



## Eveready Industries India Limited

### Q3 & 9M FY24 Earnings Conference Call Transcript

February 07, 2024

---

**Moderator:** Ladies and gentlemen, good day and welcome to the Eveready Industries India's Q3 and 9 months FY24 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nishid Solanki from CDR India. Over to you, sir.

**Nishid Solanki:** Good afternoon everyone and welcome to Eveready Industries India's Q3 FY24 Earnings Conference Call. Today, we are joined by senior members of the management team including Mr. Suvamoy Saha - Managing Director and Mr. Bibek Agarwal - Chief Financial Officer.

Before we begin the call, let me first share a standard disclaimer:

Some of the statements that may be 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 which has been circulated to you and also available on the Stock Exchange website.

I would now like to invite Mr. Saha to share his perspectives with you. Over to you, sir.

**Suvamoy Saha:** Thank you Nishid. Ladies and gentlemen, thank you for joining our Earnings Call today.

I am pleased to share with you our focus areas that have been critical to our journey. Through these opening remarks, I will also seek to bring up some pointers on our model and supplement that with the progress that we are making thereon.

1. First and foremost, our commitment to enhancing our brand visibility and engaging with consumers remains unwavering.
2. Secondly, we continue to strengthen our distribution channels to reach markets and customers effectively.
3. Last but not least, our investment in human resources continues to be a key item of focus, as we prioritize talent development along with our organizational growth plans. These key pillars will continue to drive progress in the coming quarters. Brand Eveready continues to evoke high familiarity and recall in the categories where it is present. Our businesses comprising of batteries, flashlights, and lightings have benefited from this salience.



As a leading consumption products brand, we are consistently working around to maintain visibility through advertising and promotions. This helps us lead the dry cell battery and flashlights categories. While we are a challenger brand in the lighting category, we believe we have a vast canvas of growth ahead of us. We completed our revamped route-to-market exercise in the last quarter of FY23, and since then, we have created a lean and modern architecture that is more aligned to today's requirements and our growth aspirations. The larger towns saw a consolidation of distributors, thereby giving the continuing ones better opportunities to grow meaningfully.

On the rural side and in smaller towns, we created a super sub model with the super acting as a distributor across a wider net of smaller dealers. This resulted in reducing our distributor strength from (+4,000) to just over 1,000.

As highlighted in our previous Earnings Calls, there were challenges emanating from this improvement initiative, both from a design perspective as well as execution. We have tried during much of the current year to perfect the process. This has resulted in short-term pains from a growth perspective, but we believe we have overcome most of the issues. We expect the RTM exercise to fully stabilize in the next 1 or 2 quarters and start yielding results.

Our journey is being championed by our team members, many of whom have joined us at leadership levels in the recent past to augment our talent bank. The team believes that the foundation of excellence lies in well-executed processes. Our teams are empowered. They not only run processes effectively but also bring creativity and innovation to the table. It is the synergy of empowered minds and robust processes that will propel us to sustainability.

Another aspect of our process is that we are focusing to become self-reliant with our in-house manufacturing, whereby we become truly a Made-in-India company. More than 95% of our batteries and more than 70% of our flashlights are manufactured in-house. This provides us with complete control on costs and product offering, thereby an ability to serve our consumers as per their requirements.

Now I shall turn your attention to the respective segments:

First, Batteries:

Eveready has long enjoyed name ownership of this category. While we have stood strong in the large carbon zinc category, we have only recently begun to create a positive impact in the emerging alkaline space. Our revamped alkaline range of Eveready Ultima has met with healthy success, and we expect this trend to gain further momentum and for this category to contribute significantly to the growth of the business. We are also ramping up our communication in this space. Overall, the business supports an extensive range of batteries positioned to benefit from premiumization as well as volume growth from enhanced household consumption, as we add new devices. The favorable input cost environment is giving us headspace to maintain the tempo of marketing and promotions. In the past, the dry cell industry has found it hard to mound volume growth due to subpar penetration of relevant devices in our homes. Our latest campaigns highlight use of devices like toys as an integral part of learning and living.

Moving along, Flashlights:

Flashlights have seen a faster-than-anticipated de-growth in the battery-operated segment. However, we are confident that our gains in the rechargeable segment will more than compensate for this loss and provide substantial growth for the overall category. Our design and development team has continued to introduce new SKUs with feature functionality as



per market feedback in the rechargeable category. This space is occupied by unorganized players and imports from China. The Eveready range stands for quality at the foremost, and we believe in creating products that provide value through features and pricing both.

The quarter and the current financial year saw weak consumer demand, particularly in the rural part of the market across most FMCG products. Consequently, this had an impact on both battery and flashlight optics, both having ceded ground over the last year, in batteries by 2.4% and in flashlights by 3.6% for the year to date. It is expected that the forthcoming quarters will see a de-escalation of food price inflation and return to growth for consumer products. However, we managed to retain our market share of batteries at 53.2% as per Nielsen report.

