# Eveready Industries India Limited

## Q3 & 9M FY23 Earnings Conference Call Transcript
## February 09, 2023

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**Moderator** Ladies and gentlemen, good day, and welcome to the Eveready Industries Limited Q3 FY23 earnings conference call. As a reminder, all participant lines will be in the listen only mode. 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 "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Siddharth Rangnekar from CDR India. Thank you, and over to you, sir.

**Siddharth Rangnekar**: Thank you, Inba. Good afternoon, everyone, and welcome to Eveready Industries India Quarter 3 FY23 Earnings Conference Call. Today, we are joined by senior members of the management team, including Mr. Suvamoy Saha – Managing Director; Mr. Bibek Agarwala – CFO; and Mr. Indranil Roy Chowdhury – Senior Vice President (Finance & Accounts).

Before we commence, let me share 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 disclosure 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, sir.

**Suvamoy Saha**: Good afternoon, and welcome to our Q3 FY23 earnings call. I hope all of you have had a good start to the new year.

My agenda today shall be to cover the various aspects of our business while touching up on the dynamics of operations for the period ended December 2022.

Since we last connected, Eveready has made notable progress in focusing on our core strengths and tapping into niche underserved segments. The tempo of activity is visible and every product launch is backed by commensurate activation. Consumers are taking notice and this is evident from the gains we have made in market share in our core business of batteries, where the brand is synonymous with the segment. Our market share in batteries jumped 170 bps over the preceding quarter to stand at 54.5%, the highest level as per that one can see in the past.

The brand remains a huge advantage for us, and the team is skillfully utilizing its power and potential to fan growth across businesses. The ubiquity of our brand is achieved through an expanding reach across 4 million outlets about just under a 1/4 of which is our direct reach.

The segments in which we operate call for seamless availability of products and our system is honed to achieve just that. As we seek to drive penetration in newer categories in each of the segments, our teams are modernizing our approach and infrastructure. We have to be nimble to respond to consumer requirements and market dynamics in order to maintain our leadership position. The new drive to contemporize our distribution and make it more efficient is being driven through a new route-to-market initiative. The implementation of this is entailing changed work processes involved internal organization as well as with our channel partners.

In order to implement the new RTM successfully, we consciously moderated our growth targets for the quarter, ignoring the discontinued segment of appliances, turnover growth during the quarter was at 5.3%, though this was trending at 15% by the end of the first half. Our RTM implementation is now close to completion, and we shall revert to the higher level of growth in the foreseeable future. We are moving levers to back every product initiative with clear communication and requisite revision and collaterals, consistent with sustaining a leading brand franchise.

There is apt emphasis on revitalizing our route to market such that we leave no market segment and niche untapped. I will turn my attention to the respective segments of the businesses, commencing with batteries.

The battery market remained flat during the third quarter, reflecting sluggishness in demand, particularly in the rural part of the market. We managed to grow by 8.6%, which was primarily due to premiumization. As already mentioned, our value market stood at 54.5% during Quarter 3, clear evidence to our distinct leadership position in the market. However, we remain under indexed in some geographies as well as in certain segments of the market, which provides us with headroom to grow despite our strong position in the market. Growth during the year-to-date stood at 11.5%.

Within flashlight, as communicated earlier, the battery-operated segment is still showing decline, though at a lower rate of around 10%. Still, we are building on to our market leadership position in this segment. We are grossly under indexed in the fast-growing market of rechargeable flashlights as the company did not address this market earlier. From the time we recognized this area as the major good driving opportunity, we have made good progress with building an adequate portfolio of products.

Our product launches during the quarter found enthusiastic traction in the market. This segment, which is primarily comprised of unorganized, unbranded products, will continue to be an area of interest for growth and building to a leadership position. Simultaneously, we are stepping up our efforts in the battery-operated category as well so that the portfolio remains contemporary. Quality and feature functionality is our leitmotif and that places us favorably to drive this segment upwards and hopefully arrest any further slide.

Turning my attention to lighting now:

Our teams are pushing out an extensive line up of products here, effectively making use of growing presence of the brand in the electrical outlets channel, Eveready lighting products have the dual advantage of being available extensively across the general trade channel and now also in the electrical shops. We are making good inroads across smaller towns and cities, and at the same time, honing our plans to tap into the larger metro locations and modern trade revenues more deeply. This segment will see commensurate impact in a few quarters. Our teams are developing products in-house and getting them produced under stringent operating checks in order to achieve the quality that the brand stands for.

