

Eveready Industries India Limited

10th February 2025

Rising market share of alkaline batteries from ~6% to ~11%

In Q3 FY25, Eveready Industries India Limited (EIL) delivered a topline growth of ~9% on a YoY basis, driven by high single-digit growth in the batteries segment and double-digit growth in the flashlight segment. However, gross margins contracted by 317 bps on a QoQ, primarily due to a sharp increase in raw material costs. Looking ahead, the flashlight segment is expected to sustain double-digit growth, supported by the enforcement of regulatory norms aimed at ensuring product safety, quality, and environmental protection. Additionally, the Company continues to witness robust momentum in its alkaline battery segment, with market share expanding significantly from ~6% to ~11%, reflecting strong traction in this category.

Capacity expansion

The Company is planning a capital expenditure of Rs. 1.8 Bn, primarily financed through borrowed funds (Rs. 1.5Bn), to establish a facility for producing 360 Mn units of AA and AAA alkaline batteries in response to the growing demand. Currently, the Company imports alkaline batteries, and domestic manufacturing is expected to yield a 10% cost savings. The anticipated asset turnover for this capacity is 1x. The facility is expected to commence in H2 FY26. The Company has purchased a land parcel in Jammu and Kashmir and for ~Rs. 200 Mn.

Change in regulation for flashlight segment

Effective January 1, 2025, the Ministry of Commerce has mandated that all flashlights sold in India must comply with Indian Standard IS 2083:2024. This regulation, enforced under the Bureau of Indian Standards (BIS) Act, 2016, aims to ensure product safety, quality, and environmental protection. This development is expected to create favorable growth opportunities for organized players as unorganized competitors may face challenges in meeting the required standards.

View & Valuation

We believe that EIL would do a flat revenue growth in FY25E and improve its PAT margins from ~5% in FY24 to ~5.5% in FY26E due to the change in product mix. However, we believe that the market has discounted the benefits of operating leverage at the current price. Based on our estimates, we have maintained our 'NEUTRAL' rating with a target of Rs. 381 (35x FY26 earnings).

NEUTRAL

CMP Rs. 358

TARGET Rs. 381 (6.4%)

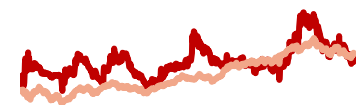
Company Data

Bloomberg Code	EVRIN IN
MCAP (Rs. Mn)	26,022
O/S Shares (Mn)	73
52w High/Low	505/295
Face Value (in Rs.)	5
Liquidity (3M) (Rs. Mn)	~34

Shareholding Pattern %

	Dec 24	Sep 24	Jun 24
Promoters	43.2	43.2	43.2
FIIIs	4.2	3.9	3.7
DIIIs	2.8	2.6	2.6
Non-Institutional	49.8	50.3	50.5

Eveready vs Nifty



Feb, 22 Feb, 23 Feb, 24 Feb, 25
— Eveready — NIFTY

Source: Keynote Capitals Ltd.

Key Financial Data

(Rs. Mn)	FY24	FY25E	FY26E
Revenue	13,143	13,130	14,088
EBITDA	1,404	1,444	1,332
Net Profit	668	746	791
Total Assets	8,024	9,384	11,029
ROCE (%)	19%	13%	13%
ROE (%)	19%	18%	16%

Source: Company, Keynote Capitals Ltd.

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Eveready Industries India Ltd | Quarterly Report

Q3 FY25 Result Update

Result Highlights (Rs. In Mn)

