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November 9, 2022

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| BSE Limited<br>P.J. Towers,<br>Dalal Street, Fort<br>Mumbai - 400 001 | The National Stock Exchange of India Ltd<br>Exchange Plaza, C-1,<br>Block – G,<br>Bandra Kurla Complex<br>Bandra (East)<br>Mumbai - 400 051 | The Calcutta Stock Exchange<br>Limited<br>7, Lyons Range<br>Kolkata - 700001 |

**Sub : Transcript of Earnings Conference Call on Q2 FY23 results**

Dear Sirs,

Further to our letter dated October 21, 2022 and November 2, 2022, we enclose herewith the transcript of the Earnings Conference Call on the Q2 FY23 results of the Company, held on Wednesday, November 2, 2022.

The said transcript is also available under the Investor Meet/Call Section of the website of the Company at https://www.evereadyindia.com/investors/investor-meet-call/.

The above is for your information and record.

Thanking you,

Very truly yours,
**EVEREADY INDUSTRIES INDIA LTD.**

TEHNAZ PUNWANI
Digitally signed by TEHNAZ PUNWANI
Date: 2022.11.09 10:33:35 +05'30'

**(T. PUNWANI)**
**VICE PRESIDENT – LEGAL & COMPANY SECRETARY**

ENCL. AS ABOVE

# Eveready Industries Limited

## Q2 & H1 FY23 Earnings Conference Call Transcript

## November 02, 2022

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Q2 & H1 FY23 earnings conference call of Eveready Industries Limited. As a reminder, all participant lines will be in 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. Siddharth Rangnekar from CDR India.

**Siddharth Rangnekar:** Thank you. Good afternoon, everyone, and welcome to Eveready Industries India Q2 FY23 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 the call, let me share a disclaimer. Some of the statements made on today's call could be forward-looking in nature, and 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 and is also available on the stock exchange website. I would now like to invite Mr. Saha to share his perspectives with you. Thank you, and over to you, Mr. Saha.

**Suvamoy Saha:** Thank you. A most hearty welcome to all and good afternoon. Thank you for being part of today's call. We have posted the call today to share perspectives on Eveready's performance for the period ended September 30, 2022.

During my previous interaction, you would recall my mention that the company has embarked on a journey towards generating growth. Riding on the strength of its iconic Eveready brand, a highly motivated and empowered professional management team is tirelessly working to engage with the consumer and make effective investments to support the distribution network. I'm happy to say that the company is on track toward achieving its objectives. Various areas of opportunities across segments have been identified and states are being taken to fully tap into these opportunities. As a brand, Eveready commands a significant recall and it is our objective to suitably leverage its potential in categories of choice.

The second pillar is our exhaustive reach across the length and breadth of this country, with nearly 800,000 in direct outlet reach and 4 million outlets if one considers the multiplier provided by the wholesaler. On today's call, I shall aim to bring to you relevant updates on each of these aspects . We are working towards augmenting areas in which we are already well positioned, namely branding, distribution and bringing innovative products to the market.

As articulated by me the last time, we are geared to drive growth, which has come to a standstill for the company over the last several years. Thus, additionally, each segment will see some investment either in terms of new product development, communication and outreach.

Our business at the moment has 3 categories: batteries, flashlights and lighting. As communicated earlier, we are ensuring that our product lineup in each segment is completely supported such that it is able to tap market potential very optimally. When we shall evaluate additional categories of interest, but this will be pursued at an opportune stage in the future and after we have created a good momentum in the present segmental lineup. I will bring out our initiatives segment-wise in order to give you a flavor of the on-ground progress that we are making.

Eveready batteries draw strength from our strong brand connecting the marketplace, as you know, we are present in both technologies of dry cell battery, namely carbon zinc and alkaline. Consumers rarely make their purchasing decision based on technology as functional attributes are mostly similar for both. Thus, one finds that consumers make their purchase decisions based on price points comfortable to them. We believe our batteries are best in class in either technology.

Some of you must have noticed the rollout of our new advertising campaign for our premium range of batteries, showcasing product superiority and long-lasting qualities. We will do the same for our mid and economy ranges in due course of time. It is our endeavor to engage with our consumer so that she makes her choice based on quality engagement. We have also initiated activities to roll out on ground initiatives to increase outlet reach in key markets. This will be complementary to our program of consumer communication. Per capita consumption of batteries for India being considerably lower than what it should be for a nation of our size, I am confident that we will be able to create a mark on the back of a superior product quality and distribution.

Moving on to Flashlights. The negative trend line for battery-operated flashlights continued in the market. However, that is more than handsomely made up by the growth in the rechargeable flashlight segment. As mentioned in our earlier call, our company has not focused adequately on this emerging and larger segment. However, our team is now closely working towards developing a complete portfolio of rechargeable products. This will be priced at consumer desired price points. In a somewhat fragmented marketplace, we are driving home the Eveready advantage and building upon our leadership scale to our rechargeable offerings. Competition is rife, especially within the unorganized segment, comprising primarily of low-value imports or SME operations at a local level. Needless to say, quality and safety are not always of paramount consideration for such players. Our proposition is markedly superior and caters to a wide variety of requirements. Our intent is to have a full range of products to meet requirements of both rural and urban pockets. We are confident that our quality product offering, backed by our brand promise and easy availability, will take us to a deserved market leadership position in the foreseeable future.

Next, I want to address the Lighting segment. The business is launching new products across the entire range of LED bulbs and luminaires. Whereas advantage of an extensive distribution setup, especially in the Tier 3 or 4 towns and rural markets, we are also distributing products through electrical outlets in higher tier towns. We are working on a wider assortment of offering, which will be positioned with quality and longevity as hallmarks. Our supply side teams are working so that we can price our range competitively in the market. Looking at our present scale, I'm confident that we will be able to deliver strong growth through comprehensive development of the distribution channels and diversification of the product portfolio.