I will now briefly cover the developments during the quarter ended December ‘22. Revenues from operations came in for Q3 at Rs. 330.4 crore, which translates to 5.3% growth for the quarter, ignoring the discontinued business of appliances. For the 9-month period, the revenue from operations was at Rs. 1,041.6 crore at a growth of 11.7% for continuing businesses. This achievement is on the back of premiumization of product portfolio, combined with steady realization gains, which was further aided by focused marketing campaign around communication and investment in branding and promotion.

As consumption gathers momentum, we will see better volume metrics. Our EBITDA came in at Rs. 24 crore with EBITDA margin of 7.3%. It was mainly impacted by the movement in foreign exchange rates, continued inflation in key raw materials, higher advertising and promotion space, as well as investment made in consultancy services with a view to improve our future operations. For the 9-month period, EBITDA stood at Rs. 109.1 crore at a margin of 10.5%.

Toward the end of the quarter, there was a definite softening of key raw material prices, and this will result in margin improvement in the ensuing period. However, investment initiatives which I touched upon earlier, will continue at the same pace for the remainder of the financial year.

With a clear focus on achievable milestones, our initiatives to drive a market-relevant portfolio backed by sustained all around communication in our business is beginning to bear returns. And as consumer demand climbs back, we believe Eveready will be a big beneficiary on account of its strong brand and distribution. As the economic growth within the country gradually catches up, it shall support us as we operate in segments straddling both urban and rural centers.

As I have shared in the past interactions, some of the improvement initiatives will have an impact on the margins in the short term. Our teams are hard at work to enhance productivities from the system wherever possible. In the coming years, we'll see a much stronger EIIL with extended leadership in its segments of choice underlined by profitable growth.

I thus draw to the close of my remarks and wish to request the moderator to open the forum to queries from the participants. Thank you.

**Moderator**: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Dhruv Jain from Ambit Capital. Please go ahead.

**Dhruv Jain**: Sir, I had 2 questions. One was that we've seen a sharp jump in other expenses this quarter. So, you mentioned that there has been an impact of consulting fee services in this quarter. But if you could just quantify the number there and if there are any additional growth spends that you made, which you think will normalize going forward so.

**Suvamoy Saha**: So, you asked 2 questions. Is that the only question, Dhruv?

**Dhruv Jain**: No, I have another question, sir.

**Suvamoy Saha**: So, you want me to answer this first?

**Dhruv Jain**: Yes.

**Suvamoy Saha**: So, Dhruv, as I highlighted before, our main additional expenses over the quarter in the preceding year has been in advertising. And as I also indicated, on the consultancy services that we have availed of. So, basically, between the 2 of them, the total quantum of A&P with the consultancy service would be in the range of close to Rs. 20 crore.

**Dhruv Jain**: That's helpful. And sir, the other question, in your opening remarks also, you mentioned that you gained market share in the battery space. But growth had slowed down because we are making some RTM changes. So, growth in the other pieces has not been that encouraging. Or if you would just give the split of the 3 segments, what has been the revenue and the revenue growth type?

**Suvamoy Saha**: So, Dhruv, it is like this. As you are aware, till the first half of this year, we were growing at around 15% if you disregard the discontinued business. Now in this quarter, was the time when we started initiating implementation activities on the new route-to-market, which entailed a lot of change, not only internally as well as externally. Now when the organization, both internal and external was undergoing such a massive change, it was necessary for us to sort of slightly slow down on the growth target so that the implementation would go successfully. The change had to be internalized by all concerned stakeholders. However, despite all that, batteries grew by 9%, which was, I think, extremely sort of pleasing given the context of the overall market not having grown. We also sort of arrested the decline of the overall flashlight signal because what we continue to lose on the battery operated one, we made up with the new launches that we did on the rechargeable side.

So, I think overall, given all the changes that took place, I would say the quarter went off in a very satisfactory manner. If at all, I would say you are a lighting expert Dhruv, you know the lighting industry has not had a good quarter overall. And the same was the case with us. We ended with a flat quarter. That flat quarter was perhaps a little more in our case, attributable to the new route to market, the changes that we had initiated. And we do not see any challenge to that, and we would shortly revert to our overall growth targets that we have taken on for ourselves. For the year, the lighting segment has grown at 24%, and we see no reason why we cannot jump back to that level of growth in the ensuing quarters.

