

# Eveready Industries India Ltd

Sensex: 18878

CMP: INR 18



Dry Cells

We met the management of Eveready Industries to understand the company's strategy going forward. Despite having good brands like "Eveready" & "Powercell", the company has been struggling to achieve desired level of growth. Eveready primarily deals in batteries, flashlights & lighting products with batteries contributing to ~60% of the revenue. Recently it has launched a portable mobile charger. Excerpts of our discussion are as follows-

## Revamping the distribution channel

Despite having a strong brand recall Eveready is struggling to achieve desired level of growth. According to the management this has been primarily because of gaps in the distribution channel. The company is revamping its distribution channel & has also started parallel distribution for the lighting & the newly launched portable charger product. Parallel distribution means that these products will have separate distribution outlets in addition to the existing battery & flashlight outlets.

## New products on the anvil

Eveready had recently launched 4 variants of portable chargers used for powering mobile, tablets & gaming devices among others ranging between INR 1200- 3200. The company has plans to launch products such as Wall Mounted Light Fittings, Rechargeable fan with embedded light, Radio & Luminous products. The focus going ahead is on the rechargeable products. Considering the severe power-cut situation in the country, Eveready's rechargeable products may see a good traction.

## Revenue from New products to aid profits going ahead

The per unit realization from the current product portfolio is low. Consumer resistance is also witnessed for price increases because of easy availability of substitutes. The newly launched portable charger is ranged between INR 1200-3200 & margins are also higher compared to the current product portfolio because of good demand, absence of competition from the organized/ branded

segment. Going ahead, major product launches are value added products which will aid margins. The management is targeting revenue of INR ~5 bn in 3 years from these products.

## Focus on Debt Reduction

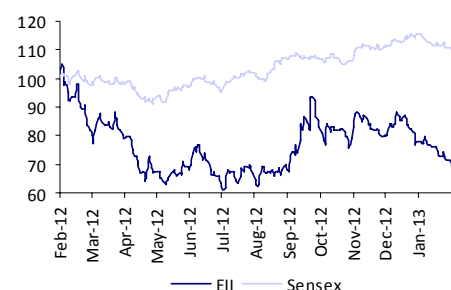
The standalone debt & interest cost of Eveready is ~INR 2.76 bn & ~INR 0.36 bn respectively at the end of FY12. With improvement in EBITDA & cash flows the company aims to repay ~INR 0.4 bn & INR ~0.6 bn through cash profits in FY13 & FY14 respectively. It aims to reduce its debt & interest cost to ~INR 1.5 bn & INR 0.2 bn respectively in 2-3 yrs. The company also owns ~35 acres of disposable land (at Hyderabad & NCR) which it is willing to sell after the recovery in the property prices.

## Outlook & Valuation

Currently Batteries & Flashlights contribute 80% of the total revenue of Eveready. Digitization & consequent use of 2 remotes should increase its AAA battery sales. Going forward, with improvement in distribution channel, sales from other divisions should also pick up. Our outlook on smart phones & tablets is robust & hence we believe that demand for the portable charger should go up. The company is targeting revenue of INR 15 bn in FY16, CAGR of 11% from FY13E to FY16E. Though the company has INR ~2.76 bn of debt but there is also a cushion from ~35 acres of disposable land. Currently the stock is trading at a P/E of 18x its FY13E EPS of INR 1.

Shareholding (%)	Dec-12
Promoters	40.86
FIIIs	1.62
DIIIs	5.72
Others	51.8

## Relative Price Performance



Key Data	
BSE Code	531508
NSE Code	EVEREADY
Bloomberg Code	EVRIN IN
Reuters Code	ERDY.BO
Shares Outstanding (mn)	72.68
Face Value	5
Mcap (INR bn)	1.32
52 Week H/L	32.00/16.80
2W Avg. Qty.NSE	137730
Free Float (INR Bn)	0.78
Beta	1.54

