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**EVEREADY**  
INDUSTRIES INDIA LTD.

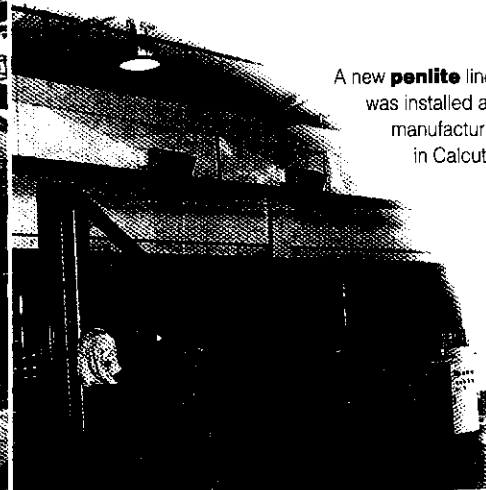


**The company continued to invest in technology and new plants.**

To meet the demands of discerning customers a new tea packaging factory with the latest technology was constructed during the year.



A new **penlite** line was installed at the battery manufacturing unit in Calcutta.



A new continuous casting machine for zinc was installed at Chennai.

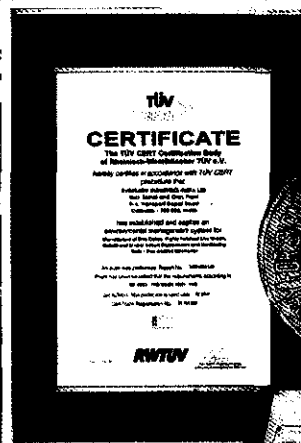


A new plastics processing unit at Noida for state-of-the-art flashlights was inaugurated during the year.



The company continued with its quest for excellence. Our Metals & Ores plant has qualified for environmental excellence and received the ISO 14001 certification.

In Quality Circle activities we received excellence awards.



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**Board of Directors****B. M. Khaitan***Chairman***Deepak Khaitan***Executive Vice-Chairman &**Managing Director***Aditya Khaitan****P. K. Khaitan****P. Magor****Sreedhar Menon****Bhaskar Mitter***Directors***R. S. Jhewar****R. L. Joseph****A. Roy***Wholtime Directors***A. Chakravarti***Wholtime Director & Secretary**Bankers***American Express Bank Ltd.****ANZ Grindlays Bank Ltd.****Citibank N.A.****ICICI Banking Corporation Limited****Standard Chartered Bank****State Bank of India****United Bank of India***Solicitors & Advocates***Khaitan & Co.****Bendersons & Morgans***Auditors***Pricewaterhouse****S. B. Billimoria & Co.***Registered Office***1, Middleton Street****Calcutta 700 071.**

## REPORT OF THE DIRECTORS

For the financial year ended March 31, 2000.

Your Directors have pleasure in presenting the Annual Report, together with the audited Accounts of your Company, for the financial year ended March 31, 2000.

**Company Performance**

(Rs. in Crores)

Financial Results are summarised below :

	1999-2000	1998-1999
<b>Profit before Interest, Depreciation and Taxation</b>	<b>87.43</b>	<b>101.87</b>
Less : Depreciation	(23.65)	(18.45)
	<b>63.78</b>	<b>83.22</b>
Less : Interest for the year	(53.77)	(44.82)
<b>Profit before Taxation</b>	<b>10.01</b>	<b>38.80</b>
Less : Provision for Taxation	(1.50)	(3.75)
<b>Profit after Taxation</b>	<b>8.51</b>	<b>34.85</b>
Profit brought forward from previous year	21.24	24.48
<b>Profit available for appropriation</b>	<b>29.75</b>	<b>59.31</b>
<b>Appropriations :</b>		
Interim Dividend	7.23	—
Proposed Dividend	—	14.48
Tax on Dividend	0.80	1.59
Debenture Redemption Reserve	2.00	2.00
General Reserve	8.00	20.00
<b>Profit carried forward</b>	<b>11.72</b>	<b>21.24</b>
	<b>29.75</b>	<b>59.31</b>

Both Batteries and Flashlights businesses of your Company showed positive growth during the year under review despite severe competitive pressures. The Tea business of your Company, however, was affected by unprecedented drought in the tea-growing areas both in Assam and West Bengal causing production of Tea in your Company to decline by about 5%, and sharp escalation in costs due to imposition of excise duty on bulk tea, increase in wages, cost of fuel and other inflationary factors. The capital expenditure incurred for various new projects and acquisition of four tea estates over

the last three years also resulted in higher charges for depreciation and interest. As a consequence of these factors, both profit before and after taxation were lower than in the previous year.