**Moderator**: Our next question is from the line of Darshan Jhaveri from Crown Capital. Please go ahead.

**Darshan Jhaveri**: So, sir, one question I had regarding all our 3 divisions. So, a breakup of our revenue and EBITDA for the Quarter 3 would be very helpful. And the other thing I wanted to ask you for quarter 4, we are still having our consultant and marketing expenses. So, what is the outlook that you would have for FY '24 and beyond like our growth trajectory as well as our margin profile, what are we seeing? Those will be the 2 questions, sir.

**Suvamoy Saha**: So, Darshan, let me take your last part first, and then I'll come back to your initial part of the question, okay? So, as I said that for the year-to-date, our growth is at 11.7%, that on the back of much slower growth in Quarter 3, which were for assignable reasons, which I explained just a little while back. We hope to end the year in, I would say, higher than our current year-to-date growth of 12%. So, that is where we are sort of talking about. And in the foreseeable future, we should be able to push that up to a mid- to late teen level of growth, and that is where we stand currently, right? And I would say that this quarter's moderation on the growth target was something that we consciously did and it was not sort of brought up on to us kind of in a default situation.

With regard to the category-wise split up, the total turnover for the quarter was Rs. 330-odd crore, of which battery was about Rs. 220 crore. I'm giving you very broad numbers, so it was about Rs. 230 crore to be sort of more precise. The flashlight segment was about Rs. 35 odd crore your lighting Rs. 70 crore.

**Darshan Jhaveri**: And sir, how does our margin profile differ in each segment?

**Suvamoy Saha**: I got you, sorry, I missed out answering this question. So, at the end of these 3 quarters, we stand at around 10.5% EBITDA percentage, right? And we think we will be slightly short of 10% because as I mentioned, we will continue to invest in communication and we will continue to invest for the remainder of the period in the consultancy exercise that we have undertaken. So, given that these expenses will continue, we have, I would say, somewhat of an ambitious target in terms of communication for the quarter. So, we would perhaps go up a little short of 10%. That is where we will end the year.

**Darshan Jhaveri**: So, I understand that we are investing in our growth in Q3 and Q4 and that's a very commendable thing. So, when would all our efforts be reflected? Like from FY '24, we'll start seeing our margins and growth? Or it might be a bit longer process, some rough time line that we are envisioning for ourselves or any other target for FY '25 or something like that, that would help, sir.

**Suvamoy Saha**: So, Darshan, it is like this. There are 2 absolutely well-articulated initiatives we have taken. One is engaging the consumer. And number 2 is sort of improving our distribution efficiency by designing our new route to market. Now that route to market has as I explained a little while back, impacted changes internally as well as in our external channel partners. Now that entire activity is going to be completed and totally concluded by end of this financial year. So, by March, the distribution bit is going to be completely ready, and so we will be ready to fire all cylinders from 1st of April, okay? Now similarly, we have also engaged in a consumer engagement program. Now that is something we are doing our bit. Now when that would kick in in terms of more activation from the consumer side is something that it takes time. It is not that I spend my advertising dollar today and tomorrow itself I start getting the result. But I would just go by my immediate history. We started our consumer activation from the last quarter. And we have immediately seen our market share jump and that too in a market which did not grow, was stagnant. And despite having shares above 50%, we managed to improve our market share by nearly 2 percent points. So, if I go by that, I don't know whether that would be replicated. But I would say that next year onwards, we should get the full benefit of distribution as well as a very significant part of the consumer activation program.

**Darshan Jhaveri**: Sir, that helps a lot. So, just a question. So, I think previously we had stated that we can double our revenue in the next 3 years. So, that would largely be our major goal, right, sir?

**Suvamoy Saha**: So, what we had articulated is that based on our FY '22 turnover, which was about Rs. 1,170-odd crore, if we ignore the discontinued business, our ambition was to grow from there in 4 years' time to a double of that size. We still would try to chase the target and give it an earnest attempt. And I would say that the team is quite confident about that.

