limited - Q1 FY23 earnings conference call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you and over to you, Sir.

Nishid Solanki: Thank you. Good afternoon, everyone and welcome to Eveready Industries India Limited's earnings conference call. Today, we are joined by senior members of the management team, including Mr. Suvamoy Saha, Managing Director and Mr. Indranil Roy Chowdhury, Chief Financial Officer.

Before we begin, let me share a disclaimer. Some of the statements made on today's conference call could be forward-looking in nature and the actual results could vary from these forward-looking statements.

A detailed statement in this regard is available in the press release document which has been circulated to you earlier and is also available on the stock exchange website.

I would now like to invite Mr. Saha to share his perspectives. Thank you

Suvamoy Saha: Good afternoon and a very warm welcome to everyone on the call hosted to discuss Eveready India's first quarter performance for the period ended June 30th, 2022.

As you know the Company is home to the iconic Eveready brand; synonymous with the category, the name instantly conjures batteries. Throughout its history Eveready has taken a very process-oriented approach to establish its credentials. In batteries we enjoy the distinction of having a 50% + market share very consistently, an achievement that is limited to only a handful of other FMCG companies. This has been the result of an iconic brand together with one of the best-in-class distribution networks.

Before we go into the discussion on the various businesses of the Company, I would like to highlight the current cultural ethos and the professional ethos of the Company in the backdrop of its recent history. The Company went through a period of turbulence sometime back which had nothing to do with the fundamental structure of its businesses. However, as a consequence, there were many adverse



impacts on the operations like a near stoppage of consumer communication, cut back on distribution investment and the complete de-focus on growth. Over the last few months, the Company has consciously worked itself out of this situation. As a very first and important step running of the organization has been handed over to a professional management. There is not one promoter who is in an executive role now. Most importantly, the focus of the Company is now generating growth. We ended FY2022 with the same level of turnover as we had 8 years back. We have ambitious targets for growth, which in turn entails on investing in distribution and continuous communication to our consumers. The management team is working relentlessly to achieve the same.

The Company today places the highest accent on governance and transparency. It is with this spirit that the Company is initiating earnings calls from this quarter, whereby it reaches out to investors and analysts with a view, not only to answer their queries as transparently as possible, but also improve from any meaningful input received during the process. Also, another point to mention is that in the past, the Company went into somewhat unrelated areas like tea, confectionary or appliances. None of these ventures were supported and eventually all petered out. Today the Company is a focused three category play: batteries, flashlights and lighting. Even if we consider any new category in the future, we will do so only after we are clear that we have lined up appropriate support for the same.

Now I start by comments on the description of the business dynamics of the Company. To start with, the brand Eveready has consistently enjoyed over 65% top of mind recall amongst consumers and that puts us at the forefront to take further share in our chosen segments. It has found acceptance in the new categories within batteries and in our other segments of flashlights and lighting. The Company is also home to the Powercell and Uniross brands, which we have utilized across our range of portfolio as we seek to build strong affinity with differentiation. The popularity of our brands is matched by our extensive distribution reach. Presently, we maintain a direct outlet reach of 750,000 stores in the country, added to this with the aid of the wholesale channels this reach enhances to cover approximately 4 million outlets.

I have already mentioned that our business today is comprised of three business lines. Let me commence with batteries, in which we are presenting both technologies for portable consumer dry cells, namely carbon zinc and alkaline. Since batteries of both technologies serve the same basic functional needs, usually consumers do not make purchasing decisions based on technology, but on price points affordable by them. Alkaline batteries are higher priced and offer proportionate higher service. We have an overall leadership of this market, with share of 52% as per Nielsen data for the quarter ended June 30th, 2022. The market share position has remained nearly unaltered over a long period of time with minimal brand investment support indicating high legacy engagement of the consumers with the brand. Additionally, we have identified several high growth sub segments where we have opportunity to leverage our strengths, to gain share in the foreseeable future. Our research and marketing teams are engaged in taking a fresh look at the battery portfolio with a view to review innovation needs of the category, both from technology and brand perspectives. We expect this work to be completed by end of this year. As a segment, batteries are well penetrated as an industry with a market size of 2.8 billion pieces and then estimated Rs. 2,750 crore in value terms. These are estimates as per Neilson and the value being at market operating consumer prices. Despite the high degree of penetration, our per capita consumption of batteries lags global averages, thereby highlighting the headroom for growth. Therefore, usage increase as well as premiumization, our consumer trends that will drive growth in the future.



Now I move on to flashlights. This has been traditionally our second core category. Over time, particularly in the last few years, the marketplace has become crowded with a vast number of unorganized players. While we have an estimated 60% market share in organized segment, we have not yet participated meaningfully in the market of rechargeable flashlights, which has grown fast though with significant share of several unorganized players and substandard products flooding the market. We intend to deliver quality products to our consumers and leverage the strength of our brand to capitalize all these growing segments. Flashlight market size is estimated at Rs. 1,100 crore at comparable Company level pricing of which traditional battery-operated torches are at Rs. 400 crore and the rechargeable torches have grown to Rs. 700 crore. The latter provides a significant window of opportunity. The Company's brand and distribution are at terrific feat to the flashlights category. We also have the expertise of technology to bring out products, which will be discernibly superior to the products available in the market. Work is already afoot in developing a full range of rechargeable flashlights, which will be introduced to the market over the next few months. We expect that we shall have a comprehensive range by end of this financial year. The range will cater to the needs of the price conscious rural consumers, as well as meeting the expectations of higher price products through urban distribution or e-commerce.