I am pleased to report that we have now a full range of products in the lighting category as per the needs of the market. The business boasts a dual distribution setup via the general trade and the electrical channel. This is a vast market, and although there are entrenched players, we are confident of making a mark. Our emphasis is now to shift our business salience from basic products to the premium ones. Our emergency lamp, being part of our premium range, is already one of the leaders in this market category. As already widely reported, the entire lighting market underwent value erosion on account of players passing on cost benefits arising out of manufacturing efficiencies. While the entire market was in the negative territory, we managed a growth of 10.5% for the quarter and 9.2% for the year to date.

Let me now share some insights on our “Financial Performance” during the 3rd Quarter:

Our top line performance captures the impact of slower rural consumption in batteries and flashlights as well as ongoing value erosion in lighting. This was further impacted due to disruptions faced on account of the new RTM. However, our portfolio of alkaline batteries, rechargeable flashlights, and lighting products reported a strong volume trajectory, creating the base for sustained gains in the coming days.

Despite the moderated top line, our EBITDA performance for the quarter stood strong at Rs. 24.6 crore with a margin of 8.1% and the year-to-date number being at Rs. 114.8 crore with margin of 11.1%, performance for both the quarter and the year so far being better than that of the last year. The performance was supported by favorable costing in key raw materials, especially in batteries, in addition to stable exchange rates during the quarter.

In anticipation of higher A&P spends to accelerate our position in the industry, we undertook several cost initiatives to sustain our margin trajectory. As for the outlook, we seem to be on the anvil of getting back our growth momentum with hopefully the market reviving and the challenges of the new RTM being overcome.

We believe we have all the elements in place to be able to deliver positive results in the times to come.

With that, I conclude my initial remarks here and will now request the moderator to open the forum for questions and answers.

**Moderator:**

We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Mithun Aswath from Kivah Advisors. Please go ahead.



- Mithun Aswath:** I just wanted to understand in terms of the margins for the current quarter. Obviously, year on year, they have been better. But quarter on quarter, we see some deceleration in terms of the EBITDA performance. Is that mainly because of heightened marketing spend? If you could just maybe throw some color in terms of what we are looking at in that. And also, within segments, how is the volume growth in each of the segments this quarter?
- Suvamoy Saha:** As far as the margin is concerned, it was impacted by a mix of both, the two points that you mentioned. One is, as a percentage, we had higher A&P spends, and also obviously the muted top line which I have sort of drawn reference to in my remarks earlier. These two have an impact on the quarter's margin which stands at 8.1%. However, if you look at the year for the 9 months, the margin stands at 11.1%. And as we have been guiding, we stay firm on our overall guidance that we will continue at double-digit EBITDA margins.
- Mithun Aswath:** And each of the segments' growth this quarter on a year-on-year basis, despite the pressures, was there volume growth in Q3 or in some of the categories, the volume growth was negative?
- Suvamoy Saha:** No, as I mentioned, there was a de-growth in both batteries and flashlights, which year to date, it stands at 2.4% and 3.6% respectively. But the lighting category even though the overall market was in the negative, we grew by 10.5% during the quarter and 9.5% for the year to date.
- Mithun Aswath:** And lastly, I wanted to understand, since now you have got these 3 categories, there was a talk about you also trying to look at some adjacencies through the existing businesses. So, I just wanted to understand any thoughts there. You have got into lighting. Is there anything else that one is looking at for the forthcoming fiscal?
- Suvamoy Saha:** As we have articulated earlier also, for the next 12 to 18 months, our hands are full to be able to exploit these existing 3 categories. Thereafter, the company would certainly look at a fourth or a fifth category, but that is beyond at least 1 year, not immediately.
- Moderator:** The next question is from the line of Dhruv Jain from Ambit Capital. Please go ahead.
- Dhruv Jain:** Sir, I had a question on the overall growth side. In the last 2 quarters, obviously our numbers from a revenue growth perspective have not been very good. There have been RTM exercises that you have been speaking about. So, just wanted a sense that you think that as an entity, Eveready will return back to double-digit growth, at least in the next financial year?
- Suvamoy Saha:** We have highlighted even in the earnings call earlier and also today that there are 2 factors which have led to, I would say, the growth not being in the territory that we had been expecting. Actually, in the 9 months including this quarter, our top line is absolutely flat. Correct? Now, there are 2 reasons. One is, of course, there is a softening of FMCG demand, particularly in the rural side, which I had referred to earlier in my remarks, and also the RTM issues which came out. We tried to get the RTM done in a very quick span of time, which did not sort of work out. It required a lot of changes, and as a result, as and when certain, I would say, issues came up, we needed to resolve that. And we consciously did that because this was an improvement exercise. It was not something that was thrust upon us. It was something that the company spontaneously did because it meant that in the future, the company would be much better ready to take on the growth momentum. So, I would say that this is a temporary pain. Of course, I cannot make comments on how soon the market is going to recover, whether on the lighting side or for that matter, the FMCG side. But I can say that the internal issues of RTM are by and large over, and we should see in the next 1 or 2 quarters the system working to its perfect efficiency. As for coming back to growth, we certainly will come back to growth in the fourth quarter. Now, it would not be obviously a



double-digit kind of growth which you asked whether it is. But we would certainly look for, if not double digit, at least high-single digit, given the way the market is behaving at this point of time and take on from there.