Particulars	Q3 FY25	Q3 FY24	Change % (Y-o-Y)	Q2 FY25	Change % (Q-o-Q)	9M FY25	9M FY24	Change % (Y-o-Y)	FY24
Revenue from Operation	3,335	3,049	9%	3,626	-8%	10,455	10,334	1%	13,143
Gross Profit	1,457	1,349	8%	1,699	-14%	4,742	4,422	7%	5,679
Gross Profit %	43.7%	44.2%	-55 Bps	46.9%	-317 Bps	45.4%	42.8%	256 Bps	43.2%
Employee Cost	433	401	8%	434	0%	1,279	1,186	8%	1,604
Other Expenses	731	701	4%	788	-7%	2,195	2,089	5%	2,671
EBITDA	292	247	18%	478	-39%	1,268	1,148	10%	1,403
EBITDA %	8.8%	8.1%	67 Bps	13.2%	-442 Bps	12.1%	11.1%	102 Bps	10.7%
Depreciation	70	69	2%	72	-3%	217	212	2%	303
EBIT	222	178	25%	406	-45%	1,051	936	12%	1,101
EBIT %	6.7%	5.8%	82 Bps	11.2%	-453 Bps	10.0%	9.1%	99 Bps	8.4%
Finance Cost	66	79	-16%	63	5%	199	251	-21%	323
Other Income	3	4	-21%	7	-55%	12	33	-64%	29
PBT	159	103	54%	350	-55%	864	718	20%	806
Tax Expenses	28	19	48%	55	-48%	143	131	10%	139
PAT	131	84	56%	296	-56%	720	587	23%	668
EPS	1.80	1.16		4.07		9.91	8.08		9.19

Source: Company, Keynote Capitals Ltd.

Q3 FY25 Conference Call Takeaways

General Highlights

- Advertising expenditures for the quarter accounted for 11% of the Company's revenue.
- The Company has submitted an application for tax incentives related to its greenfield capital expenditure initiatives.
- The peak debt level following the completion of the capital expenditure is projected to be ~Rs. 3.3 Bn.
- The management guided that going forward, the sustainable gross margins are expected to be ~45%.

Flashlights

- During the quarter, the flashlight segment recorded an 18.9% growth on a YoY basis.
- Rechargeable flashlights demonstrated a robust growth of 55% on a YoY basis.
- The demand is being driven by innovative offerings such as the Siren Torch, various searchlights, and Kisan flashlights.
- The Company holds a dominant market share of 70% in the battery-operated flashlight segment.

Batteries

- The Company's market share in the alkaline battery segment increased from ~6% to ~11%.
- The Company is strategically focused on expanding its retail footprint in targeted markets to sustain and accelerate growth.
- Currently, gross margins for alkaline batteries stand at 20%. Post-commissioning of the new facility, gross margins are expected to improve significantly to ~28-30%.
- The Company holds a dominant market share of 53% in the overall battery industry.
- At the retail level, sales prices are as follows: carbon zinc batteries are priced at Rs. 10-12, premium carbon zinc batteries at Rs. 18, value alkaline batteries at Rs. 22, and premium alkaline batteries at Rs. 50.
- The target market for alkaline batteries is split equally between OEMs and retail (50:50), whereas Carbon Zinc batteries are predominantly (~100%) focused on the B2C segment.

Lighting

- Growth in the lighting segment moderated, impacted by ongoing value erosion, heightened competitive activity, and pricing pressures.
- The Company is prioritizing a dual distribution strategy, which includes expanding its presence in the electrical outlet segment through the onboarding of new dealers, while simultaneously strengthening its focus on alternative distribution channels.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	13,277	13,143	13,130	14,088	15,129
Growth %		-1%	0%	7%	7%
Raw Material Expenses	8,267	7,464	7,353	7,819	8,396
Employee Expenses	1,466	1,604	1,720	1,803	1,936
Other Expenses	2,443	2,671	2,613	2,747	2,950
EBITDA	1,101	1,404	1,444	1,719	1,846
Growth %		27%	3%	19%	7%
Margin%	8%	11%	11%	12%	12%
Depreciation	274	303	313	387	427
EBIT	827	1,101	1,131	1,332	1,419
Growth %		33%	3%	18%	7%
Margin%	6%	8%	9%	9%	9%
Interest Paid	566	323	252	399	434
Other Income & exceptional	86	29	20	20	20
PBT	347	807	899	953	1,005
Tax	70	139	153	162	171
Net Profit	276	668	746	791	834
Growth %		142%	12%	6%	5%
Shares (Mn)	72.7	72.7	72.7	72.7	72.7
EPS	3.80	9.19	10.27	10.88	11.48