**Moderator**: The next question is from the line of Aditya Makharia from HDFC Securities. Please go ahead.

**Aditya Makharia**: I just wanted to know, there was a filing done by you all that the proceedings with KKR, if I understand correctly earlier, you all weren't a related party, but now they have said the arbitrator has ruled that we are a related party along with the Williamson Magor Group. So, just can you give us a broad sense that is this something which is a new development? And how does that going forward impact our any plans for capital raising?

**Suvamoy Saha**: Thanks, Aditya. So, I will really give you only a broad response because I'm not a legal expert. The position is like this that when the case came up on us, I mean that embargo of restricting us from tactical raise and the sale of noncore assets, etc., came, we had fought the case on the basis that we were not party to any of that, we were not party to the agreement, we were not party to anything. So, it went into arbitration as per the terms of the facility agreement and we also sort of objected to the jurisdiction being applied to us. So, the arbitrators have come to the conclusion or let us say decision that we are part of that arbitration and we are part of the case. So, we have to see it to the end of the situation.

So, we have to go through with this process of arbitration until the method gets concluded. In the meanwhile, the more relevant part is, let us say that takes timeframe. I think the time given formally is January 2024. So, in the time frame, what happens to the company with regard to its whole operation. As I had indicated earlier that the company has sufficient operating cash flow to take care of its all-day-to-day needs. It has the cash flow to honor its commitments towards banks. So, there is no immediate crisis that the company has to immediately go for a capital raise or has to sell a noncore asset to fund its operations. The operations are self-sustaining. And so, we don't see any concern in this regard. And in any case, with the company now having gone to a new promoter, the banks are all the more willing to sort of lend support to us. So, even if there are some temporary needs, there are a number of people who are willing to sort of partner are in that requirement. I hope I have been able to answer your query.

**Aditya Makharia**: Yes, sir. Just 1 more small follow-up. So, I believe that there's a claim of Rs. 100 crore or Rs. 150 odd crore something to that amount, which KKR has put on us. So, have we shown that as a contingent liability or we are not providing for that amount as of now?

**Suvamoy Saha**: No, Aditya, that I think you're misinformed, there has been no claim on the company so far. So, basically, there is, of course, an amount which the erstwhile holding company owes to KKR. But so far, there has been no claim on the company. Nothing has been quantified. We have just been made a party, whereby we have been restricted to raise capital or sale of noncore assets, nothing beyond this.

**Moderator**: Our next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.

**Ritesh Poladia**: Sir, as I was saying, battery is about 70% of our business. And definitely, there is some market share gain. But it would mirror more on an industry growth. Can you give us some idea of how the industry is going and which part of the industry is showing higher growth?

**Suvamoy Saha**: So, we are talking of batteries. As I had highlighted earlier in my opening remarks, the market did not grow during this quarter. In fact, volumes had some little decline, value growth was stagnant. We grew by about 9% during the quarter because we did better than the market. And it was on the back of some premiumization efforts that we could sort of succeed in doing. To make a very straight and simple answer to your query, the market did not grow during the quarter. But we hope that the sluggishness only indicates the inflationary impact that consumer scale, particularly in the rural segment. And we feel that as things are easing out, the market should revert to its normal level of growth.

**Ritesh Poladia**: So, say market grows like 10%, your growth would be 50% higher than that?

**Suvamoy Saha**: It is very difficult to put mathematics like that. When the market was 0 growth, we grew nearly 10%, right? Let us just put that as a historical perspective. And our aim will always be there to grow faster than the market.

**Ritesh Poladia**: Regarding flashlight and specifically on rechargeable battery side. As you said, you are underpenetrated. So, what's the status over there? And by when you think that your product profile will match the consumer needs.

**Suvamoy Saha**: So, at this point of time, Ritesh, we already have over the last couple of quarters and which I have been also highlighting during the earnings call, we have been working on completely revamping that product portfolio. And I'm happy to say that we are nearly there. I would say 90% of the portfolio is complete. The balance 10%, 15% which gets complete in this quarter. So, I would say, effective 1st of April, we need to fire on all cylinders. We have the entire product and in this category, our brand is the strongest. Our distribution may seem a little boatsful but it is the best in this segment. So, nothing is going to stop us.

**Ritesh Poladia**: On lighting, the revenue is about Rs. 70 crore. Sir, if you can give us some idea how much would be own n manufacturing and how much would be trading in this?