I now turn my attention to key developments of the quarter ended September 30, 2022. Revenues from operations stood at INR375.8 crore as compared to INR357.5 crore in the previous year. This represented a growth of 10% for the quarter and 15% for the fast track when the discontinued business of appliance is ignored. In other words, we recorded double-digit growth for the second consecutive quarter as opposed to a negative CAGR over the previous 5 years. This achievement assumes significance in light of volumes remaining soft during the quarter as demand was impacted due to high inflation. The market growth itself is still in the process of recovery and inflationary trends are tending to impact traction. The battery-operated flashlights were adversely affected due to delayed or deficit monsoon in the relevant geographies where these are marketed.

The EBITDA for the period stood at INR43 crore with 11.4% margin. This reflects the firmness in key input materials and depreciation of the rupee against the dollar. Commodity prices started easing off towards the end of the quarter, but the continuing weakness of rupee remains a cause for concern. The PBT and PAT for the quarter stood at INR20.9 crore and INR14.7 crore, respectively, impacted adversely due to a onetime noncash charge of unamortized front-end piece of a loan replaced during the quarter and an adjustment to deferred taxes. The market share of batteries was higher by 80 bps over the preceding quarter and 60 bps over the previous year to stand at 52.8% in quarter 2.

Whereas we are implementing a defined plan of action across each of our segments, there is some continuing softness in demand yet. While there are see uncertainties and headwinds with the economy all over the world, we believe our country's underlying strengths will pull up spending in the foreseeable future and restore the pre-pandemic momentum. We are an organization that is gearing for sound growth, the management team is focused on delivering growth by offering to the market, products, which are loved by our consumers. We will engage with her and communicate.

A critical aspect of our business is availability. We are taking a hard look at our route to market and making changes to make the company amenable for growth. We hope to complete the first round of improvement measures by end of this financial year. While the enhanced communication and investment in distribution will spur growth, there may be some impact on short-term profits due to these interventions. However, for the sake of a healthy future, the company is willing to make that sacrifice. Our present business mix will get further augmented as outlined initiatives gain foothold, driving consistent cash generation for us. My objective is to outline a clear path to profitable progress and ensure that we put the right foot forward as a business.

With this, I have come to the end of my perspectives and shall request the moderator to move to the questions from the participants.

**Moderator:** The first question is from the line of Avinash Nahata from Parami Financial Services. Please go ahead.

**Avinash Nahata:** So my question pertains to the Lighting segment. So when we talk about Lighting, so it is split into LED bulbs. And then when we talk about aesthetics, it goes down to surface lights, probably spotlights, downlights, et cetera, a whole lot of portfolio, which sells through a totally different distribution as against the LED bulbs or the batteries or the flashlight. So can you take us through what kind of distribution you are developing specifically for Lighting, number one? And second question pertaining to Lighting is, what kind of Capex you expecting or what is the route you are taking for development of products? Whether you're putting up your own infrastructure or your outsourcing? And what is the kind of business you think you are going to develop over the next 3, 4 years?

**Suvamoy Saha:** Thank you, Mr. Nahata. First I take on the distribution part. So as you very rightly mentioned, there are specialized channels that cater to the entire range of Lighting products, which would include the aesthetics, the downlighters, et cetera, et cetera, and also lamps. So we are, as you know, very strong in the general trade distribution, which takes only lamps and maybe some lower value downlighters and stuff like that. We are obviously present there. We also, as I touched upon in my speech earlier, we are also having a channel that takes care of these electrical outlets, which are specialized in nature and fit the entire range. So we are actually present in both general trade distribution as well as lighting distribution.

With regard to your question on Capex, we have a very strong design and development team in-house, which develops, which designs, makes out the entire bill of material that needs to be sort of done for producing the lamps. However, we go to third-party manufacturers to produce the same, but the design is ours and the quality control is ours. We have, in that process, some very large names who are supplying to most players in the industry. We also have a contracted manufacturer who is exclusive to us. I think I have answered your questions.

**Avinash Nahata:** When you spoke about specific distribution channels relating to the electrical, when you sell those high-end electrical items. So what is the number? And what is that number you're looking to scale it to in the next 2 years or 3 years?

**Suvamoy Saha:** So obviously, we are in this business for the long haul. So based on whatever is the universe of electrical outlets, we have to be present in a significant number. So the way we would scale up over the next 2 years, our attempt to be either directly or through the wholesale multiplier, we would like to be present at least in 50% of the so-called specialized outlets. The case is the same with regard to general trade. We are present nearly in either directly or through the wholesale channel. Our products are present in 50% of the universe of FMCG outlets.

**Avinash Nahata:** And one related question is when you're speaking about imports, displacement of imports, whether low quality or low on warranty, et cetera. So when you're competing with guys like Wipro, Panasonic, Philips, Syska, those are the pan-India kind of players. So what is the strategy when you are competing with these guys in the Lighting segment where they have deeply penetrated, most of them?

**Suvamoy Saha:** So you mentioned about the unorganized part, the low-value imports, which I had referred to in my speech, that was related to the rechargeable flashlight. So is your question related to the rechargeable flashlights or lighting?

**Avinash Nahata:** Lamps and lighting, which also has a component of imports.

**Suvamoy Saha:** Okay. So I did not listen, clarify, I did not mean low-value imports with the Lighting segment that is more on the rechargeable flashlight segment. With regard to several brands being present in the Lighting market, that's a fact of life, everyone knows it. It is a fragmented market. And I think that is a huge opportunity area for us because our brand is considered among one of the highest recalled brands in the segment, though we are at a very small market share and based on that very small base that we have today, we have immense headroom to grow as compared to the more mature players. So that is it. I mean, we are a highly recalled brand in a fragmented market. With very low market share presently because we have just now started.