The third segment that we are presenting is LED lighting. The consumer market for LED lighting is a sizeable one, estimated at Rs.12,000 crore at consumer price level, growing around 10%. A key feature of the market is that it is quite fragmented and no single player accounts for a big share in this Rs. 12,000-crore market. When the Company made an entry to this market quite some time back, it remained kind of a peripheral business as adequate focus was not provided. This approach has now changed. We believe that we can be a notable player in this market and all our plans are now centered around this belief. The Company's brands are great fit for this market as demonstrated by research and store off take. Even our general and modern trade distribution are perfect fit for the purpose with some tweaks in the route to the market on which work is underway. Sometime back the Company also initiated a distribution channel, addressing electrical outlets. Here again, some work remains to be done to improve the efficiency of these channels. At the backend, we have now a dedicated development team that is working towards creating a range that covers every price, feature and utility as required by the customers. This transcends the entire gamut of bulbs, panels, down lighters and emergency lamps. While we have an entire range of products in that consumer markets under our brands, we have also identified some products which will serve as our so-called hero SKUs as we entrench ourselves in the market. We have negligible share in the market at this point of time, but we aim to go significantly faster than the market and expect to garner a reasonable market share as we go forward.

With this as the backdrop, I would now like to share our perspectives on the key developments during the quarter ended June 30th, 2022. We had revenues from operations of Rs. 335.4 crore representing growth of 19% as compared to the same period in the previous year. Actually, if the revenues of a disengaged business, namely appliances are ignored, the growth stands at 21%. This healthy growth in top-line performance was backed by volume gains despite a market slow down due to inflationary conditions. However, we do need to recognize that this growth is on a low base of the same quarter last year on account of COVID.

EBITDA during the quarter stood at Rs. 42.1 crore at 12.6% of net sales. There is an erosion of 8% on account of inflation in key input materials, part of which could not be passed on and the return of certain business overheads, which were not there last year owing to the pandemic restrictions. However, in a relief towards the end of the quarter, commodity prices started easing up, which should build back



margins. However, exchange rate erosion continues to be a worry. We were actively engaged in augmenting the flashlight and lighting segments and the focus had been strengthening vendor outreach during this period. In keeping with our growth aspirations, we augmented our managerial strength by way of several need and senior level inductions. In line with our present business mix, we have healthy cash generation from our traditional segments of batteries and battery-operated torches, whereas, as outlined earlier, our endeavor is to get growth flowing from our new business segments in a methodically and the process-oriented manner. The management retains clear focus in maintaining high level of revenue growth with healthy earnings profile and this will become evident as the business mix evolves. As shared by me today, the continuing emphasis of my management team is on enhancing presence in our chosen categories to achieve a healthy business momentum.

With that, I have reached the conclusion of my remarks and would request the moderator to open the event for questions from the participants.

Moderator: The first question is from the line of Nikhil from SIMPL, please go ahead.

Nikhil: Good afternoon and thanks for the opportunity and really appreciate the Company carrying out the concall. Clearly a great sign in terms of the improvement at the Company level. Continuing with what you mentioned if you can help us understand, I have a few questions on the business itself. Now, while we talked about in our annual report, we talked about improving the health of each business, but as a priority, where do you see more low hanging fruits for us? Similarly, in terms of the organization structure, how is the organization structure being created for each of the segments and who would be the key hiring which we would've done or who are the people who are already looking at each of the segments, so you can help us understand on these two aspects.

Suvamoy Saha: Basically, on the matter of priorities, I would say we are a three-category play as I mentioned earlier, we have equal priority for each one of these three segments. We have got, coming to the organization structure, we have specific focus groups addressing these individual segments. There is really no question of any diversion of priority from one to the other. Now, in terms of low-hanging fruit, I would say that as I also and you also understand batteries and battery-operated flashlights are mature businesses at least for the Company. The other two segments that I mentioned, rechargeable flashlights and lighting these are really sort of newer segments for us and both offer huge growth opportunities. In terms of there being, low hanging fruit and with my assumption that brand and distribution is strong for both these segments, I would term those as low hanging fruits for the Company. And again, I would reemphasize I mean, there is no dispersion of priority in any which way, because we have got clear cut objectives for the three different business teams, and they are pursuing those. In terms of organization hiring the key hiring, we have a man com of 9 persons, 4 out of those at the management committee level are new hires, talented individuals from outside the Company. We have got maybe another 10 odd people who would be at the CXO minus one level who have joined the Company in the recent past, in the last six months or so. So, we have structured the organization to cater to each of these three businesses in the most addressed manner. Towards that, naturally we had to evolve roles, so today 80% of CXO and CXO minus one level of people are handling new enhanced responsibilities. I believe I have answered your questions.

Nikhil: Yes, just one continuation on this. How would the KPIs of the new hires or the heads of the each of the segments be connected, so would the KPIs be more on the growth of each of the segments? Because we have amalgamation of business where two business are quite mature and where the focus should be more on



profitability and one business, which is on growth. So how are the KPIs surround associated with each of the management segments?

Suvamoy Saha: I would just clarify you on one point while I also did mention that batteries and battery-operated torches are mature categories, as I talk about it in my earlier speak, there are areas of growth opportunities, which we cannot forego. So, I would say that the KPI would primarily be of course on top line, but with a healthy profit profile. I mean, it is not that we would be chasing market share just for the heck of it with no money being made. I would say it's a balanced approach, however, greatest action would be kept on top line growth for the simple reason that this Company has not grown over last 10 odd years.