**Suvamoy Saha**: Ritesh, roughly 30% of that came from our own manufacture. When I say own manufacture, it is a contracted manufacturer who only exclusively does it for us under our supervision. Balance, we outsource from the likes of Dickson, RK, etc., the big manufacturers of the lighting industry.

**Ritesh Poladia**: Sir, you would be more on a contract manufacturing in lighting and even in Flashlight also, that assumption hold true?

**Suvamoy Saha**: For flashlights, we manufacture 100% of our flashlights. Same for some odd model here and there. We are 100% manufacturing it ourselves. With regard to the Lighting segment, is 30% is contracted manufacturers, exclusive to us. In the future, we will have to review whether we want to carry on with that situation or we want to get into our own manufacture. But that is as and when.

**Ritesh Poladia**: Again, on Lighting business, so clearly, you are not present in the entire market spectrum. And it's a long-haul game. So, by when we can have a good presence in lighting or say double-digit market share.

**Suvamoy Saha**: Ritesh, can you just help me understand your question a little better, but what do you mean by our not being present in the entire spectrum?

**Ritesh Poladia**: Sir, I believe you would be present in tube lights and bulbs, but not in luminaires. side.

**Suvamoy Saha**: Okay, from that perspective. So, let me tell you, just like we did our portfolio revamp on flashlight, we have done the same for lighting. We have now a very, very reasonable and adequate range addressing both lamps as well as luminaires. Now of course, historically, we had been a lamp selling company. So, our turnover is heavily skewed towards lamps. But with the new portfolio having come in place, it will be our endeavor to rectify that skew. So, in the coming year, we are going to take targets whereby the emphasis of our sales would be more on the luminaire side to bring up appropriate balance like any other established lighting care.

**Ritesh Poladia**: And on market share, what can be a reasonable expectation?

**Suvamoy Saha**: For lighting?

**Ritesh Poladia**: Yes, sir.

**Suvamoy Saha**: Lighting, we are too small, Ritesh. We are about Rs. 300-plus crore in a market which is Rs. 10,000 crore, we are very, very small. So, at this point of time, instead of market share, we are looking at by what percentage we can grow our business.

**Ritesh Poladia**: Can we have this business growing, say, in 2 years?

**Suvamoy Saha**: In 2 years?

**Ritesh Poladia**: Yes.

**Suvamoy Saha**: So, I don't know whether 2 years or it is going to be 2.5 years, but certainly, the 2x is something which is extremely tangible as a target for us.

**Ritesh Poladia**: Is there any differential in the lighting business for Eveready as a brand or we are banking more as a product or whether we are banking more on a brand?

**Suvamoy Saha**: So, listen, ultimately, most of the products are pretty similar. I mean that is a fact of life. It is a play of brand and distribution, whether you are available when the consumer goes, whether he accepts your brand, whether your pricing is right. So, that is the market end. But on the back end, we are the best product. That is the promise of our brand, dependability, reliability, power, these are some of our key values that we stand for. So, at the back end, we work very hard to make sure that those things are given to the consumer. Now obviously, we are a small player, but we have advantage of having access to general trade. We have now started putting our footprint in the electrical outlets. So, we are confident that when the consumer goes and we would also communicate, like we have started communicating on batteries, we will also communicate on lighting. So, when the consumer goes to the shop, we aspire to be the product of his choice.

**Ritesh Poladia**: This is very helpful. Sir, last on lighting, of this are Rs. 300 crore business. Any color on region wise where you will be more stronger than the other regions?

**Suvamoy Saha**: No, Ritesh. I mean we are uniform. I mean, our footprint is all across and it follows the demographic pattern of the country. So, I wouldn't say that we are sort of over indexing. Of course, there would be pockets where we would not be as strong as rest. But overall, I would say that we are uniformly spread.

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

**Mithun Aswath**: I just wanted to understand this new distribution strategy that you're working on. I just wanted to understand what it would entail. And at the end of the strategy, would this help you in terms of improve your working capital? Or is it also to drive sales better?

So, I just wanted to understand, is it only for the batteries? Or would it entail for the light and the other business.