Y/E (INR mn)	FY09	FY10	FY11	FY12
Net Sales	8636	9671	9514	9803
Growth (%)	1.94%	11.98%	-1.62%	3.03%
EBIDTAM (%)	9.25	11.17	9.92	-2.68
Adj. PAT	194	557	386	(58)
Growth (%)	-197.44%	186.86%	-30.58%	-114.91%
Adj. EPS (INR)	2.67	19.49	5.34	0
P/E (x)	6.67	3.04	9.32	0
EV/EBIDTA	4.78	3.15	5.93	0
Net Debt/Equity	0.5	0.41	0.37	0.46
RoACE (%)	7.34	11.41	8.64	0
RoAE (%)	4.07	10.03	6.14	0

## Financials

### Income Statement

Y/E March (INR mn)	FY09	FY10	FY11	FY12
Net Sales	8636	9671	9514	9803
% Growth	1.94%	11.98%	-1.62%	3.03%
Cost of Goods Sold	5485	5903	6005	6424
Employee Cost	758	795	880	908
Other Optg. Exps.	1595	1894	1685	2733
Total Optg. Exps.	7838	8591	8570	10066
EBIDTA (excl OI)	799	1080	944	(263)
% Growth	27.30%	35.26%	-12.61%	-127.87%
EBITDA Margin %	9.25%	11.17%	9.92%	-2.68%
Dep./Amortization	249	241	245	242
EBIT	549	839	699	(505)
EBIT Margin %	6.36%	8.68%	7.34%	-5.15%
Interest Expense	422	363	334	361
Other Income	51	1163	96	75
EBT	179	1639	461	(790)
Tax Expenses	(15)	217	67	8
PAT	194	1422	394	(799)
Adjustment to PAT	0	866	7	(741)
APAT	194	557	386	(58)
% Growth	-197.44%	186.86%	-30.58%	-114.91%
APAT Margin %	2.25%	5.75%	4.06%	-0.59%

### Key Ratios

Y/E March	FY09	FY10	FY11	FY12
<b>Per Share Data (INR)</b>				
Reported EPS	2.67	19.57	5.42	(10.99)
Adj. EPS	2.67	19.57	5.42	(10.99)
Growth (%)	-200.38%	632.96%	-72.30%	-302.77%
CEPS	6.10	22.89	8.79	(7.66)
DPS	0.00	0.50	0.50	0.00
BVPS	66.48	85.83	90.75	79.98
<b>Return Ratios (%)</b>				
RoACE	7.34	11.41	8.64	0.00
RoANW	4.07	10.03	6.14	0.00
RoIC	7.93	20.64	7.38	(4.82)
<b>Liquidity Ratios</b>				
Net Debt/Equity	0.50	0.41	0.37	0.46
Interest Coverage Ratio	1.42	2.64	2.38	0.88
Current Ratio	0.77	0.82	0.80	0.68
Quick Ratio	0.34	0.47	0.36	0.30
<b>Efficiency Ratios</b>				
Asset Turnover Ratio	0.96	1.08	1.02	1.12
Inventory Days	68.16	72.94	69.05	75.29
Debtor Days	14.64	13.27	15.36	15.33
Creditor Days	49.49	44.08	45.39	50.88
<b>Valuation Ratios</b>				
P/E (x)	6.67	3.03	9.18	(2.05)
P/BV (x)	0.27	0.69	0.55	0.28
P/CEPS (x)	2.92	2.59	5.66	(2.94)
Dividend Yield (%)	0.00	0.84	1.00	0.00
EV/Net Sales (x)	0.47	0.73	0.65	0.45
EV/EBIDTA (x)	4.78	3.15	5.93	(23.25)

### Balance Sheet

Y/E March (INR mn)	FY09	FY10	FY11	FY12
Share Capital	390	363	363	363
Reserves and Surplus	5156	6309	6489	5524
Total Networth	5545	6672	6853	5888
Secured	2678	2505	2345	2602
Unsecured	212	343	279	162
Total Debt	2890	2847	2624	2765
Deferred Tax Liability	172	155	140	147
Other Liabilities	0	0	94	98
<b>Sources of Funds</b>	<b>7920</b>	<b>9241</b>	<b>9453</b>	<b>8823</b>
Net Block	8041	7918	7767	7847
CWIP	117	130	137	111
Investments	0	411	411	1
Current Assets	2758	3176	2663	2821
Current Liabilities	3026	2439	2096	2284
Net Current Assets	-268	737	567	537
Misc. Expenditure	30	0	0	0
Deferred Tax Assets	0	46	55	54
Other Assets	0	0	517	273
<b>Application of Funds</b>	<b>7920</b>	<b>9241</b>	<b>9453</b>	<b>8823</b>

