

Eveready Industries India Limited

14th May 2025

Aspiration to reach ~20% market share in alkaline batteries by FY26

In Q4 FY25, Eveready Industries India Limited (EIL) delivered a topline growth of ~6% on a YoY basis, driven by high single-digit growth in the batteries segment and low single-digit growth in the lighting segment. However, EBITDA margins contracted by 52 bps on a YoY basis, primarily due to an increase in marketing spends. Looking ahead, the Flashlight segment is expected to sustain double-digit growth, supported by the enforcement of regulatory norms aimed at ensuring product safety, quality, and environmental protection. Additionally, the Company continues to witness robust momentum in its alkaline battery segment, with market share expanding significantly from ~11% to ~14% on a QoQ basis, with and aspiration to reach ~20% market share by the end of FY26.

Alkaline batteries gaining market share

The Indian battery market is witnessing a notable transition, as evidenced by the declining share of zinc batteries, which fell from ~94% in FY24 to ~88% by Q4 FY25 (based on volume). This shift underscores the increasing acceptance and demand for alkaline batteries, driven by their superior performance and longer lifespan. Looking ahead, the Company is poised to capitalize on this trend with its upcoming alkaline battery manufacturing facility, anticipated to commence operations by H2 FY26. Management remains optimistic about capturing incremental market share, setting an internal target to increase the Company’s market share in the alkaline battery from the current ~14% to ~20% by the end of FY26. This strategic capacity expansion positions the Company well to leverage the growing consumer preference for alkaline batteries, potentially driving significant growth in the battery segment.

Change in regulation for flashlight segment

On January 21, 2025, the Government of India introduced the Flashlight (Quality Control) Order to raise the quality and safety standards for flashlights sold in the country. Under this order, every flashlight must display the Standard Mark, which signifies certification from the Bureau of Indian Standards (BIS) as per Scheme-I of Schedule-II of the BIS (Conformity Assessment) Regulations, 2018. Notably, flashlights manufactured solely for export are exempt from this requirement.

Obtaining BIS certification involves fees, testing, and compliance procedures. Many small-scale Chinese manufacturers might find it economically unviable to undergo the certification process, especially for low-margin products. Since Eveready generates the majority of its revenue from domestic sales, this standardization will reinforce its leadership in the Indian market.

View & Valuation

We believe that EIL would do a high single-digit revenue growth in FY26E with PAT margins of ~5% in FY26E. However, we believe that the market has discounted the growth in the current price. Based on our revised estimates, we have maintained our ‘NEUTRAL’ rating with a target of Rs. 329 (32.5x FY26 earnings).

NEUTRAL

CMP Rs. 307

TARGET Rs. 329 (7.2%)

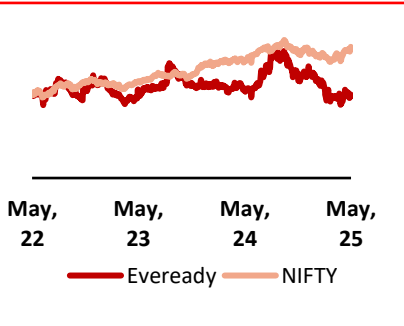
Company Data

Bloomberg Code	EVRIN IN
MCAP (Rs. Mn)	22,315
O/S Shares (Mn)	73
52w High/Low	505/272
Face Value (in Rs.)	5
Liquidity (3M) (Rs. Mn)	38

Shareholding Pattern %

	Mar 25	Dec 24	Sep 24
Promoters	43.2	43.2	43.2
FII	4.9	4.2	3.9
DII	2.6	2.8	2.6
Non-Institutional	49.3	49.8	50.3

Eveready vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs. Mn)	FY24	FY25	FY26E
Revenue	13,143	13,445	14,533
EBITDA	1,385	1,524	1,555
Net Profit	668	824	736
Total Assets	8,265	9,248	10,346
ROCE (%)	19%	15%	13%
ROE (%)	19%	19%	15%

Source: Company, Keynote Capitals Ltd.