**Suvamoy Saha**: This is for all our categories. This is not something which is only specific to any particular category. See, the company have growth aspirations. Now that growth aspiration can only be actualized if my channel partner also participates in that growth, right, which means he has to bring additional capital, etc., et cetera. He should be able to earn good profit, he should be able to rotate goods quick. So, the entire emphasis on our new route to market is hinging on these few factors that determine whether he is able to bring the additional capital that is necessary to fuel growth. Can he rotate? Is he smart in the supply chain? That is something that while we view from the company side, whether he can also supply to the market in an effective and efficient manner so that he can rotate things faster, the secondaries get tracked, better, etc., et cetera. So, it is really sort of really looking at the whole process of how do we make things his efficient. The accent is not so much on cost savings. The accent is more on how we can make this distribution really the engine for our growth that we aspire for.

**Mithun Aswath**: But at the same time, is the distribution too spread out?

**Suvamoy Saha**: Let me answer. So, basically, see, we have a footprint of our products in 4 million outlets, of which short of 1 million we service directly, correct. Today we have no aspiration at this point, as I speak, to increase that outlet reach. The only thing is that what we are trying to do is that we think for the size of our business today and for the next year, at least, that outlet reach is adequate. What we want to do is that, that outlet reach should happen in a more efficient manner and should happen in a growth accretive manner. That is all.

**Mithun Aswath**: And when do you think we will start seeing the benefits of this? Would it be from the quarter 1 of next year? Or it would take maybe a few quarters for us to start seeing the benefit?

**Suvamoy Saha**: The team feels confident that it should be from quarter 1.

**Moderator**: We'll take our next question from the line of Mehul Savla from RW Equities. Please go ahead.

**Mehul Savla**: So, first, it was very heartening to see the full-page ad on Times of India for the AAA batteries 2 days ago. So, is this now part of a sustainable strategy? Or is it just to get the initial interest in this segment?

**Suvamoy Saha**: No, Mehul. I mean, I have been articulating this time and again this is an activity that we will make sustainable, we'll be there right through the year. I mean it is commendable that you saw that advertisement, but we were also during the quarter, present on air, on TV, on digital, with our ads on batteries and you would see us all the time now.

**Mehul Savla**: So, I think visibility has been there. I think it was just the buy 3 get 1.

**Suvamoy Saha**: That was just a consumer activation program that we undertook.

**Mehul Savla**: And secondly, sir, just more a specific question on this consultant-related expenses, like marketing, as we understand it's a long-term investment and will continue through this year, this quarter next year. But the consultant rated expenses, is it possible to quantify that this quarter or in last quarter? I mean, how much total we're going to be spending, which should be nonrecurring.

**Suvamoy Saha**: So, this is really for a short period of time. And this route to market exercise that we have undertaken, it is all with the help of our consultants because we needed that bandwidth at this point of time. So, it is costing us something like about maybe 1.5% of our turnover for the current year. And if consultation agreements are offered for a very limited time, I mean until the company needs to be properly advised. So, that is where it stands.

**Mehul Savla**: So, I think it's a great move, and I think it really adds definitely a lot of value for the strategy point of view. I'm just saying that the expenses will get done in this Q4. I mean FY '24, there will not be further provisioning for this segment?

**Suvamoy Saha**: Maybe marginal, very, very marginal.

**Moderator**: Our next question is from the line of Rupen Masalia from RN Associates. Please go ahead.

**Rupen Masalia**: Sir, my question is pertaining to battery business. Basically, just wanted to know like our market share is 54.5% at the end of Q3. So, is it predominantly in zinc carbon battery or total, including alkaline batteries? So, if you can throw some light on that and that's part 1.

**Suvamoy Saha**: So, shall I first answer that question?

**Rupen Masalia**: Yes, that's better, sir.

**Suvamoy Saha**: So, this 54.5% is for the whole market, which is the data that is AC Nielsen throws out. So, this for the whole market, which comprises of both carbon zinc as well as alkaline.

**Rupen Masalia**: And basically, I think in the last call, you alluded that our market share is relatively lower in premium alkaline batteries. So, if you can throw some more light on what sort of strategies we are going to adopt going forward to increase our market share and since we have started on premiumization journey. So, in the light of that, if you can elaborate us.

**Suvamoy Saha**: So, we have been a late entrant in the alkaline market, not late entrants, really, we were there, but the company did not focus too much on the alkaline battery, I mean not alkaline, I mean the consumer doesn't understand alkaline or carton zinc, I would say the higher priced batteries. So, this is an effort that we have sort of undertaken from the last 2 quarters, and we are systematically sort of trying to make ourselves more meaningful in that higher premium segment of the market. So, this is going to be a bit of an effort that needs to be sustained over a period of time, but we are completely sworn to it. So, hopefully, as we speak quarter-by-quarter, you would see us improving in that front.