Balance Sheet

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Cash, Cash equivalents & Bank	71	81	1,424	1,806	2,464
Current Investments	0	0	0	0	0
Debtors	1,024	1,134	1,182	1,268	1,362
Inventory	2,596	2,505	2,426	2,580	2,771
Short Term Loans & Advances	776	5	5	5	5
Other Current Assets	164	914	914	914	914
Total Current Assets	4,631	4,638	5,950	6,573	7,515
Net Block & CWIP	3,111	2,957	3,006	4,028	4,055
Long Term Investments	75	75	75	75	75
Other Non-current Assets	999	353	353	353	353
Total Assets	8,816	8,024	9,385	11,029	11,998
Creditors	1,672	1,686	1,600	1,754	1,889
Provision	211	164	164	164	164
Short Term Borrowings	1,223	1,417	1,417	1,417	1,417
Other Current Liabilities	1,187	705	705	705	705
Total Current Liabilities	4,293	3,972	3,887	4,040	4,175
Long Term Debt	2,080	1,435	2,135	2,835	2,835
Deferred Tax Liabilities	-1,620	-1,532	-1,532	-1,532	-1,532
Other Long Term Liabilities	869	281	281	281	281
Total Non Current Liabilities	1,329	185	885	1,585	1,585
Paid-up Capital	363	363	363	363	363
Reserves & Surplus	2,831	3,504	4,250	5,041	5,875
Shareholders' Equity	3,194	3,867	4,613	5,404	6,239
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	8,816	8,024	9,385	11,029	11,998

Cash Flow Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	347	807	1,039	1,198	1,286
Adjustments	1,041	529	628	754	827
Change in Working Capital	71	95	-139	-135	-177
Total Tax Paid	-516	109	-177	-204	-219
Cash flow from operating Activities	943	1,539	1,351	1,612	1,716
Net Capital Expenditure	-243	-337	-900	-900	-325
Change in investments	9	0	0	0	0
Other investing activities	984	108	30	30	30
Cash flow from investing activities	750	-229	-870	-870	-295
Equity raised / (repaid)	1.84	0	0	0	0
Debt raised / (repaid)	-2,408	-887	700	700	0
Dividend (incl. tax)	-410	0	0	0	0
Other financing activities	-193	-382	-329	-399	-434
Cash flow from financing activities	-3,009	-1,268	371	301	-434
Net Change in cash	-1,316	42	852	1,044	988

Valuation Ratios

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Per Share Data					
EPS	4	9	10	11	11
Growth %		142%	12%	6%	5%
Book Value Per Share	44	53	63	74	86
Return Ratios					
Return on Assets (%)	3%	8%	9%	8%	7%
Return on Equity (%)	9%	19%	18%	16%	14%
Return on Capital Employed (%)	6%	19%	13%	13%	13%
Turnover Ratios					
Asset Turnover (x)	1.6	1.6	1.5	1.4	1.3
Sales / Gross Block (x)	2.9	2.7	2.6	2.4	2.2
Working Capital / Sales (x)	0%	4%	10%	16%	19%
Receivable Days	19	30	32	32	32
Inventory Days	110	125	122	117	116
Payable Days	71	83	82	77	77
Working Capital Days	59	72	72	72	71
Liquidity Ratios					
Current Ratio (x)	1.1	1.2	1.5	1.6	1.8
Interest Coverage Ratio (x)	1.6	3.5	4.6	3.4	3.3
Total Debt to Equity	1.0	0.7	0.8	0.8	0.7
Net Debt to Equity	1.0	0.7	0.5	0.5	0.3
Valuation					
PE (x)	76.9	36.9	34.9	32.9	31.2
Earnings Yield (%)	1%	3%	3%	3%	3%
Price to Sales (x)	1.6	1.9	2.0	1.8	1.7
Price to Book (x)	6.6	6.4	5.6	4.8	4.2
EV/EBITDA (x)	22.6	17.6	20.2	17.0	15.8
EV/Sales (x)	1.9	1.9	2.2	2.1	1.9

Source: Company, Keynote Capitals Ltd.

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
4 th April 2024	BUY	339	+26.8%
29 th April 2024	BUY	356	+10.8%
6 th August 2024	NEUTRAL	409	+1.0%
14 th November 2024	NEUTRAL	360	+5.8%
10 th February 2025	NEUTRAL	358	+6.4%

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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