However, all the new projects and the newly acquired tea estates have now come on stream - with consequential benefits. Added to this, the progressive strengthening of batteries & flashlights businesses and better prospects for production of tea should improve the performance for the current year. Tea prices, however, still remain depressed

although your Company's quality teas continue to command premium.

#### **Dividend**

Your Directors had decided to pay an Interim Dividend of Rs. 2.00 per share to those shareholders who were in your Company's Register of Members as on April 27, 2000, involving an outflow of Rs. 8.03 crores including tax. In view of the reduced profit for the year on account of factors explained above, your Directors recommend that this interim dividend be confirmed as the dividend for the full year.

#### **Operations Review**

**Batteries and Flashlights :** Batteries and flashlights industry continued to operate in a highly competitive environment. However, the negative growth experienced by the industry in the previous year was somewhat reversed during the year under review – though modestly. Accordingly, sales volume of your Company in both these product categories registered positive growth during this year. While increased competitive pressures will continue to impact business conditions, the several actions taken by your Company in enhancing customer satisfaction and cost competitiveness will enable the business to maintain its market leadership status.

After commencing commercial production in March 1999, the new 'D' size battery plant at Noida, JP reached its full efficiency level during this year. This plant has started contributing to improve business results through its low cost structure and savings in distribution costs.

The modern plastics processing unit at Noida started its commercial production during the year under review. The cost savings being generated through manufacturing of components for captive consumption at this facility will improve the operating performance of the business.

A new printed poly sleeve jacketed battery line was commissioned at the Camperdown Works at Cossipore, Calcutta. This new product in the high growth AA-battery segment will significantly add to the marketing strengths of the business.

Your Company embarked on export of batteries during this year. The start has been very encouraging, with supplies having been made to 12 countries. The product supplied under a new brand **Lava** was well accepted. With the encouraging response received so far, export seems to be a very promising area for the business in future.

Your Company's continued thrust on improving productivity resulted in a major rationalisation of employee strength at its Camperdown Works and Carbons facility in Calcutta.

Your Company continued its efforts in World Class Manufacturing and Total Productive Manufacturing and other initiatives through its own R&D efforts – internally as well as with the help of external eminent consultants.

The above initiatives should significantly help in improving the prospects of the business in the current and future years.

**Tea :** Positive growth in production experienced consecutively over the last few years in the tea operations of your Company, suffered a setback due to unprecedented drought conditions during the year. However, as compared to the estimated tea crop loss of 10% in North India, the loss in output for your Company was restricted to only 5%, due to extensive irrigation and other superior high-yielding processes being followed.

Despite decline in production, price level did not improve due to lower exports, liberalisation of import and larger carryover of stocks from the previous season. However, the strong support to your Company's quality teas enabled it to achieve improved price realisations.

Improvements undertaken to both field and factories of the recently acquired tea estates started yielding results. Mathura Tea Estate registered the highest growth – an increase of 27% in tea production. Your Company acquired another tea estate during the year – Chuniajhore, which is in close proximity to

Jainti, a premium tea estate of your Company. This addition will increase output at Jainti to 15 lakh kgs from the present level of 9 lakh kgs.

A comprehensive modernisation programme was initiated during the year for the Dooars estates to further improve the quality of tea.

Your Company continued to maintain its thrust on exports and achieved improved price realisation on export volume of 5.2 million kgs of tea compared to 5.8 million kgs in the previous year. The decline in quantity was mainly due to preferential import duty applicable within COMESA countries rendering Indian teas somewhat uncompetitive in these markets, coupled with Iran having mostly stayed out of the world market. Your Company continued to receive valuable support from George Williamson & Co., Newbury, the Overseas Selling Agents, in marketing the Company's tea in international markets.

Packet teas marketed by your Company under the brand names of **Tea** and **Premium Gold** continued to record satisfactory performance in the highly competitive situation during the last year.

The packet tea business is in the process of re-orienting itself with new branding strategies and launches are planned during the current year.

The modernisation of the packet tea factory at Chuapara was completed during the year which will not only enhance the capacity but will enable significant quality improvement and cost-effectiveness.

**Carbons, Metals & Minerals :** Production of Electrolytic Manganese Dioxide reached an all-time high of 5125 MT during the year and the EMD facility at Navi Mumbai, operated at 100% efficiency during the second half. Consequently, sales registered an increase of about 10% over the previous year. Sales of photo-engravers' plates and cinema arc carbons were maintained around the previous year's levels, though market conditions continued to be tough.