**Rupen Masalia**: And overall battery industry, how do you see it growing going forward in the times to come in, maybe say, over the next 3 years, 4 years, 5 years?

**Suvamoy Saha**: So, if I go by the immediate past, the picture is not that rosy. But you must also sort of understand that we have gone through a very bad inflation cycle and demand slowed down for every consumable commodity, every consumable product category. So, where does the headroom lie for battery growth. The headroom lies in the fact that we are one of the lowest battery consuming countries in the world. The country has not yet seen many of the devices which are prevalent in the rest of the world. Just to give you an idea, our batteries, which have been consumed by the various devices, the one which is the most predominant one is the remote control. That consumes something like 40% of all batteries which are sold in the market, correct? Now in the U.S., that same number is only 3%, which indicates the kind of headroom that is there for other devices to come into the market and penetrate into households, which has not happened. Like, for example, a pretty important battery consuming device is a toy. Now in India, the toy penetration is the lowest, and the government is putting a lot of emphasis on improving the toy market. So, these are things, it would be very difficult for me to say when Indians would start using electric razors, they would start using electric toothbrush, they would use electronic shaves, it is very hard for me to really speculate on that. But I know that India will one day get it. So, whether that's going to happen next year or 3 years down the road, it's very hard to say. So, I would say, overall, there is a very good case for growth for batteries. But if we go by the immediate past, it seems a little flattish.

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

**Saket Kapoor**: Sir, question is sir, if you could explain me sir, what was the change in the product mix if you go on a Q-on-Q basis for September to December? As you have mentioned that we have gone for some premiumization. So, if you could give some more color.

**Suvamoy Saha**: As I was just explaining to the previous speaker, our premiumization have been in getting higher volumes from the premium end of the battery market, and that is how our value moved up.

**Saket Kapoor**: So, any more color, meaning how to differentiate between let's say what was earlier and what currently today by any value you want to assign?

**Suvamoy Saha**: The alkaline portfolio of Eveready was relatively smaller, and with passing times it would only grow. So, as a result, because we were under indexed in the premium side, you would see value growth.

**Saket Kapoor**: Maybe I will take it off-line. But sir, what explained then this 10% reduction in the revenue? And you mentioned FOREX impact also negatively impacting the bottom line. So, what was the FOREX impact for this quarter and 9 months?

**Suvamoy Saha**: The FOREX impact itself would have been about 2% which would see roughly about Rs. 20-odd crore.

**Saket Kapoor**: Rs. 20-odd crore. So, that translates into direct hit to the bottom line?

**Suvamoy Saha**: Absolutely.

**Saket Kapoor**: And the rupee depreciation still unaffected currently, sir.

**Suvamoy Saha**: So, we have got stabilized at this Rs. 82.50. Now what has happened is so if it's not going anywhere any more southwards. Now the only thing is that the raw material prices, the basic raw material prices have started sort of becoming more favorable. So, hopefully, in the coming times, we should see sort of better margin for ourselves. And that is what we are unless something again goes wrong because commodities are not really in our hands.

**Saket Kapoor**: Sir, if you take the RM basket, just to delve slightly deeper, what should we be constituent in percentage terms?

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

**Saket Kapoor**: I want the breakup of the raw material basket, sir. What are the key constituents of the same?

**Suvamoy Saha**: So, I would say that the key constituents, I'll tell you, if you want further details, you write to our investor cell, we'll be only too pleased to give you, but the main constituents are zinc, a very pure form of manganese dioxide known as EMD, battery chemical called acetylene black, ammonium fluoride, steel, tinplate.

**Saket Kapoor**: And all are imported.

**Suvamoy Saha**: Like, for example, zinc is completely local, but it is dollar denominated. All the products dollar denominated.

**Saket Kapoor**: Yes, sir, 2-line items I have more queries. Sir, you were speaking about the employee benefit expenses, sir. So, what should likely be the absolute number, sir? I think currently as a percentage of sales, what kind of employee cost on an annual basis are we looking?

**Suvamoy Saha**: Currently, we stand at about 10.5%. That I think is a little over indexed, and we are trying to improve on that.