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Q4 FY25 Result Update

Result Highlights (Rs. In Mn)

Particulars	Q4 FY25	Q4 FY24	Change % (Y-o-Y)	Q3 FY25	Change % (Q-o-Q)	FY25	FY24	Change % (Y-o-Y)
Revenue from Operation	2,990	2,809	6%	3,335	-10%	13,445	13,143	2%
Gross Profit	1,357	1,257	8%	1,457	-7%	6,099	5,679	7%
Gross Profit %	45.4%	44.7%	65 Bps	43.7%	170 Bps	45.4%	43.2%	215 Bps
Employee Cost	446	419	7%	433	3%	1,725	1,604	8%
Other Expenses	655	583	12%	731	-10%	2,850	2,671	7%
EBITDA	256	255	0%	292	-12%	1,524	1,403	9%
EBITDA %	8.6%	9.1%	-52 Bps	8.8%	-20 Bps	11.3%	10.7%	66 Bps
Depreciation	79	90	-12%	70	13%	296	303	-2%
EBIT	177	165	7%	222	-20%	1,227	1,101	12%
EBIT %	5.9%	5.9%	4 Bps	6.7%	-75 Bps	9.1%	8.4%	75 Bps
Finance Cost	58	72	-20%	66	-12%	257	323	-20%
Other Income	3	-4	-176%	3	-3%	15	29	-49%
PBT	122	89	37%	159	-24%	985	806	22%
Tax Expenses	17	8	111%	28	-39%	161	139	16%
PAT	104	80	29%	131	-20%	824	668	23%
EPS	1.43	1.11		1.80		11.34	9.19	

Source: Company, Keynote Capitals Ltd.

Q4 FY25 Conference Call Takeaways

General Highlights

- Suvamoy Saha, the Managing Director of the Company, is expected to retire by the end of Q2 FY26. The Company has appointed Anirban Banerjee as the new Chief Executive Officer. Advertising expenditures for the next year are expected to remain 11%-12% of the Company's revenue.
- In Q4 FY25, revenue mix from general trade was 74% and alternate trade was 26%.
- The CCI case, which was previously deferred to May 2025, has now been further postponed to August 2025.

Anirban previously served as Senior Vice President and SBU Head – Batteries, Flashlights & Lighting, and has been associated with Eveready for over two years. Prior to this, he was with Godrej Consumer Products Limited for 13 years, where he last held the position of Head – Marketing, E-Commerce & Exports, ASEAN.

Batteries

- The Company's market share is stable 53% in the entire batteries industry.
- The Company's market share in alkaline batteries improved from 11% to 14% on a QoQ basis. The internal target is to achieve a 20% market share by the end of FY26.
- The Company recorded revenue of Rs. 8 Bn from zinc batteries and Rs. 550 Mn from alkaline batteries.
- In the battery industry, alkaline batteries account for 12% of the market by volume, while zinc batteries hold the remaining 88%. Within the alkaline battery segment, Duracell holds a dominant market share of ~82–83%.
- Revenue of the Company in Alkaline batteries sector is likely to increase as the usage of alkaline batteries is directly proportional to the increasing adoption of high-end devices such as electric toothbrushes, toys, and other similar products.
- During the quarter, the batteries division reported a margin of 13% and for FY25 reported an annualized margin of 15%.

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Flashlights

- During the quarter, the flashlight segment reported a negative margin of 5% due to a decline in rural demand. However, for FY25, the division achieved a margin of 8%.

Lighting

- In FY25 the margin for the segment has improved from 3.5% negative to break even on a YoY basis.
- The Company has a network of 250 active distributors for the lighting segment across India.

CAPEX

- The capex for the alkaline facility in Jammu and Kashmir will be financed with 75% debt and 25% equity. The project is expected to be commercialized by H2 FY26.
- The reason for choosing Jammu over other states for setting up the alkaline plant is that Jammu offers better incentives compared to other states in India.

Management's Guidance

- Post capex peak debt level of the Company would be Rs. 3.3 Bn.
- Management has indicated that the sustainable gross margins moving forward will be 45%.

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Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25	FY26E	FY27E
Net Sales	13,277	13,143	13,445	14,533	15,712
Growth %		-1%	2%	8%	
Raw Material Expenses	8,267	7,464	7,347	8,037	8,688
Employee Expenses	1,466	1,604	1,725	1,846	1,964
Other Expenses	2,443	2,689	2,850	3,095	3,347
EBITDA	1,101	1,385	1,524	1,555	1,713
Growth %		26%	10%	2%	10%
Margin%	8%	11%	11%	11%	11%
Depreciation	274	303	296	387	428
EBIT	827	1,083	1,227	1,169	1,284
Growth %		31%	13%	-5%	10%
Margin%	6%	8%	9%	8%	8%
Interest Paid	566	323	257	302	332
Other Income & exceptional	86	47	15	20	20
PBT	347	806	985	886	972
Tax	70	139	161	151	165
Net Profit	276	668	824	736	807
Growth %		142%	23%	-11%	10%
Shares (Mn)	72.7	72.7	72.7	72.7	72.7
EPS	3.80	9.19	11.34	10.12	11.10