**Dhruv Jain:** And sir, on the flashlight side. I think you also mentioned in your opening remarks with respect to the kind of erosion that you are seeing in the battery-operated flashlights. a) If you could just give us a color as to where the market stands today and what's the kind of contribution you have with respect to rechargeable flashlight and battery-operated flashlight?

**Suvamoy Saha:** There is no really syndicated data on this. Our estimate is that the market is about Rs. 1,200 odd crore roughly of which one-third is battery operated and the two-thirds is rechargeable. On the battery operated, we already have factored in a 10% de-growth for the market, and we thought that we would also flow with that similar de-growth because consumer habits are changing; we can do very little on that. And we were quite confident that we would be able to make significant gains in the rechargeable segment and we would by and large certainly be able to offset the loss made by battery-operated flashlights and because of the gains that we would make in the rechargeable side, the overall category would gain for us. Unfortunately, the battery-operated category has de-grown far faster than what we had thought. In fact, the de-growth for the category this year has been 20%, really double of what we had thought to be the rate of de-growth. As a result, the category stands flat for the moment. But you know that two-thirds of the market, the rechargeable ones, there we are growing quite fast, and hopefully with all the moving parts that we had this year getting settled, next year we would certainly be able to overcompensate on the loss that we would continue to make on the battery-operated flashlights, and the whole category will grow.

**Dhruv Jain:** And sir, just the final piece from me, on the bookkeeping side. If you could just give us the revenue split for all the 3 verticals and the margins for this quarter. And also, I think if you could just mention what's the share of your premium alkaline battery now in your overall revenue, that would be great.

**Suvamoy Saha:** Alkaline currently is about 5% of the mix. And with regard to the category-wise breakup, YTD, we have batteries at Rs. 675 crore, flashlights at Rs. 133 crore, and lighting at Rs. 245 crore making a total of Rs. 1,050 odd crore. And as I said, in this, the battery receded by 2.4%, flashlights by 3.6%, lighting grew by 9.1%. And the effective margins are like this: Battery is going at around 16%, flashlight at 9%, and lighting is still -2%.

**Moderator:** The next question is from the line of Sunil Bhojwani who is an individual investor. Please go ahead.

**Sunil Bhojwani:** In a recent interview to CNBC a couple of months ago, you had given guidance of doubling the revenues in 3 to 4 years. Do we stand by that? And also, what kind of triggers or strategies do we have to drive the growth? Which segment out of the three according to you will be focused and will be driving the growth fastest?

**Suvamoy Saha:** Obviously, we had not counted this year to be one where there would be very small growth. We had counted for this year also a higher level of growth which has not happened due to the reasons which we have already articulated, and it is known, and it is due to a conscious action taken by the company to improve itself. With regard to the growth over 3- or 4-years' horizon, obviously we would still attempt to grow quite significantly from our current state. Whether it would be exactly 2x or 1.9x is somewhat of a directional guidance. It is not that a concrete hard number is being put at this stage. We remain committed to that growth. We remain guided by the trajectory. As we have said before, batteries would not give a very high level of growth. Our best aspiration would be it's a very mature category, it is really the one



that gives us the biggest amount of profitability, but it could at least grow in the high-single digit. We expect a much higher level of growth from flashlights; primarily rechargeable flashlights are sort of gaining stronger ground in the mix of battery operated and rechargeable. And of course, we have very high growth aspirations for lighting. And as I said earlier, these 3 categories we will exploit to the hilt. However, post 1 year to 18 months, the company will obviously also take some other categories into the mix so that doubling the turnover target can be achieved.

**Sunil Bhojwani:** Sir, just a follow-up on the lighting segment. There is a lot of competitive intensity, and your peers are also growing really fast, some of them, especially the unlisted ones. And also regarding the flashlight, do you see such a big addressable market or the underlying industry or the requirement is so much that it will grow at such a level to compensate for the lesser battery growth?

**Suvamoy Saha:** Let me first talk about the flashlight ones. The flashlight one is inundated with unorganized players. We are, by and large, the only player and we are the market leader. Only because of our own hesitancy to get into the rechargeable segment that we have sort of done a bit of stepping back, which we now are trying to make good. We are 50% of the battery-operated market. It will be our aspiration to come nearer to that level also in the rechargeable. The addressable market is Rs. 1,200 crore and we are around Rs. 175 odd crore. So, we feel that there is a lot of headroom for us to grow there. We have really no doubt about that. As far as the lighting part is concerned, the market is huge, it's vast. And there are many players. Many players being in the market has its pros also as its cons. The pros is that the entry barrier is simple, which is proved statistically by so many players playing in the market and existing and surviving. The con is of course this has happened this year that Eveready passed on their manufacturing efficiencies to the market, did not retain anything. So, all players are under the compulsion to pass on the same benefit to the market. We really think that this is a market which recognizes brands even with 2 products. Then, reliance plays a strong role. We feel that Eveready, with its strong brand and its distribution strength, should be able to make a reasonable dent into the market. And this continues to remain a focused growth market for us.

**Sunil Bhojwani:** Just a small suggestion, sir. If we could release some presentation at least half yearly for the products and developments, that would be really helpful.