**Avinash Nahata:** Sir, any number, how much this business can grow in the next 3 years.

**Suvamoy Saha:** So this year, we would be somewhere around INR320 crore, this year.

**Avinash Nahata:** Lighting segment?

**Suvamoy Saha:** Lighting, just Lighting, which should include the entire range of products. And we aspire to grow somewhere around between INR450 crore to INR500 crore next year, that is an ambitious target. And of course, we will have to sort of crystallize on that as we go along in this year. And so the direction is very clear. We want to be an INR1,000 crore brand in the course of the next 3 years.

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

**Kush Gosrani:** How should one think of gross margins going ahead since we are seeing some stabilization in the raw material costs?

**Suvamoy Saha:** So I would say that with regards to batteries, which is the highest gross margin that we earn among the 3 segments, things are still a little choppy. So as I mentioned earlier, the raw material prices have started easing off. It started actually somewhere from the middle of the quarter. However, the rupee depreciation is eroding all the gains that we are making there. So we are not yet anywhere better off on the battery contribution, but we have been able to improve our contributions, our margins in both Flashlights as well as Lighting. That is because we have been able to augment our portfolio towards higher value products. And that is the reason why we have improved there. Batteries would improve. It is just where and when rupee stabilizes.

**Kush Gosrani:** And how many price hikes would we have taken to offset the raw material increases that we had seen?

**Suvamoy Saha:** We could pass on about 50% of the adverse commodity costs at that time, and we did it in 2 phases. But as I said, Batteries took a hard knock on the commodity prices and the rupee depreciation, the problem related to commodity prices have eased off, but the rupee depreciation continues unabated.

**Kush Gosrani:** And last question is, you guided to give for the Lighting business. How should we look for battery businesses? What would be the guidance over there? How much revenue could be potentially over the next 2 years?

**Suvamoy Saha:** So battery business, as we have been mentioning in our calls, did not have any growth virtually over the last several years. Though we are the market leader, and we earn very good margins, etc. So we have won without many of the opportunity areas unattended. So that is what we are presently looking at and that is how even for this half year, the battery turnover actually went up by 13% as opposed to near 0% for the last several years. We would continue to pursue this opportunity area, and we will try to sustain growth at a high level. It would be perhaps a little difficult to see just now, but our endeavor should be if we can maintain that at a double-digit level.

**Moderator:** The next question is from the line of Sonal from Prescient Capital. Please go ahead.

**Sonal:** This is Sonal. I wanted to understand a little bit about the battery market, by and large. You mentioned in H1, you've grown by 13% vis-a-vis the same period last year. So has the market also grown by a similar amount? That's the first part of the question. And I think I remember that you're mentioning that the market has also been largely 1% or 2% kind of a growth market over the last 4, 5 years. I just wanted to understand the reason for that. And if that is going to be true for the future as well, how do you plan to grow in the future?

**Suvamoy Saha:** So to answer your first question about the market growth for the half year. There has not been any growth during this period particularly because there has been certainly a slowdown in the market because of high inflation and slowdown in the economy, et cetera. We have grown because, as I said a little while back, we have taken advantage of certain opportunity areas, which we had left unattended. Now with regard on a long-term leases so that the market will grow or not, the answer is like this. We are seeing that in the recent past, the higher-price products are having a decent growth, whereas the lower-priced products, which are typically in the rural areas, they are stagnating, correct.

Now the battery demand grows when there is a growth in the population of devices in the country. The ones that take the batteries for running those devices. So currently, the device population and the device penetration in India is certainly much lower than most other economies. I mean, I'm talking of comparable economies. And that is what provides a strong headroom for batteries to grow. Now whether that is going to happen next year that is going to happen 3 years since, it's difficult to quantify. But I'm quite confident, and I believe that Eveready has a lot of headroom to grow because in the last several years, and I keep repeating that, we did not grow. We did not grow. We retained good profitability. We retained, I would say, our brand salience, et cetera, et cetera. But there is now a case for the Eveready business in batteries to grow. And that is how I made this comment that our endeavor would be keep Battery momentum growing at around 10% plus.

**Sonal:** And sir, my second question is with regard to. Sir, I wanted to understand like since you mentioned in Batteries, the business did not grow because of various reasons. So what is the current status of the distribution channel? And like what does it take to activate the distribution channel? Is it incentives? Is it branding and marketing? Is it some extra support, training or is this reactivation of certain promotions? Just wanted to understand how hard is it to fix the distribution channel? Given it's been a while the brand has not invested enough in.

**Suvamoy Saha:** I understand. I'll try to answer. So the heart of everything for a branded play is that we need to communicate to consumers. And that is where we fell short in the previous years. And that is something that we are focusing on, number one. So we need to get into the heart of the consumer, make it, not only just a recalled brand but something that she or he feels actively about. With regard to the distribution, we have a fantastic distribution, it runs through all corners of the country. But there is a requirement, sometimes what happens with some of these old systems, it is good, but we know whether it is the most efficient or not is something that we question. And that is where, as I said, what are the opportunity areas for a mature brand or a mature business like this. These are the opportunity areas. Our distribution requires a tweak for the improvement. And that is exactly what we are trying to do today. And we believe that by the end of this year, we would be able to achieve the first round of improvements.

**Sonal:** And that is largely done through branding and activation? That is the first fix.

**Suvamoy Saha:** Yes. The first fix, of course, is branding and simultaneously distribution so that we get to the battery or for that matter any product, it's a function of brand and availability. So we have to be at the top on both counts, and that is what we are working on now.

**Sonal:** And in the longer term, sir, obviously, maybe it is a little early for me to ask like what does it take on the distribution side, is the product, a single product category enough for distributors to be interested in the product from a longer-term perspective, even assuming that you're a market leader. Just trying to understand, what do distributors say when they actually stock your product as a feedback? Just trying to understand that.