Nikhil: And just last question I will come back to the queue after this. In the lighting business, we are seeing that there are a lot of incumbents with us equally strong who are actually more stronger brand recall, which they have built over the last 8-10 years. The risk is like the way we had to bring down our appliances business, how do you see our positioning in lighting different from what it was in the appliances business and based on whatever market research and whatever the study you would have done, how do you see our positioning versus the incumbents? What gives you the confidence to build up on the lighting business?

Suvamoy Saha: I would like to tell you that Eveready is among the top five recalled brands in the lighting segment. While our market share is small, there is tremendous amount of awareness of Eveready brand and very-very strong acceptance. On the brand front, there is no disconnect vis-a-vis the consumer. Now coming to the point that you raised about appliance and lighting, how they are different I would say that it is the degree of focus, see the appliance category the way the Company had done it, was purely kind of a trading operation where you would just source your products from someone, put Eveready brand and put it out to the market and there was very little value addition. Whereas the lighting business that we are pursuing today is backed up by a full development team. We have got, tremendous control on the way that products are designed. We have an exclusive manufacturer who is only exclusive to us with doing the work on contract, which is really kind of an extension, so, we have taken tremendous amount of focus and address, in going about this business. It is quite different from what was there for appliances. Another point I would like to mention is that the distribution is our strong suit, which was not the case in the appliances. Appliances go through completely a different channel, and it doesn't have to do anything with the FMCG channel. I think we are on a much sweeter spot as far as lighting is concerned.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital, please go ahead.

Deepak Poddar: Thank you very much for the call and the interaction with the investor community. I just wanted to understand more from the strategy perspective. Now that the new management has come and you spoke about the three-category focused area of battery, flashlight and LED light, but in general, all these three sectors, I presume, especially our battery segment is kind of a mature segment. Is there any other category that also we are looking at maybe on the EV side or something apart from the dry cell battery? So, any thought process on that in terms of our strategy for growth over the next, maybe three to five years?

Suvamoy Saha: Our hands are completely full with these three categories. We have loads of work to do and loads of headroom exists for us to grow in these three categories, even in the battery category. The battery category itself in this quarter grew by 16% odd with a volume growth of something closer to 5%. The thing is that we just need to



sort of pick our growth areas and grow from there. At this point of time, if you ask me if we have got any thoughts or vision on a new category, I would say no, but conceptually only in concept at this point of time, we certainly would like to one day go into another segment, but we would go only after we know that we have done full justice to these three business categories and we have the support available for any new category that we take on. We would not like to repeat the mistakes of the past, where categories were just added on, with no support and with some amount of time they all came to kind of a natural death.

Deepak Poddar: Yes, I understood and in terms of batteries you said it's growing at about 15% that's what you said?

Suvamoy Saha: That is the growth that we clocked in the first quarter.

Deepak Poddar: And what sort of growth you expect over the next, maybe one to two to three years?

Suvamoy Saha: On blended Company business, we would certainly aspire for double digit growth. In Q1 FY23 21% growth, seems little bloated, because for the same quarter in the previous year was a very low quarter because of COVID. But we would certainly like to settle for a growth level which is maybe lower than 20%, but I would say somewhere around there.

Deepak Poddar: Maybe 15% to 20% growth?

Suvamoy Saha: Maybe I think mid 15% we have good target to chase for this Company where we had seen zero growth in 10 years.

Deepak Poddar: That's the CAGR growth that we might look at?

Suvamoy Saha: Yes, one is looking at. I'm not talking of sporadic growth of one quarter to the other. That will happen I mean, due to the situation/circumstances, I would say a long-term sustaining compounded growth of I would say double digit growth of between 12%-15%, wherever it falls.

Deepak Poddar: Fair enough. In terms of EBITDA margin contribution, which segment gives the highest margin to us ?

Suvamoy Saha: Our traditional core category of dry cell batteries, which is the highest margin that is followed by battery operated flashlights and then the two categories of rechargeable flashlights and lighting.

Moderator: The next question is from the line of Rajesh Kothari from AlfAccurate Advisors, please go ahead.

Rajesh Kothari: I have a few questions, so my first question is in the lighting business, as you rightly mentioned that the focus basically is to capitalize now on the brand and do the distribution network, so what do you think say 2-3 years' timeframe, what kind of building blocks you need to put in place to make sure that you become a, what I would say sizable player and also in this segment that are most players including the top number one, number two, number three, all these three players are basically reporting decline in margins and that segment, all of a sudden is not growing because number of players are increasing. In that kind of an environment, how do you think the profitability of this segment is going to be and what is going to



be your strategy to be different? Are you going to manufacture, are you going to do outsourcing, can you give some more color in this lighting segment?

Suvamoy Saha:

Yes. See, first of all I'll take you the growth and comparison with the bigger players. We are a very marginal player today as of now. We have got enormous headroom as you know the market is highly fragmented. Anybody, who offers decent distribution, in other words, the availability to the consumer and who offers a well-recognized brand has headroom to go. Now, some mature players may have hit the margin block, they may have hit their growth momentum, which is understandable, but their case and our case is slightly different. So, we have, we ourselves feel that we have a tremendous amount of headroom and that is what we are going to try to base our future tactics to grow. With regard to building blocks, see as I said sometime before in this call, we have set up the entire team, which is required to cater to the needs of the consumer, which starts with a very robust development team. So, we design our own products. It is not that, obviously there are some products which we outsource because lighting, as you know has to have a very large range. It is not feasible to produce everything yourself. Some are certainly, but those are all as per our design. That is the very basic thing that we are differentiating ourselves, I mean maybe finally the output of light is, ultimately that is what you are trying to get, but we think we do it in an efficient manner. We have about 50% of our business coming through the manufacturing process of one of our exclusive contract manufacturers. So, which is 100% control on that process. So, with this, I think, we are going about it in a very systematic and process-oriented manner. We are quite hopeful about despite, what your remarks, which maybe correct about the bigger players, the kind of blockages that they are facing.