**Suvamoy Saha:** Okay, thank you. That's a very useful suggestion. We have made a note of this.

**Moderator:** The next question is from the line of Khush Gosrani from InCred Asset Management. Please go ahead.

**Khush Gosrani:** Sir, if you could highlight what was the A&P spend for this quarter as a percentage of sales and for the full year what it would be for this year and for the next 2 years, how are you planning to increase this A&P spends?

**Bibek Agarwal:** This quarter, actually as the revenue was subdued, it is around 12%. And compared to last year the same quarter, it was 8%. On a YTD basis, 9 months, it is at 10% compared to the last year of 6%. As we say that we stay committed to our A&P investment and despite a moderated revenue, we continue our effort to ensure that the brand recall and the introduction of new categories are on top priority. We stay committed and we are continuously investing with a proper focus on the right input and right communication goes to the market.

**Khush Gosrani:** A bit near-term question from my side is, are you seeing any signs post even your RTM changes of market recovery? Of course, the de-growth, as sir has highlighted in the previous



questions is that the de-growth has been much higher than expectations. But in the near term, are you seeing some signs of recovery or is it still challenging for the customer and for you as well?

**Bibek Agarwal:** As Suvamoy has already said that we are looking for in immediate quarter 4 some sort of bounce back while it is a matter of another 1 or 2 quarters, but the good part is that we have identified the problem and a lot of work has started on that because it is a massive exercise which you try to do in a quarter, actually it may take 2 to 3 quarters. So, in the short term, we may see some recovery, but the full consolidation and settlement will take at least the next 1 to 2 quarters, I can say.

**Khush Gosrani:** Just 2 questions from my side. One is, before the RTM changes, how many distributors we had as super stockists and what are they now? And my last question would be, if you could quantify how much sales would be coming from Tier-2 and Tier-3 cities and below and from metro cities. Do you do such classification?

**Suvamoy Saha:** Prior to the RTM, we had about 4,000+ distributors which is now down to a little over 1,000. With regard to the split of turnover between metro versus smaller towns, I would say that we are uniformly spread. Normally when people ask us about rural urban split, we say it is 50:50. With regard to Tier-1, Tier-2, and metro, I cannot off hand give you an answer because it depends on what definition that you give for Tier-1 and Tier-2, how many metros do you.... But I would say that we are uniformly spread. The point that I want to highlight is there is no specific sector bias in our sales.

**Moderator:** The next question is from the line of Vikas Shrivastav from RBC Financial. Please go ahead.

**Vikas Shrivastav:** I apologize I have joined late, so this question may have been asked earlier. I wanted to know what the status of the arbitration was. Is the hearing over and do we have that arbitration award? That was my first question.

**Suvamoy Saha:** The arbitration hearing currently stands adjourned. That is at the request of the claimant that they have sought adjournment. Hearings were supposed to have commenced from this week, which have now been put on hold. We really would like to hear from the claimant, the person who has sort of made the case and take it therefrom. It is adjourned at this point of time.

**Vikas Shrivastav:** And we do not know what the next date of adjournment is? Are we engaged in some kind of settlement talks with the claimant? Where are we on this? Because, if you remember, in about 1 year back, you had said that we expect closure by early '24.

**Suvamoy Saha:** There is a development. The reason for their seeking adjournment is that, as you know, the original borrowing from the erstwhile promoters' holding companies was from KKR. That was taken over by InCred. And now it has been taken over by another NBFC company, I do not exactly remember the name. And because that development has happened in the immediate past that the claimant has sought adjournment. We need to see how it goes. We are, at this point of time, really in some kind of suspended animation, you can say.

**Vikas Shrivastav:** And, therefore, still the restriction of the High Court of raising any fresh capital remains on us?

**Suvamoy Saha:** That's right. That is really effectively the only restriction that is on us. Otherwise, business is carrying on in the normal course.