**Suvamoy Saha:** Again, being a mature business, our distribution system and the distributors, they have continued with us for a long, long time. They are very heavily invested into the category. And just to make one clarification, we are not really just a single category. All our products go through the channel. So it is not that he is only dependent on battery. He's dependent, he makes money out of flashlights. Now again he is going to make money out of rechargeable flashlight, he's making money out of lamps, et cetera, et cetera. See to make a simple answer to your question. They are very heavily invested with the company and will continue to do so.

**Moderator:** The next question is from the line of Priyankar Sarkar from Famy-Ananta Capital. Please go ahead.

**Priyankar Sarkar:** A couple of questions. I just wanted to understand the PowerCell brand of batteries that we have, is it going to be discontinued? Or still you want to continue? Because my understanding is that not many are, I mean, at least in the consumer's mind, Eveready is a much stronger brand compared to a PowerCell. So I wanted to understand the strategy there.

**Suvamoy Saha:** Okay. So PowerCell is another brand. The brand is over 100, it pulls in revenue over INR100 crore. So we will certainly have it in our architecture. I mean it is all properly laddered as to what role PowerCell is supposed to play what role Eveready is supposed to play. We have even a third brand called UNIROSS. So these are all properly segmented and all for the sort of overall goal of the company. So PowerCell we will continue with.

**Priyankar Sarkar:** And in your earlier remarks, you said that our reach is 50% of the FMCG market right? FMCG reach. So does that mean about 5 million outlets, would that be a fair number?

**Suvamoy Saha:** So basically, some of them do not store batteries, we are today present in about 4 million outlets.

**Priyankar Sarkar:** And can you give the breakup of direct reach within that?

**Suvamoy Saha:** Sorry, come again.

**Priyankar Sarkar:** Can you please give the breakup of that 4 million into direct reach and indirect reach?

**Suvamoy Saha:** Out of that, the direct reach is 800,000.

**Priyankar Sarkar:** A couple of other questions. Actually, last time also the fact that we have appointed Bain Consulting, any new recommendation that has come from Bain, which we think would be appropriate to implement at our level?

**Suvamoy Saha:** Okay. I think I had answered that last time also, the Bain team is working with us on a day-to-day basis. I mean, on a very live basis. Some of these things that I mentioned that we are trying to look at opportunity areas. They are actually assisting in identifying those for us. They are working with us shoulder to shoulder with regard to the distribution improvements that we are focusing to do. It is not that there is going to be one report that we are waiting for that will come and change things overnight. It is not like, it is a day-to-day improvement process in which the management team and Bain is working together.

**Priyankar Sarkar:** So hopefully, the next few quarters, you can tell us new category, which we plan to enter? I mean I'm assuming that you would like to enter?

**Suvamoy Saha:** Sorry, you got broken up completely.

**Priyankar Sarkar:** Sir, I'm saying so we can expect over the next few quarters, you will announce some new categories in which the company will be entering into.

**Suvamoy Saha:** Okay. I have understood your question. See, as I have said earlier in my speech that we would certainly like to get into newer categories. But at this point, we have got enough on our plate and we have got sufficient to drive growth for the company, profitability for the company. So once we have really sort of come to a stage where we feel satisfied that now we have set the current businesses into the right orbit, we would certainly take on new categories. But I don't think that opportune moment is going to happen in the course of the next, whatever, in 1 year or plus. So we are certainly not looking at the next 4 quarters to bring a new category.

**Priyankar Sarkar:** Sir, I have one longer-term question, if I may. Is there any new cultural change that you and the new promoters are trying to bring in the company?

**Suvamoy Saha:** So I would say that one is an emphasis on professionalism. Correct. The whole team comprised of professional management. I would say there is a lot of interest is being put on the people working enthusiastically in an entrepreneurial manner. So I would say that is the culture. And beyond that, I think a lot of action is put on corporate governance. So that would sum up some of the things that this company is now experiencing.

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

**Saket Kapoor:** Sir, firstly, I would just like to hear more from you on your comment, wherein you have mentioned that the management, I quote here, the management team will put highest degree of emphasis on consumer engagement, along with a healthy top line improvement to put the company back on track, even if that means making short-term sacrifice on profitability. So when you say short-term sacrifice on profitability, what are you trying to convey?

**Suvamoy Saha:** Okay. Saket, it is like this. As you know, we are making investments in brand and distribution. These investments were lacking in the previous years. So when you see the profitability of a previous year that has the benefit I'm not saying that that's a good thing to do, but that has the benefit of not getting these charges in those profitability statements. Today, we are doing that. Today, we are intervening, we are making these interventions, we are investing. So while we are growing and that additional turnover is bringing higher contribution to the bottom line, we are also having to spend beyond what we used to spend earlier. So as a result, what would happen; for a short period, maybe this year, I don't see really that happening going into next year. Our profitability this year may not be at par with the previous year.

But as I said, it is just a temporary thing. And in any case, it is going to be marginal. It is not going to be something very, very drastic. But normally, there is an expectation. When turnover growth, people feel profit should grow, which is the correct thing. However, as I mentioned, because we did not take on charges in the previous year, the profitability picture is somewhat un-comparable.

**Saket Kapoor:** So that means you're saying that it was an accounting entry and a representation of accounts that is what going ahead, do you think differently.

**Suvamoy Saha:** No, no, no, no. Saket, in earlier years, there were less charge on account of advertising and distribution investments. We are incurring those amounts now. So our present profitability statement has higher charges on account of brands and distribution, which is why the profit is going to in a short period of time, till they overcome, we can overcome that with a much higher degree of turnover improvement, will seem a little less compared to the previous years.

**Saket Kapoor:** But on the profitability front, you mentioned that there was non-cash impact on loan repaid. If you could clarify what was the amount repaid and what was the impact on P&L on account of this.

