

MARCH 13, 2015

CARE ASSIGNS 'CARE A' RATING TO THE BANK FACILITIES OF EVEREADY INDUSTRIES INDIA LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities (Term Loan)	50.00	CARE A (Single A)	Assigned
Total Facilities	50.00		

Rating Rationale

The rating assigned to the bank facilities of Eveready Industries India Ltd. (EIL) derives strength from the long track record of operations, significant experience of the management, established brand presence with leadership position in the battery and flashlight segments, wide product range and strong distribution network. The rating also factors in EIL's satisfactory leverage position and financial performance. However, the rating remains constrained by the risk associated with volatility in the price of raw materials and foreign exchange fluctuation risk. The ability of the company to increase its scale of operations, while maintaining its profit margins and capital structure will be the key rating sensitivities.

Background

EIL, a major player in the domestic FMCG sector engaged in manufacturing & marketing of dry cell batteries (carbon zinc, rechargeable and alkaline), flash lights and trading of packet tea & lighting products, was incorporated as "Ever-Ready Company (India) Ltd." in June 1934, with registered office at Kolkata. In 1959, after takeover by the Union Carbide Corporation, U.S.A. (UCC-USA), it became a subsidiary company of UCC-USA and the name was changed to Union Carbide Company Ltd. (UCCL). In 1994, UCC-USA sold of its entire stake in UCCL to the B. M. Khaitan group of Kolkata. Subsequently, in 1995, the name of the company was changed to EIL.

B. M. Khaitan group is a Kolkata-based group of companies having major interest in battery, tea, construction, chemicals, etc, with EIL being the flagship company of the group. The current promoter of the group, Mr B. M. Khaitan, is an eminent industrialist having business experience of more than five decades. Other major companies of the group include McLeod Russel India Ltd., McNally Bharat Engineering Co. Ltd. (MBEL; rated 'CARE BBB', 'CARE A3+') and McNally Sayaji Engineering Ltd (MSEL; rated 'CARE BBB-', 'CARE A3').

EIL earned a PAT of Rs.10.4 crore on net sales of Rs.1,152.3 crore in FY14 as against a PAT of Rs.0.2 crore on net sales of Rs.1,034.3 crore in FY13. In 9MFY15 (refers to the period April 1 to December 31) EIL reported PAT of Rs.43.6 crore on net sales of Rs.1,003.0 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Mr. Vittaldas Leeladhar who is a Non-executive Director in Tata Global Beverages Ltd. (a Tata group company) is one of CARE's Rating Committee Members. To comply with the regulations, the member has not participated in the rating process and in the rating committee meeting.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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