- Vikas Shrivastav:** My second question, and I am sorry if I am asking this question again, was on the RTM. I know RTM is a dynamic process. But with Bain Capital, we had started the procedure and then it got delayed with the entire RTM, infrastructure, and systems in place. My question to you was that can we safely say as of 31st December, the initial bit of the route-to-market infrastructure, systems, etc., which we were hoping that it would be in place, say, by 30th June of 2023, are we done or will it spillover into the next quarter also?
- Suvamoy Saha:** As far as putting up the infrastructure and all the changes that were necessary to be done with this new RTM got done in the early part of this financial year, well before 30th of June. What happened was we tried to do it in a very short span of time, and it meant a lot of changes in the channel partners. That led to some disruptions with regard to the partner selected not being up to the mark or us leaving some areas a little vacant. These are the disruptions which took time for us to sort of grapple with, which we have, by and large, identified. And by 31st December, the question that you asked, the infrastructure was already in place and continues to be in place. Only those gap areas have been addressed and they continue to be addressed, but most of it is over. So, in terms of can I say that is it 100% perfect? No, not yet. It will take us some more time, and as Bibek also said in his response just a couple of minutes back, it will take 1 or 2 more quarters to be fully, I would say 100% effective, but we are already almost there, and you would see a bounce back from the 4th quarter.
- Vikas Shrivastav:** So, what you are saying is that while we are not all there, but we are substantially there, and the benefits in terms of the distribution and sales should be visible from the 4th quarter onwards.
- Suvamoy Saha:** Yes, with baby steps; I must give that caveat, but you got the spirit of the thing.
- Vikas Shrivastav:** Yes, we are almost there. And you are saying that hopefully by the March or June quarter, we will be all there as far as the softer part of this RTM changes, etc., the infrastructure and the hardware and the people and the appointments are there. But the disruptions and the channel partners breaking into the system, etc., things should be all settled. Can I comfortably say that things should be all settled by 31st March? Or do you expect that to extend beyond 31st March also?
- Suvamoy Saha:** Maybe a little spillover to the first quarter of next financial year.
- Vikas Shrivastav:** But pretty much you are feeling good about what you have today in terms of the RTM structure, and you are looking positively in terms of it giving necessary results from the 4th quarter of this financial year?
- Suvamoy Saha:** Yes, I would say so.
- Moderator:** The next question is from the line of Dhruv Kashyap who is an individual investor. Please go ahead.
- Dhruv Kashyap:** This is the first investor call that I am attending, although I have been an investor for some time. So, pardon me or bear with me if I am asking something that's been asked in the last few quarters. But it will just be a healthy refresher for all of us. It's a 2 part question and I will try to structure it as sensibly as I can, where one part of the focus will be more here and now, and the second part will be sort of more crystal ball gazing or more sort of philosophical in its sort of spirit. Sir, the way the business is structured currently, there is a battery business where we are the Hindustan Lever of batteries. We have more than 50% to 53% market share and there is only that much headroom left. Then, there is a flashlight business where you are right that there's a changeover happening from battery operated to rechargeable. However,





to the layman, there is always a bit of an existential question on this flashlight category because there is always a tendency for other products to take it over like we have seen it in the past. And then there is a lighting business which is quite cluttered. And hence what I wanted to understand from you is that what are really the initiatives other than sort of juicing out efficiency and RTM and product launches, etc., that you have spoken about. And the second part of my question really is that outside of these three, at a philosophical level, are we seeing that there are some adjacent categories? For example, at a philosophical level, Eveready is the battery maker of India, and hence are there adjacencies in batteries itself? For example, I do not know, do we go to watch batteries, car batteries, phone batteries, or any other battery? Is it more like a horizontal extension or a vertical extension? Because, as someone who has used Eveready for, I do not know how many decades now personally and as someone who has been a marketeer, I personally feel that Eveready has a unique situation where the share of mind is significantly more than the share of wallet. And that's always a great space to be in as a brand that people think you are a huge monolith of a brand but actually the revenues are not that big. And that's where the opportunity lies because people already see you as a big brand and there is a lot of space to juice it out more, both in its current 3 categories as well as extension to very naturally sensible ones. I know it's a longish question, but I conclude by saying that I have been invested in a company for almost 8-10 years, which does something of a core business, and it has the same thing that it has got a very good share of mind versus share of wallet, and it saw benefits in getting into appliances, which is its adjacency. It's essentially a kitchen and a home brand company. And ever since it has got into appliances, its appliances have now become 90% of its business and core is only 10%. And the company's market value has gone from Rs. 700 crore to close to Rs. 5,000 crore. I am just trying to understand from you where the next exponential rocket will come from?

**Suvamoy Saha:**

That's a very-very involved question, I must say. And I compliment you for the in-depth understanding that you have done on this. You are very right. Eveready brand is larger than what we deliver in terms of our top line; you are very correct. And obviously, that provides us with the guidance that we can do more with the brand and we can also do more with the distribution. Now, what would be the shape of things to come is something I will take on a little bit later, but prior to that, let me say that the battery, as you rightly said, is matured. There is very little headroom or headspace to go anywhere beyond the 53% or, as you said, the Unilever-like stronghold on the market. Yet, I think, since you have done so much of a deep dive into the category, as you know, the device penetration in the country is of a very low order. So, there is a huge potential for the category to grow as and when devices proliferate with, let us say, rising income levels. So, even if we retain that 53% market share, if devices were to go up like it did at one time, we saw spurt in the medical devices proliferated during the COVID time or when the remote controls came with every appliance in the households, if tomorrow the country was to go over to electronic locks and sensors and stuff like that, there could be a big jump, but that is as and when it comes. The category currently is in a position to deliver high single-digit growth which would come out of premiumization and on which the company is really focusing and working over the last, I would say, 12 odd months. We have revamped our premium segment and we have started communicating quite a lot on that. And so, we feel if other things remain constant, we should be able to deliver a high single digit kind of growth. That is as far as the battery is concerned.

Flashlights, I beg to differ with you on the category potential. That category is growing. The battery operated one is, of course, de-growing. You seem to have a lot of knowledge of these categories. I really appreciate that. In earlier days, people used to ask us what would happen when the villages get electrified and what would happen to them. We would be at pains to explain to people that, listen, this is not for indoor lighting. It is for outdoor lighting that people use flashlights. And then electrification happened, and then it really spurred usership, household keeping of flashlights increased because people have by this time discovered a



charging point. So, like they charge the mobile phone, whatever it is a smartphone or a feature phone, they also like to charge the flashlight. In the rural side where most of our flashlight usage is, there is no replacement for flashlight. It is only that we see growth in demand. Our problem is we are quite heavily over-indexed on the battery-operated ones. And that again emanated from the company's hesitancy to go into rechargeable because it felt that if we ourselves go, then what would happen to the battery-operated flashlights. But that is what the consumer prefers. So, we have no choice. As we straddle this particular segment, we see potential for a high level of growth. I certainly would think that we can easily look at a mid-teens kind of growth in this segment.