**Suvamoy Saha:** Amount replaced was INR50 crore. We replaced a high-cost borrowing by a lower cost one. And in that particular INR50 crore had an upfront charge of INR6 crore, which was sitting in the books to be amortized over the tenure of the loan. Because we replaced that loan that had to be taken as a charge in this quarter. So that is INR6 crore extra. One time.

**Saket Kapoor:** But this INR6 crore was in other expenses appearing in the other expense.

**Suvamoy Saha:** It would be in the finance cost. It would be in the finance cost.

**Saket Kapoor:** So currently, sir, if you could give what is our current cost of funds? And what is the current debt, the long-term debt and the working capital of the book?

**Suvamoy Saha:** Our total debt currently stands at INR345 crore, our current blended cost of borrowing is about 8.25%.

**Saket Kapoor:** And the current maturity sir, for FY'23 and '24?

**Suvamoy Saha:** Sorry, come again what is.

**Saket Kapoor:** Current maturities. The repayment schedule for FY'23 and '24.

**Suvamoy Saha:** For '22 to '23.

**Saket Kapoor:** For the financial year '23, 31st March '23 and 31st March '24?

**Suvamoy Saha:** The current year is INR100 crore, next year. Similar, next year also.

**Saket Kapoor:** These amounts will be again, bridged or we will be able to pay from the cash flow. What should be the likely scenario in terms of.

**Suvamoy Saha:** Obviously, the first attempt would to pay from cash flow. But let us say there is a cash flow does not suffice, we will have to take some fresh borrowing.

**Saket Kapoor:** One last question. Firstly, when we look at your stock in trade options, when you purchase of stock in trade, what goes into this stock in trade, which of the category. And when you mentioned about Lighting going from INR300 crore to INR450 crore will that be totally manufacturing based from one of our distributors or how will it be a stock in trade composition. I would just like to understand the margin profile going ahead for the Lighting business where you are going to experience or your endeavor is to grow at a higher multiple?

**Suvamoy Saha:** Part of your query relates to Lighting products and Flashlights.

**Saket Kapoor:** Purchase of stock in trade yes.

**Suvamoy Saha:** Yes, with regard to batteries, we don't purchase batteries for sale, only flashlights and lighting products get purchased and sold, so those are the ones. With regard to the margin profile, Flashlight would have a margin of around material margin of about 38%. The Lighting would have a material margin of something like 30% to 33%.

**Saket Kapoor:** Sir, I didn't get you. I'm talking about the net margin if you could give what is the contribution.

**Suvamoy Saha:** Would you kindly explain what you mean net margin?

**Saket Kapoor:** Net margin means?

**Suvamoy Saha:** At the EBITDA level?

**Saket Kapoor:** Yes the EBITDA level.

**Suvamoy Saha:** The EBITDA level. So let me tell you the current as it stands, Flashlight is currently at about 17%. Lighting is just started gone beyond breakeven, it is at 2.5%. But as it grows in scale, that percentage would improve.

**Saket Kapoor:** And lastly, on the noncore asset sale, any update that we have?

**Suvamoy Saha:** No noncore assets. I mean all our assets are used for the operations of the company. So as it works, normally in a business, there is always an endeavor to improve, when we improve, maybe we are working with 6 plants today. Maybe we try to improve, make ourselves more efficient than one plant can be shut down. So then that becomes a noncore asset. But today, there is nothing like a noncore asset within the company.

**Moderator:** The next question is from the line of Rishabh Kothari from White Oak Capital. Please go ahead.

**Rishabh Kothari:** Could you talk about our current market share in the dry cell battery segment? And the double-digit growth that you spoke about, will it largely be volume led or will it come from premiumization?

**Suvamoy Saha:** Okay. So our market share stands at 52.8% in quarter 2. And our double-digit growth that we have seen is primarily premiumization.

**Rishabh Kothari:** I'm asking, sir, the growth that is about to come. Will it be largely driven by volumes?

**Suvamoy Saha:** In the future? In the future, it will be our endeavor to grow volumes, certainly. Certainly. I mean that is want of time. As you know, the country is going through a little bit of slowdown. So far, the growth that we have experienced in the first half has been premiumization led. But going forward, we would certainly like to grow volumes, no doubt about that.

**Rishabh Kothari:** And like you mentioned to some of the previous participants about unattended opportunity areas. Could you talk a little bit about what those opportunities might be like?

**Suvamoy Saha:** Yes. So let me first talk of the biggest opportunity area that we left unattended altogether. The Flashlight's market has 2 segments. One is battery operated one and the other is the rechargeable flashlight. Now originally, all flashlights were dry battery operated. Where our sales would go and the flashlight would be made. But over the last 2, 3 years, rechargeable category has really emerged as a big segment. It is now actually the bigger of the 2 segments. And we did not at all address this rechargeable category. So just to give you an idea, today, the rechargeable segment is about 50% of the total Flashlight category, which we had completely left unattended. So this is a huge opportunity because the brand and the distribution remains the same. I think Flashlight, the battery operated the traditional, we used to hold something like 75% of the market. So it's a huge opportunity area because we are a much-loved flashlight brand, Eveready. Our distribution is absolutely spick and span if we get to this, the Flashlight. So this is a big opportunity. Other big opportunity is within the Battery, I'm not even going into the growth area of Lighting, which itself is a big opportunity for the company because the brand fit is fantastic. The distribution is fantastic. I will not even go to that because it's a new category. In the existing category, even in batteries, there are pockets which we left unattended. There are types where we have -- we are under indexed as compared to our overall market share. So these are the opportunities that we need to sort of.

**Rishabh Kothari:** One of those segments would be alkaline based batteries, right? If I'm correct?

**Suvamoy Saha:** Yes. So as I said, people don't understand alkaline and carbon zinc. People understand price points. Being a mass distribution company, we did not attend or address the higher price range batteries, which we are doing now. Again, that's an opportunity.