### Cash Flow

Y/E March (INR mn)	FY09	FY10	FY11	FY12
EBT	179	1639	461	(790)
Less: Other Income/Exceptionals	(51)	(1163)	(96)	(75)
Add: Depreciation	249	241	245	242
Add: Interest paid	422	363	334	361
Direct taxes paid	(21)	(279)	(92)	0
Change in Working Capital	579	(1041)	159	(6)
<b>Cash Flow from operations (a)</b>	<b>1459</b>	<b>2085</b>	<b>1203</b>	<b>(118)</b>
Change in Fixed Assets	(68)	421	(68)	(14)
Change in CWIP	(22)	(12)	(7)	26
Change in Investments	15	(411)	0	411
<b>Cash Flow from Investing (b)</b>	<b>(75)</b>	<b>(3)</b>	<b>(76)</b>	<b>423</b>
Change in Equity	0	0	0	0
Debt Raised/(Repaid)	(1127)	(43)	(223)	140
Dividend paid	0	(36)	(36)	0
Interest paid	(422)	(363)	(334)	(361)
<b>Cash Flow from Financing (c)</b>	<b>(1549)</b>	<b>(442)</b>	<b>(593)</b>	<b>(221)</b>
<b>Net Change in Cash (a+b+c)</b>	<b>(165)</b>	<b>1641</b>	<b>534</b>	<b>84</b>
Opening Cash	330	123	86	75
Closing Cash	123	86	75	40

---

 Sharad Avasthi      Dy Head - Equity Research      sharad.avasthi@spagroupindia.com      Tel.: +91-33-4011 4800      Ext.832
 

---

**Disclaimer:** This report is for the personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. SPA Securities Limited (hereinafter referred as SPA) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The intent of this document is not in recommendatory nature. The views expressed are those of analyst and the Company may or may not subscribe to all the views expressed therein. The report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon such. SPA or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. SPA or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement.

The recipients of this report should rely on their own investigations. SPA and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. SPA has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

**Disclosure of Interest Statement**

- |  |      |
|--|------|
| 1. Analyst ownership of the stock            | - No |
| 2. Group/Directors ownership of the stock    | - No |
| 3. Broking relationship with company covered | - No |

This information is subject to change without any prior notice. SPA reserves the right to make modifications and alternations to this statement as may be required from time to time. Nevertheless, SPA is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

**SPA Securities Limited : SPA House, Nyay Sagar, Near Gurunanak Hospital, Bandra (E), Mumbai - 400051, Tel. No. : +91-022-4289 5600**

For More Information Visit Us At : [www.spasecurities.com](http://www.spasecurities.com)

<b>SPA CAPITAL SERVICES LIMITED</b>	<b>SPA COMTRADE PRIVATE LIMITED</b>	<b>SPA Securities Ltd</b>	<b>SEBI Reg. Nos.</b>
Investment Advisory Services, AMFI Reg. No. ARN-0007	Member of NCDEX & MCX. NCDEX TMID-00729, NCDEX FMC No.NCDEX/TCM/CORP/0714	NSE Cash NSE Future & Option NSE Currency Derivatives BSE Cash BSE Currency Derivatives MCX-SX Currency Derivatives	INB231178238 INF231173238 INE231178238 INB011178234 INE011178234 INE261178238
<b>SPA CAPITAL ADVISORS LIMITED.</b>	<b>SPA INSURANCE BROKING SERVICES LTD.</b>	OTCEI PMS CDSL DP NSDL DP	INB200891838 INP000003179 IN-DP-CDSL-485-2008 IN-DP-NSDL-316-2009
SEBI registered Category-1 Merchant Bankers SEBI Regn. No. INM000010825	Direct Broker for Life and General Insurance Broking IRDA Lic. Code No. DB053/03		