Rajesh Kothari:

Currently, what is the revenue of the segment? I'm sure will be very marginal, but any number which you like to view currently?

Suvamoy Saha:

We ended the quarter with Rs. 67 crore and it is not really, in order to understand the annual throughput, it is not good to do 67×4 because we are growing, like this quarter itself was a big growth of 84%, though again, I once again draw attention to the last year, same quarter as being very low. So, our growth trajectory obviously 84% would be sustained, but we would certainly look at that 25 to 30% growth in the lighting segment in the current year.

Rajesh Kothari:

So basically, I don't remember what was your FY22 full year lighting business, but this year is roughly about first quarter is about 67 crore. In a three-year timeframe, what do you think the size of this business can become for Eveready?

Suvamoy Saha:

I'm doing this, but I'll put a more concrete number for this year, one would think that we would be certainly higher than Rs. 300 crore and in the next two years, the target of the Company should be to cross Rs. 500 crore certainly.

Rajesh Kothari:

At that level, because, the economies of scale start probably, once you cross a Rs. 300-400 crore. As you reach that Rs. 500 crore, then the profitability of this business will be equivalent to the Company profitability or still you think it will be kind of a markdown compared to the average Company profitability?

Suvamoy Saha:

As you are aware, the battery category is far ahead on the margin profile. Okay. I would very much doubt whether the lighting category can ever come to that, but yes, you are right due to the effort we will certainly improve our margin profile to something closer to the flashlights category, which lies in between today.



Rajesh Kothari: Understood, last question from my side, on the overall Company perspective, how do you see the brand investment, including advertisement and non-advertisement? How do you see that as a percentage of the revenue?

Suvamoy Saha: I would say we are taking, see first of all as I mentioned there was really no communication in the previous 5-6 years due to, financial difficulties that Company had unconnected to its businesses. We have taken this year, a target of spending at least 5% on ATL activities. So, we will go on from there. ATL and BTL together could be about say 6% to 7%.

Rajesh Kothari: Understood. So, 6 to 7%. So, in first quarter also, you would have spent something on similar?

Suvamoy Saha: No first quarter we could not, we did not do, because first quarter we could not have the films ready to the Ad which we hope to do in the second quarter towards the end of second quarter, actually the films are currently in the process of making. So, it depends on, how quickly the producer can do it for us. It would be maybe towards the end of the quarter or latest early next quarter.

Rajesh Kothari: Despite probably first quarter almost negligible, and then second quarter also probably looks like a very low number despite that the full year it will be 7%. Are you saying therefore the exit rate can be as high as 10% plus which you plan to sustain?

Suvamoy Saha: No, no. I would say we will maintain a total uniform rate between ATL, BTL together about 7% odd.

Rajesh Kothari: Right now, it is a more of BTL that's what you're trying to say?

Suvamoy Saha: Yes. That's right.

Moderator: The next question is from the line of Chirag Lodaya from ValueQuest, please go ahead.

Chirag Lodaya: If you can help us understand, what is the inherent profitability for battery segment versus flashlight segment? In past, it has been volatile. If you can help us understand what is the profitability or margin range one should expect?

Suvamoy Saha: So, the volatility that you mentioned is purely a function of commodity prices. These categories do have some influence on their margin profile based on how the commodity prices are sort of behaving. Prior to the recent commodity push that happened over the last eight or nine months, the margin was at, for batteries was at 50%. It has then thereafter taken a hit of 20% cost increase in the input materials, which partly or about 50% of that could be passed on to the market. The margin today has settled down at 45%. I think 45% is the minimum sustainable margin for batteries. For flashlights I would say the battery operated one, it would range between 35% and 37.5%. But as I said that if commodity prices ease off today, we will build back margins and it could come up to 50%.

Chirag Lodaya: How about the other two segments?

Suvamoy Saha: So again, we are new entrants to these segments, the rechargeable flashlights and lighting. Hence the margin profile is certainly lower than the other two. So, they would be between 30% and 32%.



Chirag Lodaya: For battery and flashlight, can you help us EBITDA margin range? Broad range.

Suvamoy Saha: EBITDA percent of battery for last year was about, I mean, in the recent past has been trending at around 17-18%, but it went as high as about 25%, 8 or 9 months back. Currently flashlight as in battery operated ones are currently trending at around 14-15%. In lighting we are just about breakeven.

Chirag Lodaya: Okay. This 17-18% and 14-15% is a maintainable margin going ahead.

Suvamoy Saha: Oh Yes. Because see, the point to be noted is that this is after all the commodity adverse impacts that we have to absorb, after passing out about 50% of the impact to the market. Now, what has happened from end of last quarter, commodity prices have started easing up, as you also know. So, this should actually help us make the margins better than what they are today. But I'm not taking a case on this because this is just my optimism or as the trend currently suggests, there is one still adverse, which is the currency rate, which is certainly ruling much higher than the desired level,

Chirag Lodaya: This is my last question on what is the current debt and cost of borrowing and CAPEX plans over next two to three years?