**Rishabh Kothari:** Sir, so on this alkaline based battery, just one more question. As the penetration of alkaline based batteries increases, will it reduce the overall volumes of the batteries sold because alkaline based batteries have higher shelf life as well as higher energy density?

**Suvamoy Saha:** See, actually alkaline batteries and carbon zinc batteries, they deliver the same thing. Only thing is that alkaline batteries address higher drain devices much better. And carbon zinc batteries address lower drain battery with the devices. What are lower drain devices? There are things like a flashlight, wall clock, remote control, these are the devices in which carbon zinc battery is as good as an alkaline battery. Alkaline battery is good for higher-drain devices like toys. So battery consumption is a function of how many devices come to the country and what kind of penetration it does in the households. So there is a base where our device population will increase and like it has happened in other countries also, we would not see any kind of shrinkage with regard to the demand for batteries because as people are in a position to spend more, they would like to run their devices more, they would be able to afford more devices. So really, I mean, there is no conflict between the alkaline and carbon zinc segments.

**Rishabh Kothari:** And if I may just squeeze in one more question on Lighting. So like you mentioned that you want to become an INR1,000 crore brand in, say, the next 3 years, 3, 4 years. What I want to understand is that, what is exactly your right to win apart from the brand because if we look at the segment as a whole, it has become highly commoditized with several strong players, including the likes of say Crompton and Havells in this segment. So what is your right to win apart from the brand? And how do you plan to increase your market share? What exactly would be your strategy going forward?

**Suvamoy Saha:** So it is many pronged. One is, of course, you have to have a quality of product, which is the best-in-class. We have invested in a very strong design team, which is giving out products, which is, as I said, best-in-class, number 1. So the consumer feels he has got what he wanted. Correct. Once the consumer goes and buys as you rightly said, it's a cluttered market. My brand recall should be sufficient so that he must be actually he would like to buy my brand. That is true for brands like Philips and Havells, they are loved brands. So we would also like Eveready to be a loved brand in this category.

Third is the question of availability. Because again, it's a low involvement product, nobody waits for the product to be present if the product is not present, he goes to the next product that is available. So again, I think this is very basic and I'm not really giving you something very unique. Basically, we need to have a good product. We need to have our brand allied in the minds of the consumer, and we need to be available. And that is our story for all our categories. And one further advantage that we have, we have just started. So we have a very small base with huge headroom to grow, which may not be absolutely applicable to more mature players, but they are also growing. The market is growing. The market is growing at 10%.

**Moderator:** The next question is from the line of Dipanshu Suman from Shivanssh Holdings. Please go ahead.

**Dipanshu Suman:** I was trying to understand, sir, so we have stopped giving the segmental revenue and EBIT for segment by segment. So just for bookkeeping purpose if you can give that number?

**Suvamoy Saha:** Again, your voice sort of faded can you just repeat.

**Dipanshu Suman:** I am trying to understand whether you can share the segmental revenue and EBITDA for each of the segments?

**Suvamoy Saha:** Okay. So I can give you that. You will say something, let me give that for the half year. I'm giving the turnover numbers. Battery was at INR458 crore Flashlight at INR105 crore and Lighting at INR153 crore.

**Dipanshu Suman:** And EBITDA for each of this, sir?

**Suvamoy Saha:** And the EBITDA of this period is for the half year, the Battery was at INR70 crore, Flashlights at INR16.5 crore and Lighting at INR2 crore.

**Dipanshu Suman:** Sir, in our balance sheet, if we see there's a significant increase in the inventories in the receivables? So how do you contain this because we are under a payment schedule also. So how do you see this moving.

**Suvamoy Saha:** So hand-in-hand with increase of turnover, there is bound to be some increase in working capital, right? Because if you were to grow, you also have to have your supply chain there. Similarly, it also calls for higher receivables but we don't give credit. Our credit is for a very short period of time to our top distributors. So what you see on the closing date represents the invoicing of that time, which gets liquidated in the next few days. So it's not really something that this business, except for the electrical channel, which, of course, run on higher credit, this is actually a negative cash business. There is negative working capital business. So what is seen as a receivable on the last days it could be not representative of what actually is there.

**Dipanshu Suman:** And just to conclude, as we are, say, short of free cash flow and we should be short of free cash flow for the coming period, is there any consideration for any equity raising or any other mechanism to come clear on the debt because debt is picking up about 40%

**Suvamoy Saha:** As I understand, our promoters should be only too happy to put fresh capital into the company to grow the business. But currently, that is not possible. For the simple reason, there is a legacy court case, which is going on, which is from the previous regime, which till it gets sorted out, capital restructure, any new capital is not permitted.

**Dipanshu Suman:** We should then say that it should take bare minimum 3 to 4 years for us to clear out the entire debt of stock that we have just now, right? Is my understanding right?

**Suvamoy Saha:** That case is going on and that should get resolved. And until that point of time, the company will keep using its operational cash flow to meet all its commitments.

**Moderator:** The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

**Tushar Sarda:** I just wanted to know your path for the next 4, 5 years, what kind of turnover one could expect, especially since you are in very mature categories. So how much can you grow faster than the market as a management team, what kind of aspirations would you have?

**Suvamoy Saha:** So Tushar, let me just take it segment by segment. In Batteries, as I say, it is our aspiration to grow at 10%. Correct. And how would that happen? That would happen partly due to driving better volumes and partly due to premiumization. With regard to Flashlights, we have an unattended category where our growth potential remains. And if I take the entire business of Lighting, we have just started. We are on a small base of INR320-odd crore this year with an aspiration to grow to INR1,000 crore in the next 3 years. So I would say the company would certainly so you could see large growth in Lighting, large growth in rechargeable flashlights and let us say a reasonable growth in Batteries. So overall, the company would be looking, today, if we are going to be something like closer to INR1,400 crore. In the next 3 years, we should certainly be looking at doubling that.