**Trading :** Rechargeable batteries under the brand **Eveready-OP** are now available from your Company for cellphone, cellular and other industrial applications. During the year rechargeable "AA" cells were also launched at all major cities. The product was very well received. Despite stiff competition from low priced imports in this product segment, the business potential for your Company in this area continues to be strong on account of brand reputation and high quality standards.

Your Company distributes miniature batteries and alkaline batteries, products of Eveready Energizer Miniatures Limited (a joint venture with EBC (India) Company Limited) and Energizer India Limited (a joint venture with Energizer International Inc., USA). On account of low priced imports, the possibility of improving the business level of miniature batteries continues to be severely restricted. Distribution of the product has been temporarily suspended, till the market scenario improves. Sales of alkaline batteries under the brand **Energizer** continue to be under pressure on account of unremunerative price realisation and high cost structure. Appropriate review is being done with the joint venture partner, to re-orient the business to a more profitable condition.

#### **Re-organisation of Business**

With the liberalisation of imports in India and growing integration into the global market, the environment for battery, flashlights and related businesses of your Company has become increasingly competitive and specialised. Though currently these businesses are on a fairly sound footing, your Board is of the opinion that for higher level of growth and sustained development, it is desirable that such businesses are re-organised by transfer to one or more separate companies with participation of strategic partners/ investors with international connections. Similarly, to further strengthen and consolidate the tea business of your Company your Board feels that acquisition of or merger with one or more existing profit making companies would not only allow the tea business to derive significant benefit from the



synergy of operations but will also enable the Company to expand its activities in the value-added branded packet tea segment where your Company has already carved out a niche for itself. It has accordingly been decided to appoint experts for advising the Board on all aspects of such re-organisation and formulation of a plan to implement the same. Meanwhile, an enabling resolution is being included in the items of business for consideration of the shareholders at the forthcoming Annual General Meeting.

### **Employee Relations**

Employee relations remained satisfactory during the period under review. Your Board would like to place on record its appreciation of employees who wholeheartedly co-operated in rescheduling plant operations in the wake of market slow-down. Long term wage settlement leading to productivity improvement was concluded at the battery facility in Taratola, Calcutta.

Your Board would like to record its appreciation of the wholehearted support and dedication from employees at all levels in maintaining smooth production at, and movement of tea from, all the tea estates during the year despite certain difficulties faced with regard to the law and order situation in the tea growing districts.

Your Directors wish to also place on record their appreciation of the continued support rendered by all other employees of the Company.

Particulars of employees required under Section 217(2A) of the Companies Act, 1956, are given in the Annexure forming part of this Report.

### **Total Quality Management**

Eight out of total ten plants for Batteries and Battery Intermediaries have already received ISO certification. The Metals & Alloys Manufacturing Unit at Calcutta is the first unit to also have received the ISO 14001 certification during the year. This unit was also awarded a certificate of merit by the Confederation of Indian Industry, Eastern Region, for significant improvement in Total Quality Management practices.

Employee participation level in TQM activities remained at a high level.

### **Welfare Activities**

Like in the past your Company stood fully committed to meet its social responsibilities towards its employees and neighbourhood. Considerable progress was made in improving the water supply and electricity to the workers in tea estates. Other efforts to develop the infrastructure facilities in and around the tea estates were continued with - focus being concentrated on child care, health care, cultural and educational activities so as to improve the quality of life.

The multiple cropping agricultural scheme promoted in association with Bureau of Integrated Rural Development, has brought considerable benefit to the farmers in Ballpara, Bishnauth Charali and Pabnal.

Literary and educational activities continued to receive active support from your Company in the form of granting scholarships through The Major Education Trust to outstanding students for Medical, Management and Computer studies and for conferring 'The Assam Valley Literary Award' to eminent literary personalities of Assam for the 10th year in succession. Active support was also extended to the Major Football Academy, which trains young footballers to excel in the game of football.

Your Company continues its support to the Assam Valley School, which is one of the most prominent public schools.

As in the previous six years, 18 scholarships ('Eveready Scholarships') for advanced education for a maximum of Rs. 10,000 each were awarded to employees' children, and to the general public, the latter being awarded through Eveready Welfare Services.

### **Public Deposits**

Deposits amounting to Rs. 39.74 lakhs due for repayment remained unclaimed by depositors as on

March 31, 2000. These depositors have been approached for completing the procedural formalities for either repayment or renewal.