Suvamoy Saha: So, our current net debt stands at about Rs. 325 crore. Our average cost of borrowing is 8%. We have no big CAPEX plans for this year.

Chirag Lodaya: And gross debt would be?

Suvamoy Saha: Gross debt would be just about maybe Rs. 40 crore higher than that. I mean, it depends on the movement of cash at the month end and all that. So, really nothing much different from what I told you.

Moderator: Thank you. The next question is from the line of Darshit Shah from Nirvana Capital. Please go ahead.

Darshit Shah: I have couple of questions. One question on the contingent liability that we kind of have in our books. Can you just throw more light on what's the case there and how do we foresee the outcome in that particular case, if you have any idea?

Suvamoy Saha: Sorry, which one are you referring to?

Darshit Shah: The Rs. 171 crore.

Suvamoy Saha: This is the penalty imposed by CCI which is currently is under appeal from the Company. So, the case is presently in the court process and in sub judice and I am unable to make any comment further on this. So that is the factual situation. CCI has imposed a fine and we have appealed against that.

Darshit Shah: On the margin front, since you said after what the commodity what we have seen, the margins would be 17%-18% in batteries and around 14%-15% in flashlights battery operated. With the ease in commodity prices coming up, so what will be your broad blended margins the Company would probably do because the past two, three quarters have been quite volatile. We have done 20% and somewhere on the lower side and 11%-12% operating margins.

Suvamoy Saha: So, the blended margin for the Company, provided we see the easing up as it does. It could be somewhere in excess of 10% because of nothing else, but the



lighting segment which will pull down the overall rate. So, I would say that in the immediately foreseeable future, we could certainly look at 10% +. However, as I said, as lighting picks up volume and as commodity prices is up on the battery side that could grow at a faster rate.

Darshit Shah: So, currently in lighting we are almost at breakeven at around Rs. 300 crore kind of business.

Suvamoy Saha: That's right.

Darshit Shah: Okay. And sir, one thing, you mentioned on the currency part, so how are we kind of affected with currency if you can please highlight?

Suvamoy Saha: So, you know the battery raw materials, 70% of that are either imported or they are dollar denominated. So, currency has a huge impact on us.

Darshit Shah: Got it. Sorry, sir for my little less understanding, what are the major raw materials that we kind of, I mean, I understand lead would be one of them.

Suvamoy Saha: No, it's not lead. We don't use lead. We use zinc, manganese ore, acetylene black, tin plate and paper, these are the main commodities.

Moderator: Thank you. The next question is from the line of Mithun Aswath from Kivah Advisors. Please go ahead.

Mithun Aswath: My question, I think a lot of that you have already answered in terms of the lighting business. But just wanted to know, since the group and the Dabur group has now become the promoters of the business, I just wanted to understand since the Company is part of the Dabur group now, are there any synergies that you get from the group which Eveready could benefit from? That was the first question. The second question was in order to reduce our debt are there any assets that the Company has which could be disposed off, historical assets?

Suvamoy Saha: Okay. Thank you. So let me answer the synergy bit. So, first of all, let me clarify that we are not part of Dabur. We are an investment of the Burman family. So, Dabur is a separate operating Company. We are a separate operating Company. We have our own businesses to handle. So really on the synergy front I do not know what exactly do you mean because, and we are in unlike products in any case. The only synergy I can say is that we have got the new promoters who have come on board, and we look forward to them for guidance. So, I would the same type of guidance which has benefited Dabur over the years, I hope that benefit would also come to us. So, that is on synergy. With regard to repayment of debt, I think the operational cash flows of the Company are adequate to look after those. I mean, we will see, if at all, there is anything that needed to be done on the other front.

Mithun Aswath: One more question, there were quite a lot of write-offs in the last couple of years of some of these are receivables. Is there any potential chance of recovering any of that in the next coming quarters or years?

Suvamoy Saha: So, you are correct. I mean, that was a way we completely cleaned up our balance sheet by taking provisions which should have been taken as a measure of prudence. We have lodged cases in respect of each of those receivables, and we are pursuing those cases in a vigorous manner. Now when and how the court



process will finally end in getting us some amounts back, I'm really unable to say, but I can say the management is trying its best to pick up.

Mithun Aswath: One last question, for the quarterly results could you just give us the breakup of each segment's revenue? And within the battery segments, you mentioned that you are quite strong on the dry cell battery. I just wanted to understand other segments of the battery market, where you are not present and you're looking to get into how large are those opportunities and do you sense that you could make inroads there? If you could just touch up on that.

Suvamoy Saha: First of all, let me go to the category-wise breakup. Batteries, we ended at Rs. 212 crore, flashlights at Rs. 57 crore and lighting at Rs. 67 crore. Those were the turnover of the three categories. With regards to batteries, as I said, that we are present both in carbon zinc and alkaline. These are the technologies that occupy more than 99% of the market. There is a very small niche segment of rechargeable batteries in which we play, and I think we could be one of the market leaders, but the category is so small, it is really nothing much to track at this point of time. And it is a category that went up and then it died its death because of the hassle factor. People, the consumers found it too hard to keep taking batteries out of the gadget, putting them back after charging and many a time those batteries last so long that by the time your charging is required next time, the charger itself is lost. So, that has become a very niche segment used by professional photographers and no one else. So basically, that's it. I mean, we are presently not in button cells and that we are having a look, but I don't think that would be a segment for the Company would find very exciting to enter. There are also a couple of other very old technologies. These are not new technologies, but because the Company is taking a fresh view of the whole sector, we are trying to review all these other categories.