**Tushar Sarda:** And this is without adding any new categories. Right.

**Suvamoy Saha:** This is just purely what we have today. And as I said, in that time frame, as we see that, that is something that is going to happen and will happen. The management team believes in that we would certainly like to get into other categories.

**Tushar Sarda:** Just a follow-up on this. On the Flashlight, sir, what is the size of the market? And where do you think we can reach?

**Suvamoy Saha:** So this I would give out at the invoicing level because Flashlight is not tracked by Nielsen. So I'm not giving the consumer price and related turnover. At an invoicing level, which is the company's revenue, the Flashlight market, as I said, are 2 segments. One is the dry battery operated. That is about INR400 crore, and the rechargeable segment, which has really come up literally in the last 3 years, is INR700 crore. So total size of the market is about INR1,100 crore. And we are almost not present in the INR700 crore segment.

**Tushar Sarda:** And sir, can you elaborate on this court case? I mean what is the case, which is going on? And how does it constrain you?

**Suvamoy Saha:** So there were some borrowings taken by the holding company related to the earlier promoters which were not obviously serviced by them and the lender went to court saying that they had believed that Eveready, which was at that time under their control, would be able to pay back or give back to understand whatever. Though Eveready was not a party to that arrangement. They went to the court and the court has given an injunction, whereby until the matter is decided, this company cannot raise any further capital. That is where it stands. It is now in an arbitration process, and we expect the judgment to come out in the course of the next few months.

**Tushar Sarda:** But it doesn't impact the transfer of shares which have taken place, right?

**Suvamoy Saha:** But it is not transfer of shares. It is the.

**Tushar Sarda:** Transfer meaning, your new promoters, that is not impacted.

**Suvamoy Saha:** No, no, no. The new promoters have made market purchases. So that has nothing to do with whatever happened in the previous time. The previous promoters had taken loan, which they could not repay. And the lender felt that their operating company of that time Eveready could have paid something. So that arrangement is not known to this company because the company was not a party to any of that arrangement and the case is currently under arbitration.

**Tushar Sarda:** Sir, arbitration or in the court?

**Suvamoy Saha:** No, it was in the court, but it has now gone to arbitration.

**Tushar Sarda:** So usually lenders would have shares pledged and they would not allow the promoter to sell. That kind of situation was not there.

**Suvamoy Saha:** That I'm not really aware, that is nothing to do with the present case. If there are other cases like that, that I would not be aware of. The current promoters, our present promoters who own about 40%, they have made market purchase and open offer and their shares have nothing to do with all this. So they are clearly our promoters at this point of time.

**Moderator:** The next question is from the line of Rajat Sethia from ithought PMS. Please go ahead.

**Rajat Sethia:** Sir, just wanted to check, do we aspire to be debt free in the next couple of years?

**Suvamoy Saha:** We would obviously aspire to be debt free. But as I said that at this point of time, we are carrying on our books a sizable debt, which is about INR350-odd crore. I don't think with the current operational cash flow, we would become debt-free in the next 2 years. But we would be servicing, we would be paying that something like mid-debt of about INR80-odd crore every year. So to that extent, the debt level would progressively come down, and that is how it is.

**Rajat Sethia:** And sir, in last conference call, you alluded to identifying several high-growth sub-segments where we have opportunity to leverage our strength. So my question is, what are those segments? How big those segments are? And what kind of revenue do you think you can generate from those segments in the next 3, 4 years? I think rechargeable flashlight is one of those segments. Anything else?

**Suvamoy Saha:** Yes. I think I have already spoken a lot on rechargeable segment, flashlight segment. As I said, there are sub-segments in batteries where we are under indexed. Those are opportunity areas. And the total business of Lighting itself is an opportunity area. So these are our 3-pronged growth drivers. The Lighting overall business, rechargeable flashlights and in the Battery segment, wherever we are under indexed.

**Rajat Sethia:** And in Battery subsegment, how big are those subsegments?

**Suvamoy Saha:** So the thing is that it is not to say that we are not there in that segment. We are under indexed. Let us say, we are 52.8% market share overall, but since I'm just giving a hypothesis that just to sort of explain the point to you, we may be holding a 48% market share in one of the types of the batteries. So there is no reason why we cannot be going up to 52%. So that is an opportunity area. And that is how I am saying that the management team believes that it is possible to leverage those opportunity areas and deliver a 10% kind of growth in Batteries.

**Rajat Sethia:** And sir, in the Assam plant, I think we get some fiscal benefits.

**Suvamoy Saha:** Yes.

**Rajat Sethia:** So how long will those benefits come and what is the quantum on a yearly basis?

**Suvamoy Saha:** So basically, the benefit is in that of income tax and apart from that, there are some GST benefits. Those benefits are supposed to run until 2027.

**Rajat Sethia:** And I mean, what kind of number is it? Or let's say, what will be our income tax rate?

**Suvamoy Saha:** Yes. So basically, we pay tax at MAT.

**Rajat Sethia:** Okay. At the company level, right?

**Suvamoy Saha:** At the company level. Yes.

**Rajat Sethia:** And sir, I think in this question pertains to the cost-cutting exercise that we may undergoing. I think in the last quarter, we mentioned that we want to bring down our employee cost. Is there any other major head that you think, where cost can be cut and what kind of targets are there?

**Suvamoy Saha:** So basically, that is one identified area, apart from others, as I said that what we are working on all these improvement areas. Employee cost is certainly a highlighted one, we would like the employee cost to get shaved by at least 2%. But this won't happen overnight. This is at least, it is 15 to 18-month project, but we will get there. We will see some benefits by end of this year.

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

**Mithun Aswath:** I just wanted to understand, sir, you mentioned the rechargeable battery segment is about INR700 crore. How has that segment been growing as a market and what sort of market share would you have currently? And where do you think that could be in the next 2, 3 years?