With lighting, it's a cluttered market. People are very correct in observing that it is a highly competitive market, but it also provides a very low entry barrier. With a brand like Eveready and a distribution like ours, we are good to go. And it continues to be a focus area for growth for us.

Now, coming to the crystal ball gazing, you are very right. We need to sweat the brand a bit more. We need to sweat the distribution system a bit more. Exactly what would be that category? I am unable to say. We have lots to do over the next 12 to 18 months, and we will keep focusing on our existing businesses. But parallelly, we will start working in trying to discover what the adjacent categories could be. That is where we are. I am sorry that I am not being able to give you a hard coded answer with regard to the future category at this point of time.

**Dhruv Kashyap:**

That's perfectly fine, sir. Thanks for that. It's a very exhaustive, comprehensive, and a very useful insight that you provided. I just wanted to understand more of the philosophy in terms of, as you said that Eveready is an eminently sweatable asset where it could sweat a lot more than right now by the sheer fact that its share of mind is much much more than its share of wallet. But I was just trying to understand that one way to build adjacencies is to say that, listen, we are the Hindustan Lever of batteries and hence we will do everything batteries. The other way to do it is that there are adjacencies, and I can think of thousands of successful examples of both. It's really for the team now to start working because unless you give your mind to it now - anyways, it's going to take 1 or 2 or 3 years of execution to get it delivered; it's just food for thought more than anything else. Lastly, before I sign off, I will share an experience with you because of what you raised. I do not know if you find it helpful. You mentioned in Eveready that there is an under penetration of gadgets or devices. For the longest time, I headed ice creams for Unilever, which also depended on refrigeration penetration or freezer penetration. And we found multiple creative ways around it. That is how in-home ice cream is consumed, but you build the case for out-of-home consumption where you do not need a refrigerator. Then you did home delivery and you tied up with Domino's like Coke has delivered. Coke has a line for Domino's; we did ice creams for Domino's. I am saying there are thousands of ways to come around this gadget issue. I have sold a category which needs to be at -25 degrees to be sold, but there are innovative ways around it where you cannot wait for whirlpool to keep selling more refrigerators. So, I am just giving you food for thought, sir. You are an expert in this category. I am just sharing my experiences to just understand where your mindset is at.

**Suvamoy Saha:**

It has been very insightful. You have given us a lot of food for thought and we appreciate that. Thank you very much for taking the time out and giving your insights to us. We will work on this.

**Moderator:**

We will move on to the next question. The next question is from the line of Mithun Aswath from Kivah Advisors. Please go ahead.



- Mithun Aswath:** Just a follow-up. I just wanted to know what the breakup of your current flashlights business is. How much of it is battery and how much of it is rechargeable?
- Bibek Agarwal:** In terms of a value, 70% would be battery operated and the balance will be rechargeable.
- Mithun Aswath:** The rechargeable has grown at what pace in the current year?
- Bibek Agarwal:** It is really growing at a very healthy pace, about 50% type of thing where on the other side, the flashlight battery operated, has 20% de-growth happening.
- Moderator:** The next follow-up question is from the line of Vikas Shrivastav from RBC Financial. Please go ahead.
- Vikas Shrivastav:** Mr. Saha, I am back to the size of the market in terms of batteries and growth. Now, I do hear that we are waiting for some event. In a growing economy, the middle class growing, why is it not that there is a good linear growth of battery, which should be normally the case? Is our hypothesis going wrong in our new remotes, etc., also of the rechargeable kind? Is the battery life more? Is the technology higher? If you remember, a few quarters back, we discussed and we were feeling very sanguine about the potential of growth of the battery segment as a whole. Let me for a minute assume that our share in the battery market remains what it is. What, in your view, is going wrong on the growth which should normally be linked to the way per capita income and then growth of the middle class in India?
- Suvamoy Saha:** As we discussed a little earlier also, we are holding on to the market share of 53%. As the previous speaker said, we are the Unilever of the battery market. We straddle every area of the battery market and there is nothing that we keep unfulfilled. And there is nothing that we have done wrong. I would like to correct that impression.
- Vikas Shrivastav:** I completely agree with you. My question is you being the industry person, why is not the size of the market growing as it is expected to grow? As an investor today, I want Eveready to check all the points and do right. And I also want to understand what, in your view, is the market and why is it not growing the way it should grow is the question I am asking you. If the market grows 10%, 15%, or 20% per year, being stable at 53% is good enough. It's brilliant.
- Suvamoy Saha:** Please, now hear me out. The thing is that the battery market traditionally has always grown at low single digit. It is not that it has ever growing at 15% or thereabouts. The reason why the growth rate is low is because, unlike other countries, the per capita consumption of batteries in our country is very low, which stands at about 2 per person whereas in other countries, even, let us say, not the most developed country, China has a per capita consumption of 10, and America has a per capita consumption of 36, Japan has 27. So, the reason is that battery there is nothing which requires battery on its own. Battery only is used and consumed when there is a device. The device penetration in our country is of a very low order. Like for example, remote control. Remote control consumes 40% of our batteries. Whereas in the US, every household has more number of remotes, but they only consume 3% batteries. So, it is because of the low penetration of devices in Indian households that battery has really not seen that level of growth. As you very rightly said, with growing income, the country should have seen. That is where it stands. We have the potential to grow the market. I am not talking about ourselves. The market has the potential to grow. A small example like toys. The penetration of toys in Indian households is far smaller than what it is in many other countries. In a country like Indonesia which is similar, income levels are not that greatly higher, or China. Whereas Indians have taken on to phones - smartphones, feature phones. People have taken on famously. That is some of the quirks of the market.