Mithun Aswath: Right. And one last one, if I can squeeze in, there were quite a lot of imports from China, and I think the government put clamps on that. I just want to understand how much of the market is unorganized. And as things become more organized, you could obviously grow the market. I just want to understand implications of that for you and how you're seeing this scenario.

Suvamoy Saha: So, with the newly emerging rechargeable flashlights market is currently by and large a play of an informal economy where the unorganized players rule the roost. So, that is comprising of both imports from China and also unorganized players out here who do not pay taxes. So, the thing is that the segment itself is so small that it would be hard for anyone to go and get successfully an anti-dumping duty done, because these are basically all undervalued imports. Now, one way of doing it is if like the government has done in the past, that it brings in mandatory standards of minimum quality assurance for the consumers in terms of a BIS standard, then that's a great thing because that same thing happened in batteries and all these cheap undervalued imports stopped overnight. And we are appealing to the government to do the same for flashlights. And as a result, it is good for the economy because this entire area is today prevailing in the informal part where the government is losing out on taxation, everything is, you know, done in cash. So, certainly this is some area that the government should look into.

Moderator: Thank you. The next question is from the line of Aditya from Skill Ventures, please go ahead.

Aditya: We had been looking to sell some of our non-core assets, but it had been put on hold because of proceedings initiated by KKR. What is the current status now? And some of these assets had been paid as collateral to some of our group companies. So, how are we placed if the group Company defaults?



Suvamoy Saha: First of all, your last part, none of our assets have been ever collateralized to the so-called earlier group. I mean, we are no longer part of that group, but there was no collateral given to any of those entities. So, the status of the case against KKR is now currently under arbitration and sub judice, but we expect that there could be some result in the foreseeable future. And as I mentioned in the earlier part of the conversation, our operational cash flows are good enough to take care of our repayment schedules.

Aditya: And you had some Rs. 81 crore of key hold land that had also been pledged. So, these have been pledged for our own Company's manufacturing facilities or for some other purposes.

Suvamoy Saha: So, whatever you see as pledged or hypothecated, those are for the Company's own borrowings.

Aditya: Are we looking to monetize this land?

Suvamoy Saha: I'm not readily being able to connect which land you are referring to, but at this point of time in view of the KKR case that is going on, there is no plan as such to sell anything.

Aditya: And just approximately what would be the value of this non-core asset.

Suvamoy Saha: See, there is nothing non-core. We utilize each and every asset for our productive use.

Aditya: In our annual report we had mentioned that there were some non-recurring charges of doubtful advances inventory of closed appliance business and some other expenses as well. So, what would be the amount of these non-recurring charges, these one-time expenses?

Suvamoy Saha: So, to the extent that I remember, I think the provision was taken for something like Rs. 27 odd crore, I mean, which is a combination of all these factors that you mentioned just now.

Aditya: So, in the last year there were one-time charges of around Rs. 25-30 crore.

Suvamoy Saha: Yes, that's right.

Aditya: In other financial assets, we have given security deposits of Rs. 28 crore, so have these been given to us by promoter group companies?

Suvamoy Saha: I think a bulk of that is the security deposit that we have given to CCI for the appeal that we may, so they have, when entertaining our appeal, they have taken that 10% as a security deposit which we have given, so that is certainly the bulk of it. Rest are operating deposits which is related to plants and whatever else.

Aditya: My last question is what would be the status for the Preferred Consumer Products Company Limited, will it be merged, or will it be dissolved?

Suvamoy Saha: This Company owns something like 25% of shares in that. There is now no connection with that. We are just a plain shareholder and there is no sort of business transactions with that.



Aditya: We are holding 25% of that Company?

Suvamoy Saha: Yes.

Moderator: The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: My questions have been answered. So, thanks for the opportunity.

Suvamoy Saha: Thank you.

Moderator: Thank you. We will move on to the next question that is from the line of Varsha Ganesh from Shravas Capital. Please go ahead.

Varsha Ganesh: Firstly, thanks for the opportunity and for patiently solving our queries. Sir, I have two questions basically. On the context of exports, how does the Company's presence look like in international market? That's my first question. And secondly, as sir mentioned about combating the unorganized by pushing the government to implement the BIS standard, does the Company have any specific ideology on or any strategy, any particular strategy it could maybe implement to combat the same? Like maybe a price reduction for the rechargeable flashlights and the LED lighting, something like that. Is there any particular strategy the Company is going to adopt?

Suvamoy Saha: So, may I first take on your second question first. It is like this; we are moving ahead with that business irrespective of BIS. I mean, see, BIS is something that the government has to do. We can only appeal to them, and we can as good citizens abide by such standards as and when they're established. Now, while we will be certainly making efforts to get that so that Indian consumers in products of some minimum specifications, but we are not banking on that. We are going ahead with the business in the current context where there is no BIS certification requirement. So, what we are doing is we are trying to bring products and it is finally the consumers call because the consumer is wanting products at a particular price point. Now, in order to meet that price point and also our own standard that we would meet certain specification is a challenge, but not an unsurmountable one. We have the advantage of technology. We have the advantage of our team that understands, knows how to deliver. So, that is the base of our current policy on this business. We would on one hand pursue actively in getting this country into proper standards process on the flashlights category, but we will carry on with this business irrespective of that in reaching products to the consumers at the price points they desire and that would again be based on the two key assets I keep mentioning about, availability through our distribution and the brand assurance.