**Suvamoy Saha:** So first of all, let me clarify one point. I did not talk of rechargeable batteries. I talked of rechargeable flashlights.

**Mithun Aswath:** Flashlight, sorry.

**Suvamoy Saha:** Yes, yes. So this market came up in the last 3 to 4 years. So the growth rate has been immense. But it came at the cost of the battery operated one, correct. So battery operated has been declining at around 10%, and this market has come up almost overnight, in the last 4 years. We currently have a very small share of that market. We have 7% of that market this year. But we will go up to the level that we have enjoyed in the battery operated, in the in a very foreseeable future.

**Mithun Aswath:** And I just wanted to understand, obviously, rechargeable battery was a segment which you missed out. Are there any other such opportunities, which you are seeing in the market? I don't know because you also have these batteries now, which are not these alkaline or carbon zinc, but they are maybe rechargeable or they could be those Lithium sort of batteries or something else which could be an opportunity, which now you can take advantage of rather than wait for the market to be created.

**Suvamoy Saha:** Yes. I think your point is excellent. As far as the rechargeable batteries are concerned, okay, that market is not going anywhere because it is consumers have given up on it because it is too much of a hassle. In any case, one is having to charge many devices, over and above, if one has to even charge their remote batteries, taking them out from the remote, it is too much of a hassle. So it is sort of done and dusted. Lithium is an opportunity area. We are evaluating how to sort of, as you rightly said, we should create the market, not someone else.

**Mithun Aswath:** And anything when you mentioned Lighting and since you're in the rural area, anything to do with renewables that you're looking at? Because like you mentioned, your brand is synonymous with lighting, but though you don't have market share, could it be rural lamps, which are solar power, something like that, which could be an ancillary area that you've thought about?

**Suvamoy Saha:** I have to confess that we have been a little sort of inconsistent in this. We tried to bring out lights, which we call home lights, with a solar panel, quite some time back, that did not seem to have much consumer traction at that point of time. Then when we gave up, then we came with something of a slightly smaller offering at a lower price that also did not seem to work too much. This is an area that we really need to look at. Thanks for pointing that out.

**Moderator:** The next question is from the line of Vinayak Mohta from Stallion Asset. Please go ahead.

**Vinayak Mohta:** I just had one question. Like given you've given a revenue guidance of broadly reaching double after the next 3 years for FY'23. So how do you see the margin trajectory moving forward given that lights have recently turned EBITDA positive. So is it fair to assume that all these businesses will be broadly a 15% EBITDA margin business? Or there is some margin expansion possible in other segments as well?

**Suvamoy Saha:** So at this point of time, as we are growing the Lighting business, which is presently at a very low level of EBITDA because as I said, we have just started. We are currently at around 11%, 12% EBITDA as a blended total company. Now as Lighting goes up, there would be some dilution in the percentage. Obviously, the absolute profit would go up. We would, at this stage, to start with, I think 12% would be a good number to target and then improve there from.

**Vinayak Mohta:** 12% you mean for FY'23?

**Suvamoy Saha:** For the total company, for the total company.

**Vinayak Mohta:** Yes, yes. So for the total company for FY'23, you're saying 12% and then eventually, it will improve.

**Suvamoy Saha:** No, no. As I said that we have taken on a big communication program in the second half and also some investments in distribution. Our total for the year, while we are currently at around 11.5%, we would perhaps be somewhere around 10% by the end of the year.

**Vinayak Mohta:** Because of the expense. And these expenses would not come in next year, right? Or will they be at the same.

**Suvamoy Saha:** They would become comparable to what is happening today these expenses are becoming sort of kind of uncomparable with the previous year. So as we grow turnover, they would get absorbed. I mean that is a normal that any consumer company will have these expenses.

**Vinayak Mohta:** So margins will broadly move a little by little towards 12% in the next 1 to 2 years, blended basis, company.

**Suvamoy Saha:** We would certainly attempt 12% next year and we'll make improvements there from.

**Moderator:** This will be the last question, which is from the line of Vipin Taneja, an individual investor. Please go ahead.

**Vipin Taneja:** So can we assume that our Flashlight business, can it be INR600 crore, INR700 crore 3 years after, like since you mentioned the Lighting will be around INR1,000 crore.

**Suvamoy Saha:** Yes, certainly, I think that is a good goal post. Next year, we would see, this year we would end somewhere closer to INR200 crore, next year, of the total INR1,100 crore. Next year, we would certainly be up to INR300-odd crore and then move on to in the next 3 years to an INR600 crore level. By that time, maybe the market would also go up a little. But our aim would be to at least become 50% of the total market.

**Vipin Taneja:** And this INR1,100 crore market do you envisage in the next 3 financial year post like let's say in FY'26 going to INR1,500 crore or so from INR1,100 crore.

**Suvamoy Saha:** Possible because the rechargeable category is really growing very fast but being a very new category, it is very hard to sort of project the growth rate because we have not seen much in the past, except for a few years' growth and the category having come up almost in the last 3 years.

**Vipin Taneja:** And then a few also some other categories joining in the next 3 financial years, post FY'23. So we see at least that INR3,000 crore mark the turnover.

**Suvamoy Saha:** Yes. As I said, we should double turnover current INR1,400 crore level, which we perhaps will achieve this year, closer to INR1,400 crore, at least double this next 3 years.

**Vipin Taneja:** And this is without even the new categories, right? If the new category.

**Suvamoy Saha:** Without new category. Just our present 3 categories.

**Vipin Taneja:** And on a conservative basis, since you said that the 12% EBITDA we'll be achieving in FY'24. So even in FY'26, on a conservative basis, we can see at least 13% EBITDA.

**Suvamoy Saha:** I would certainly hope so.

**Moderator:** As this was the last question for today. I would now like to hand the conference over to the management for closing comments.

**Suvamoy Saha:** Yes. Thank you. 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'll 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 with you again in the next quarter.

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