Balance Sheet

Y/E Mar, Rs. Mn	FY23	FY24	FY25	FY26E	FY27E
Cash, Cash equivalents & Bank	71	81	68	36	718
Current Investments	0	0	0	0	0
Debtors	1,024	1,134	1,025	1,308	1,414
Inventory	2,596	2,504	2,873	2,652	2,867
Short Term Loans & Advances	776	921	806	806	806
Other Current Assets	164	114	342	342	342
Total Current Assets	4,631	4,755	5,113	5,144	6,147
Net Block & CWIP	3,111	2,957	3,844	4,910	4,954
Long Term Investments	75	75	75	75	75
Other Non-current Assets	999	478	216	216	216
Total Assets	8,816	8,265	9,248	10,346	11,392
Creditors	1,672	1,686	2,058	1,719	1,959
Provision	211	357	192	192	192
Short Term Borrowings	1,223	1,033	1,311	1,311	1,311
Other Current Liabilities	1,187	1,090	839	839	839
Total Current Liabilities	4,293	4,164	4,398	4,060	4,299
Long Term Debt	2,080	1,435	1,575	2,275	2,275
Deferred Tax Liabilities	-1,620	-1,607	-1,628	-1,628	-1,628
Other Long Term Liabilities	869	405	292	292	292
Total Non Current Liabilities	1,329	233	239	939	939
Paid-up Capital	363	363	363	363	363
Reserves & Surplus	2,831	3,504	4,248	4,983	5,790
Shareholders' Equity	3,194	3,867	4,611	5,347	6,153
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	8,816	8,265	9,248	10,346	11,392

Cash Flow Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	347	806	985	886	972
Adjustments	762	529	584	669	741
Change in Working Capital	-708	95	-99	-400	-82
Total Tax Paid	-34	109	-173	-151	-165
Cash flow from operating Activities	366	1,539	1,297	1,004	1,466
Net Capital Expenditure	-243	-341	-965	-1,453	-471
Change in investments	44	31	4	0	0
Other investing activities	0	50	0	20	20
Cash flow from investing activities	-195	-234	-955	-1,433	-451
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	-124	-887	34	700	0
Dividend (incl. tax)	0	0	-73	0	0
Other financing activities	-86	-82	0	0	0
Cash flow from financing activities	-591	-1,268	-359	398	-332
Net Change in cash	-420	37	-17	-31	682

Valuation Ratios

Y/E Mar, Rs. Mn	FY23	FY24	FY25	FY26E	FY27E
Per Share Data					
EPS	4	9	11	10	11
Growth %		142%	23%	-11%	10%
Book Value Per Share	44	53	63	74	85
Return Ratios					
Return on Assets (%)	3%	8%	9%	8%	7%
Return on Equity (%)	9%	19%	19%	15%	14%
Return on Capital Employed (%)	13%	19%	15%	13%	12%
Turnover Ratios					
Asset Turnover (x)	1.6	1.5	1.5	1.5	1.4
Sales / Gross Block (x)	2.9	2.8	2.7	2.4	2.3
Working Capital / Sales (x)	0%	4%	5%	6%	9%
Receivable Days	19	30	29	29	32
Inventory Days	110	125	134	125	116
Payable Days	71	83	89	88	75
Working Capital Days	59	72	74	67	72
Liquidity Ratios					
Current Ratio (x)	1.1	1.1	1.2	1.3	1.4
Interest Coverage Ratio (x)	1.6	3.5	4.8	3.9	3.9
Total Debt to Equity	1.0	0.6	0.6	0.7	0.6
Net Debt to Equity	1.0	0.6	0.6	0.7	0.5
Valuation					
PE (x)	76.9	36.9	26.7	30.3	27.7
Earnings Yield (%)	1%	3%	4%	3%	4%
Price to Sales (x)	1.6	1.9	1.6	1.5	1.4
Price to Book (x)	6.6	6.4	4.8	4.2	3.6
EV/EBITDA (x)	22.6	17.8	16.3	16.2	14.7
EV/Sales (x)	1.9	1.9	1.8	1.7	1.6

Source: Company, Keynote Capitals Ltd.

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
4 th April 2024	BUY	339	+26.8%
29 th April 2024	BUY	356	+10.8%
6 th August 2024	NEUTRAL	409	+1.0%
14 th November 2024	NEUTRAL	360	+5.8%
10 th February 2025	NEUTRAL	358	+6.4%
14 th May 2025	NEUTRAL	307	+7.2%

Rating Methodology

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

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