I will now take on your second question. We are very small in exports and currently this is not a focus area for the Company.

Moderator: We'll move on to the next question that is from the line of Priyankar Sarkar from Famy Ananta Capital, please go ahead.

Priyankar Sarkar: A couple of questions. I think Bain consultancy was appointed a couple of quarter back. Sir, just wanted to figure out what are some of the big suggestions that they have made. That's my first question. And the second question is that are the promoters still looking to increase their stake further? I mean, that's a broader question I have. These two.



Suvamoy Saha: Listen, Bain came on board from 1st of January. They have barely spent about 6-7 months working with the Company. Now they really have not been engaged to kind of give some kind of bombastic suggestion, rather they are working shoulder to shoulder with all of us in identifying areas of opportunity, granularity of data, better decision making, etc. So really, I mean the Company has not told them or given them a mandate to come out with any big time you know some *dhamakedar* suggestion. We just want to make improvements in our operations, and they are assisting us in that pursuit. With regard to the promoters increasing their share, I have not had this conversation with them so I'm afraid I cannot answer this question and it is actually better answered by the promoters because it is entirely their privilege.

Moderator: We'll move on to the next question that is from the line of Sultan from Perpetual AMC. Please go ahead.

Sultan: Sir I wanted to ask, as we are entering into rechargeable battery segment, so what different we are going to offer that we have an edge over the other players and the unregulated market?

Suvamoy Saha: So, first of all, let me clarify, we are already in the rechargeable battery market, and as I mentioned we are the market leader in that space. The one that we are entering, or we have already entered, I mean, we will enter more meaningfully is the rechargeable flashlights again, based on the products which are currently prevailing are low priced products and did not really meet the standards of minimum specifications that one would follow. So, our offering would be based on the assurance that our brand provides. Yet we would try to address the price points as per the requirements and affordability by the consumer. That is where we stand.

Moderator: Thank you. The next question is from the line of Gautam from GCJ Financial, please go ahead.

Gautam: Thanks for holding the concall and giving us opportunity to ask the questions. First is, is there any one-off in this quarter in terms of any one-off cost?

Suvamoy Saha: No, there aren't any one-off cost.

Gautam: Okay. And just for suggestion that you should give us the segment breakup of each of the product every quarter which will help us to understand which sector is going at what price, at what rate.

Suvamoy Saha: Okay. We take your suggestion. We'll think about it.

Gautam: And can I get the EBITDA margin in each of these segments during the quarter?

Suvamoy Saha: During this quarter, as I mentioned a little while back battery was at around 17% +, flashlights at 14% and lighting at a breakeven level.

Gautam: Okay. And if I heard it correct, that you mentioned that your revenue will grow by around 15% to 20% for the next three- four years, right?

Suvamoy Saha: I would say more like 15%.

Gautam: And you used to have margin of about 20% we had in one quarter of 2022 and two quarter during 2021. So, how soon can we achieve that kind of margin that was mainly due to battery and flashlight?



Suvamoy Saha: Yes, that is true. And as I mentioned, that was prior to this huge run that commodities took. So, you know if commodity prices ease off to the level that were prevailing at that point of time, we would come back to those kinds of margins.

Gautam: But we have a strong brand. So obviously we should be able to?

Suvamoy Saha: We already command a premium over all the competing products. Beyond a particular point which is about 20% odd, beyond that the market starts resisting and as a result we stopped, we did not pass any further after passing the first 50%. So, at this stage the market is not ready to accept any further price increase. It is not just us; many other categories are facing the same problem. So, I think let us not become impatient. Commodity prices have already started easing up from the end of last quarter and let us hope that things will get better.

Gautam: But you believe that 20% + in battery and 25% + Flashlight margin is achievable, right?

Suvamoy Saha: So, as I mentioned to you, if we go back to commodity prices as they were prevailing about say 9 or 10 months back, there is no reason it is mathematics. I mean, we don't have to do anything special really.

Gautam: Okay. And have we replaced our borrowing, high cost of borrowing? What is average cost of borrowing?

Suvamoy Saha: So, we have done to the extent possible. Our current borrowing rate is 8% which I think is a reasonable one, considering our size and scale and past whatever.

Gautam: Okay. And you said there is no CAPEX during the year, right? We don't have any CAPEX.

Suvamoy Saha: There is some small marginal CAPEX, but not any big-ticket CAPEX.

Gautam: And in FY24 or 25?

Suvamoy Saha: That would depend on, how we scale up these categories. So, that would be something obviously the CAPEX decision would have to be supported by the payback, the ROI and things like that. I mean, I cannot today rule out that there will be no CAPEX in the next three years, but certainly this year there are no big-ticket CAPEX.

Gautam: Okay, great. Sir what is the tax rates? I mean, do we have some carry forward losses which continue for some years?

Suvamoy Saha: Okay. We have some benefits from our plant in Assam. Our current rate is MAT. So, it is 16% odd.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Namaskar sir and thank you for listening to your investors requests and giving us an opportunity to place forward before the management for our better understanding. Thank you. And we look for continuity of the same. Firstly, if you could give us some color on the seasonality factor. In our business how does this season start, seasonality factor plays and how do volumes play during those times, if you could give some color on that?