**Saket Kapoor**: What are the targets here, sir?

**Suvamoy Saha**: As a first step, we would certainly like to come down under 10%. It should happen next year hopefully.

**Saket Kapoor**: And on the other expenses line item, sir, what has led to the increase even on the lower revenue, we have --

**Suvamoy Saha**: I explained to one of the previous speakers, it is a combination of A&P and the consultancy investment that we have made.

**Saket Kapoor**: The payment you're making to Bain Capital, the agency you have hired.

**Suvamoy Saha**: Yes. I mean they are our consulting partner.

**Saket Kapoor**: So, sir, when are the fruits being delivered? Whatever we are spending today, will you hope for the next financial year will be the one where we will be seeing the same? And what kind of normalized margins can we look for a business of batteries?

**Suvamoy Saha**: I would say the sustainable margin the company target is about mid teen levels EBITDA.

**Saket Kapoor**: And these are the blended margins for all segments together?

**Suvamoy Saha**: All segments taken together, yes.

**Saket Kapoor**: And when are we going to see those reflecting on the number?

**Suvamoy Saha**: Let's see. Let's hope that it happens next year itself.

**Saket Kapoor**: One request, sir. Sir, FOREX impact should be articulated even in your press release, so that would give a fair assumption of how the performance have been. So, that could have been very helpful if the FOREX number being mentioned in the press or your financial review part.

**Suvamoy Saha**: I am taking note of that.

**Saket Kapoor**: Yes. You only mentioned adverse movement, but that's a substantial one to the profitability, sir.

**Suvamoy Saha**: Okay. I'll take note of that.

**Moderator**: Our next question is from the line of Kunal Jain from Jain Securities. Please go ahead.

**Kunal Jain**: I think previously you had alluded regarding how the battery consumption trend in India and in U.S. is different. So, I just had some question on battery. And this is slightly more a longer-term picture from a longer-term perspective, so say, beyond 4, 5 years, how do you see the segment grow? For example, today, we see a lot of remote-control devices being linked to your mobile phone or something like that, so say, smart ACs, smart TV. So, today, we have 40% of our consumption coming from remote, how do you see that mix change over 5 to 10 years? And any reading material you would think would be helpful for us, please do recommend, sir.

**Suvamoy Saha**: So, as I explained a little while back, as devices come and devices like electric toothbrush, electric razor, smart remotes, optical mouse, etc., et cetera, electronic safe, electronic lock and as these devices come, battery consumption would go towards these segments. As a result, while the remote consumption of battery should not come down, but in the relative percentage it will come down. That is how it has happened even in countries which are relatively more developed than us.

**Kunal Jain**: And sir, 1 more question on Lighting segment. You have already spoken about how lighting as a segment were seeing some impact in terms of demand slowdown and that is what our competition have also spoken about and say some competition has taken increasing advertising spend while margins have contracted for them. How do you see that same thing play for us over the next 2, 3 years? Do you think we'll have some advantage because we have a lower base?

**Suvamoy Saha**: So, yes. Number one is, of course, we are growing out of a much lower base. Plus, we have really not tapped into our distribution strength, which is going to happen. We have not even sort of scratched the surface on that. Plus, we will be, I would say, hopefully, intelligently communicating. So, based on all these, I don't see the challenge in our growth in lighting to be of the same order as that of a much more evolved player. So, I would say you got it right. I mean we are coming off of a small base. So, our growth trajectory is going to be far steeper.

**Kunal Jain**: And sir, last 2 bookkeeping questions. One would be what would be our debt level. I think last quarter, it was Rs. 345 crore or something.

**Suvamoy Saha**: We ended the quarter at about Rs. 365 crore odd.

**Kunal Jain**: And if you could just help us with the EBITDA breakup for our 3 segments?

**Suvamoy Saha**: So, our EBITDA for the 3 segments were like this, battery was about closer to Rs. 20-odd crore, flashlight about Rs. 4-odd crore and the Lighting was flat, meaning breakeven.

**Moderator**: Ladies and gentlemen, we take that as a last question. I now hand the floor back to the management for closing comments. Over to you, sir.

**Suvamoy Saha**: Thank you, everyone, for taking the time to join us on our quarterly earnings conference call. I hope we have addressed all your queries. If you still have any more questions, please feel free to reach out to our Investor Relations team, we will be happy to address them. Thank you.

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