Eveready Industries India Limited

Rating History

Instrument	Amount	Amount Outstanding	Rating	
	In Rs. Crore	**As in March '10 In Rs. Crore**	**As in October '10**	**As in September '09**
Term Loan	80.6	55.0	LBBB (Stable)	LBBB
Fund Based Limits	106.0	52.6	LBBB (Stable)	LBBB
Non-Fund Based Limits	62.5	N.A.	A3+	A3+

ICRA has reaffirmed the LBBB (pronounced L triple B) rating assigned to the Rs. 80.6 crore[1] term loans and Rs. 106.0 crore long term fund based bank limits of Eveready Industries India Limited (EIIL)[†]. The outlook on the long term rating is stable. ICRA has also reaffirmed the A3+ (pronounced A three plus) rating assigned to the Rs. 62.5 crore non fund based bank limits of the company[2].

The ratings take into account EIIL's status as the world's third largest dry cell battery manufacturer, its continuing market leadership position in India, strong brand equity sustained by a pan Indian presence of distributors, and the company's attempts to diversify into new product lines by leveraging on its existing strengths in a wide distribution network, thereby seeking to diversify its cash flows. The ratings also factor in the sustained improvement in EIIL's operating performance during 2009-10 and further in the first quarter of 2010-11 on account of reduced raw material costs attributable to a change in product mix and favourable exchange rate movements, resulting in better operating and net profitability of its core business. The ratings are however, constrained by EIIL's weak capital structure, which is largely supported by intangible assets. The company also has substantial debt repayment obligations over the medium term. EIIL's profitability is characterised by a relatively high sensitivity to commodity price cycles of key raw materials, even though the dependency on zinc is reducing due to a change in product mix. Further, persistent de-growth of the relatively high margin 'D' category batteries which are critical to EIIL's profitability, and limited pricing power due to the price sensitive nature of EIIL's target markets which majorly comprise semi-urban and rural consumers, continue to adversely impact the company's financial performance. ICRA however, notes that the company has been making attempts to create alternative applications of the "D" category batteries in order to protect its profitability. Moreover, the loss making operations of a recently acquired company, which may require funding support from EIIL, are likely to adversely impact EIIL's liquidity in the near term.

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.
[1] 100 lakh = 1 crore = 10 million

Company Profile
Eveready Industries India, Ltd (EIIL) (formerly known as Union Carbide India, Limited) is the flagship company of the B.M. Khaitan Group. EIIL started its operation in India in 1905 as a subsidiary of National Carbon, USA with the import of dry cell batteries from USA. EIIL was acquired by the B.M. Khaitan group in 1995.

EIIL is currently engaged in the manufacture of diverse products comprising dry cell batteries (carbon zinc batteries, rechargeable batteries and alkaline batteries), flashlights (torches), packet tea, insect repellents, compact florescent lamps, incandescent lights and other lighting products. The company, with a capacity of 213.2 crore dry cells (March 2010), spread across five factories in India, is the world's third largest and India's largest manufacturer of carbon zinc batteries. Domestically, the company is the largest selling brand of dry cell batteries and flashlights with a market share of over 51% and 76%, respectively. EIIL is authorized to use the 'Eveready' brand in India, Nepal and Bhutan alone. In 2009-10, 59% of the company's revenues came from batteries and 24% from sale of flashlights.

In FY10, EIIL acquired a French rechargeable battery manufacturer, Uniross, for an investment of 7.0 million Euros. Uniross enjoys an established presence in the European rechargeable cell market.

Recent Results
EIIL posted a 13% growth in operating income to reach Rs. 969.6 crore, with a net profit of Rs. 142.2 crore in 2009-10. During the first quarter of 2010-11, the company recorded an operating income of Rs. 238.6 crore and a net profit of Rs. 15.15 crore.

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