Suvamoy Saha: Saket, it is like this, July, August, are typically high offtake months primarily due to monsoon. This year has been a little disturbed because some parts of the country saw delayed onset of monsoon, but overall, I would say second quarter is higher volumes for battery flashlight and then closer to Diwali is higher volume for lighting products. That is how it is. But I wouldn't put too much into the seasonality because we have to do our business consistently right through the year. But what we have seen in the past also the fourth quarter is always a lower quarter.

Saket Kapoor: And looking at the employee cost as a percentage of sales how should this line item should be?

Suvamoy Saha: So currently we are 12% and this is what is one of our address areas this year in which somebody mentioned about Bain, this is one area Bain is working with us and our target maybe we are not yet ready to actually give you an exact time target, but our target in a foreseeable future would be to come down to 10%.

Saket Kapoor: Right. And sir, when we look at the product profile for the batteries which were used in the medical apparatus, at those times I think so during the COVID times we had a higher margin because of the change in the product mix. So, I think so currently the sales to those are not in that percentage. So, to which segments will be the batteries we will be catering. Because we have a line of different lines of batteries, different products, the categories are very different, and the margins are also very different. So, how are things shaping up for the battery segment especially the ones which are for the higher priced equipment wherein the battery prices are also higher than the normal batteries?

Suvamoy Saha: So, it is like this, see the high margins that you saw was a period, it just coincided with COVID at which point of time, and maybe due to COVID commodity prices were very low, you know oil prices had gone down, all commodity prices. So, it has really nothing to do with the health devices. It is just that commodity prices in those days were extremely favorable to manufacturers, and they have gone up and then again looking to be going down. So, there is really, the Company usually has similar margin profile on all its batteries. Of course, there are premium batteries which fetch more margin. There are popular batteries which fetch lower margin, but that is how it is, the business is like that it has nothing to do with really health devices in particular. Health devices give some temporary volume jump.

Saket Kapoor: Right. And sir, you mentioned Rs. 325 crore as the net debt number. So, what are our current year maturity, sir?

Suvamoy Saha: I do not have that exact data on me, but I think it could be somewhere around Rs.50 crore which have been planned and we'll see to that. There are no issues with regard to the repayment.

Saket Kapoor: Okay. Sir, earlier also when the previous management was also used to guide investors that in our business debt should not be a part of the Company's operation. And therefore, now what kind of timelines are you looking to the entire debt completely? And what are our current working capital requirements? And also on the utilization levels, how are our utilization levels currently shaping up?

Suvamoy Saha: As you very rightly said, these companies, and FMCG companies primarily, and it doesn't require any debt. So, the requirement for working capital could be for a 60-day period net of payables, maybe it is net of payables it would be about 30-35 days. So, it really doesn't, it is a net cash earner. So, the date that you see whether in the form of working capital or in term loan, this is all legacy and due to reasons



other than businesses. So, in due course of time the Company's profitability will allow us to repay those and then we don't have to hopefully take any further debt.

Moderator: Ladies and gentlemen, we'll be taking the last question that is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Hi. Thanks for the follow-up. Sir, in the beginning of the call you mentioned that there was a bit of Company has not grown over the last 10 years and battery being our largest business, would we have seen a lot of market share in the core business over the last 10 years, so what was our market share 10 years back and what is it today. And do you think that the market share recoup can be a source of growth even in the battery other than the market growth itself?

Suvamoy Saha: So, let me put it this way. We have been holding on to this market share of 50%, a little more than 50% for quite some time consistently, right? Now, what has not allowed the Company to grow is during this journey there have been always some peripheral business on which the Company did not focus and eventually dropped another peripheral business; battery maintained a very steady trot with very-very modest growth, 1-2% growth. And in the process, what has happened, we have got ourselves now these areas of opportunity which we did not see before. So, battery today offers some avenue for growth. I wouldn't say very huge growth, but it does offer some avenues for growth and so does the other categories which we are now focusing on.

Nikhil: Okay. And just one follow up here. If we look at over the last five, six years, and this could be intuitive, there is no market research here. If I look at the amounts of investment which Duracell has done in terms of branding and advertisements, have we lost any pricing premium to Duracell, or have they gained market share in the overall market? So, the market has grown it say 5-6%, and we've grown it by 1%-2%. Is that the case what we are seeing? And is Duracell the largest competitor?

Suvamoy Saha: So, what has happened is you are very correct in assessing that Duracell has consistently done communication over the last why five years, I would say over the last 10 years, but the market was not amenable to a higher price point product which typically Duracell sells. Till two years back, they decided to get into the market with lower price products, right? Actually, when they started selling that lower price product, people who came under pressure was not Eveready, but it was our other competitors. Actually, they had drops in their market share, and Eveready sort of stayed the same by and large. Duracell gained some 5%-6% market. See, prior to that, they were very-very small. They were very peripheral product and very niche. Now they tried to get into a wider market and that just coincided with the COVID period when also incidentally, apart from us, the other competitors like Panasonic, Nippo they had really supply issues. As we can observe from the marketplace, I mean, I do not know what they actually did. So, it looked like in that period, Duracell took advantage of that, and they seeded these lower priced products incidentally which is a loss-making product.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Suvamoy Saha: So, I thank everyone for taking time out to join us on this earnings conference call today. I hope we have adequately answered all your questions. If you still have any more queries, please reach out to our investor relations team and we will be only too happy to address them. We endeavor to interact with all of you, every quarter through this forum. Thank you once again and look forward to connecting again in the next quarter. Thank you and God bless.



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