We need to sort of remain with that. The thing that we need to do is to ensure that we remain with the market growth, because at 53%, it is very difficult to grow faster than the market.

**Vikas Shrivastav:** No, I was never raising a question on the size of the market or our market share. I was just wondering why it is not growing. Why is the market still single digit? Because that was what I was just thinking. If you have a take or a concern in your mind as to why the market is not growing. I was more on the macro side of the market as to why it is not growing fast enough, which we were expecting it to and we do expect the gap between 2 batteries per capita and tend to fill up at some point of time.

**Suvamoy Saha:** I appreciate that.

**Vikas Shrivastav:** My second question was that a) Do you foresee the battery flashlights completely becoming non-material in the next 3-4 years? That was one question. b) I am not asking you for this quarter or next quarter. For a minute, let's forget all the new products you will add later, or they are in the pipeline. My question to you was on the lighting segment, what kind of CAGR internally are we talking of growing over the next 3 years and what kind of annual growth are we expecting in volumes and what are we targeting in the chargeable flashlight segment?

**Suvamoy Saha:** The first question on whether battery-operated flashlights will become zero, I would say it will never become zero, but it will become a very small part of the market. There is no doubt about that. The rechargeable ones will continue to grow because people have really sort of taken onto it famously. With the houses getting electrified, people are using it because they can then do all their outdoor stuff without having to change batteries now and then. So, we have an aspiration for the whole category. I am not now any longer looking at battery operated and rechargeable. We need to grow that because there is growth in the market. We are looking at and as I said somewhere earlier, we have 50% leadership in the battery-operated ones. We do not see what stops us from becoming 50% in the overall market. Also, given the fact that we are the only organized player, and the rest are all unorganized, local - somebody is doing something in Kolkata, somebody is doing in Mumbai, UP, like that - we see a good potential for us to grow double digit; I would say somewhere closer to mid-teens in the longer term.

With regard to lighting, we started off with an aspiration of growing beyond 25%, frankly. Even this year, we have taken that target. But the value erosion was so acute, again reflecting the competitive nature of the market, we did higher volumes, but we ended up doing only 10% in value growth. The market is in negative territory. People who are experts in the market - I have spoken to other lighting industry leaders - they feel that this value erosion should sort of get arrested and then the normal growth of 10% in the lighting market is something which is quite normal. We, being a small player, our rate of growth should be higher. It is difficult for us to today predict what would be the exact percentage, particularly coming off this very high value erosion year. I do not know whether I have been able to answer your question.

**Vikas Shrivastav:** I think my takeaway is, what you are telling me is that your aspiration is to grow at about 15% on the flashlight consolidated between chargeable and rechargeable and your aspiration initially in the lighting was 25% because of your low base and growth. Would you like to poke at a range or figure what would be your revised aspiration for the next 3 years on the lighting?

**Suvamoy Saha:** I understand your query. We being a small player, we started with very basic products - bulbs, lamps, etc. As we are trying to improve our sales - this year, we would exceed Rs. 300 crore in turnover - we are going from bulbs and battens to luminaires, to downlighters, panels, etc., emergency lamp which is part of our premium portfolio. With that, we feel our value



growth should be far higher than 10%, as we are recording. Even if I say that the market is not going to improve anytime soon, with our progress and our journey from basic products to more evolved products - and we have the portfolio today - as we become more experienced in the market, we will keep straddling it and go towards the higher value chain, and that should give us, I would say, a growth which is going to be higher certainly than the 10% that we logged in this year.

- Vikas Shrivastav:** Are you talking about mid-teens, high teens? What are we talking about?
- Suvamoy Saha:** I would say certainly higher than mid-teens.
- Vikas Shrivastav:** What are you aspiring for over the next 3 years is my question. I did not ask you for a quarterly target.
- Suvamoy Saha:** As I said that we aspired for a 25% growth but that went a little bit out of the window, we would certainly like to grow beyond 15% to 20% or thereabouts depending on the market conditions because the validation that was there in the market may disappear tomorrow and then it will give us grounds to grow higher.
- Moderator:** The next question is from the line of Sunil Bhojwani who is an individual investor. Please go ahead.
- Sunil Bhojwani:** Sir, I just wanted to know if we supply to any kind of institutions or defense services or defense forces, state or central. There are so many industries, mining or like the Army that would require flashlights or maybe even for the lighting segment, for streetlights or stations, airports, have we looked into that?
- Suvamoy Saha:** We do supply to institutions like the ones that you mentioned, but there is scope for improvement there. This is one of our focus areas at this point of time. Thanks for once again reminding me of that.
- Sunil Bhojwani:** Is that a considerable portion of the revenues? If you could give a color to that.
- Suvamoy Saha:** At this point, it is not very significant, but it is there. But we need to grow from our current levels.
- Sunil Bhojwani:** Sir, also, in the recent past, we had discontinued some smaller appliances. And we had mentioned in the previous calls that we might look into launching some smaller appliances in future again so as to leverage our brand, like the other participants said. Are we looking into that in the near future?
- Suvamoy Saha:** We have exited the appliance category. What is happening is you call them appliances, or you call them adjacent products which go into the lighting shops, it is only that. Like, say, for example, a spike buster or a multi-point plug and stuff like that; things of that nature, which is necessary to complete the range, but we have exited the appliances category altogether.
- Sunil Bhojwani:** In the near future also, we would not be getting into it or any adjacent products like this, maybe after a year or two?
- Suvamoy Saha:** As I said, the adjacent products would be taken only to serve the needs of the retailer to complete the range, nothing else.
- Sunil Bhojwani:** For now, we do not have any plans of....
- Suvamoy Saha:** No, no plans.



**Moderator:** The next question is from the line of Vipul Shah who is an individual investor. Please go ahead.

**Vipul Shah:** Sir, I have a question only in terms of our lighting business. What is the target market for us for the lighting business? Is it metro or is it non-metro?

**Suvamoy Saha:** As I mentioned earlier in the call, we are pan-India. We try to focus on metros, we try to focus on smaller towns, and we obviously also focus on the rural side - up to a 20,000-population village or town. There is no specific bias.

**Vipul Shah:** But I come actually from a metro city, and in the city, whether it is a lighting product or whether it is an alkaline product, suffice to say that a lot of times or most of the times, we do not see the Eveready brand. Although we are patient shareholders, the products are not visible on the shelves. That was the reason why I had a question on that.

**Suvamoy Saha:** I will answer that question. We are a small player in lighting. For us to be available in a metro, it takes time. We are a very-very small player. Our market share is currently 2%. So, you will only find us in 2% perhaps if we take that logic. As far as the batteries are concerned, I am surprised. If you could, offline you can tell us where you did not find Eveready because we are 53% of the market. It is inconceivable that you would not find our presence in the metro areas. Lighting I understand, because we have a lot of work to do.

**Vipul Shah:** I will take this offline, but for sure you can take it from me that any store you go to in Mumbai, the prime alkaline product is the biggest competitor.

**Suvamoy Saha:** There is nothing wrong in what you say. And I take your point. As I do not know whether you heard my opening remarks, we have just now launched our own alkaline in a revamped shape, which is Eveready Ultima. We have done a decent amount of communication and we have taken placement drives which have been so far very satisfactory. We started that from September, and I do not know which metro you live in.

**Vipul Shah:** It's Mumbai, sir.

**Suvamoy Saha:** Which part of Mumbai? Just out of curiosity.

**Vipul Shah:** In proper Mumbai city, South Mumbai. To whatever offline small mom 'n' pop stores we go to, it is very difficult to find the Eveready alkaline product. To my mind, there is a big growth which is there and potentially a great growth driver it could be, but sadly, we cannot find Eveready alkaline anywhere on the shelves. That was the reason why the question as to where the focus is.

**Suvamoy Saha:** I understand your question and your concern. As I said that this has been launched from September, and so far, the progress has been very good. I myself and it is part of my job to make sure, go visit the market and see what is available or not available. This Mumbai experience, if you have seen it in the recent past, is a surprise to me. I will check this out. If you have the time, do let us know which exact part you did not because there can always be a gap which needs to be rectified. I am sure know that you would have found our red battery, but alkaline placements which started from September should also have been in the area where you went to. If you have not found it, I will have to then accept that there is a gap and that we need to fill up. Thank you for the feedback. I will certainly touch base with my Mumbai team.

**Moderator:** The next question is from the line of Ketan who is an individual investor. Please go ahead.



**Ketan:** I just wanted to ask that we see a lot of these torchlights and other equipments which are now available in solar rechargeable things. Does the company have any impact from such kind of devices which are available in the market? And what is their view on this segment and whether the company also has any plan to go into such kind of segment?

**Suvamoy Saha:** The company used to have solar-powered lanterns, not flashlights. But we found that the market was inundated with very low quality and low-priced ones. We did not feel at that time that there is sufficient traction of the product with the consumers. In the event we have the technology, in the event we feel the market is amenable to that, we will do that. But at this point of time, these are basically absolutely unorganized players who are playing in the market.

**Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

**Suvamoy Saha:** Thank you everyone for taking out the time to join us on this earnings conference call today. I hope we have adequately answered all your questions. If you still have 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 you all every quarter through this forum. Thank you once again and look forward to connecting with you again in the next quarter.

**Moderator:** On behalf of Eveready Industries India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

---

**Disclaimer:** This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.