### Subsidiary Companies

Copies of Annual Reports and Accounts of Nepal Battery Company Limited, a joint venture between your Company and Nepalese Nationals, of Natex Investment and Marketing Limited, a wholly-owned subsidiary of your Company, and of Eveready Energizer Miniatures Limited, a joint venture between your Company and EBC (India) Company Limited, are annexed to this Report, as required under Section 212 of the Companies Act, 1956.

### Exports and Foreign Exchange Earnings & Outgo

Your Company's Tea Division operates through well-established and internationally reputed Agents in the United Kingdom, who have business connections in several countries. A strong presence is also maintained in Europe, USA and other major tea consuming countries through a network of agents and representatives, with the objective of exploring and developing overseas markets, both in traditional and non-traditional areas. Regular visits are also undertaken by Company representatives from time to time with a view to establishing and maintaining direct contacts with the tea trade for ascertaining customer preference and to expand export activities.

Arrangements are made from time to time for overseas tea buyers, packers and blenders to visit the tea estates of the Company, so as to enable them to familiarise themselves with the Company's quality products.

With regard to export of batteries, an intensive contact programme was carried out with the key distributors at major foreign markets.

	Year Ended 31.03.2000	Year Ended 31.03.1999
	Rs. lakhs	Rs. lakhs

Foreign Exchange Earnings	57,01.08	61,12.65
Foreign Exchange Outgo	50,54.17	35,67.97

### Conservation of Energy & Technology Absorption

A statement giving details of conservation of energy and technology absorption in accordance with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is annexed.

### Directors

Mr. Mumtaz Ahmad, who was appointed a Director of the Company on February 7, 1995, passed away on January 9, 2000. The Board places on record its profound sorrow at the demise of Mr. Ahmad and also its deep appreciation of the contributions made by him during his tenure as a Director of the Company.

In accordance with the Articles of Association of the Company, Messrs. R. S. Jhaveri, A. Roy, R. L. Joseph and Sreedhar Menon will retire by rotation at the forthcoming Annual General Meeting, and, being eligible, offer themselves for re-appointment.

### Auditors

Messrs. S. B. Billimoria & Co. and Messrs. Price Waterhouse retire as Joint Auditors of the Company, and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board

July 27, 2000

B.M. KHAITAN  
Chairman



## ANNEXURE TO THE DIRECTORS' REPORT

**EVEREADY >>>**  
**INDUSTRIES INDIA LTD.**

Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1986, and forming part of the Directors' Report for the year ended March 31, 2000.

**ALL BUSINESSES OTHER THAN TEA****A. Conservation of Energy**

Energy conservation continues to be priority item. Continued efforts in this area resulted in a saving of 3% energy compared to the previous year's usage. Energy conservation efforts have resulted in energy savings of 2.8% per annum over the last 10 years.

Non-conventional energy sources like solar power and wind energy generated 3.7 million units and continued to support part of the energy requirements of manufacturing facilities.

**B. Technology Absorption/Modernisation****Research & Development****1. Specific areas in which R&D was carried out by the Company :**

- a) Shelf life improvement of pasted cells.
- b) Design and development of a new cost-effective AA PPS battery.
- c) Use of battery active Natural Manganese Dioxide.
- d) Reduction of sludge generation in EMD process.
- e) Elimination of mercury from heavy duty AA battery.

**2. Benefits derived as a result of above R&D :**

The above efforts are expected to result in an all round improvement in battery performance in the coming years and also improve the cost effectiveness of the business. These will help retain the competitive advantage of the business.

**3. Expenditure on R&D :**

	Year Ended 31.03.2000 Rs. lakhs	Year Ended 31.03.1999 Rs. lakhs
a) Capital	24.98	20.04
b) Recurring	1.92.02	4,81.56
c) Total	<u>2,17.00</u>	<u>4,81.60</u>
d) Total R&D Expenditure as % of turnover	0.26%	0.61%

**Technology Absorption, Adaptation and Innovation**

New technologies such as AA PPS battery developed through in-house R&D efforts are well absorbed and adapted in the plants and in-house training of the operating group has immensely helped operating the lines at high efficiency levels.

**Modernisation**

The Company's continuous efforts in modernisation continued at all of its manufacturing units through automation and process rationalisation.

**TEA DIVISION****A. Conservation of Energy**

Energy Conservation measures taken :

- a) Installation of new withering troughs and modification of the existing ones to facilitate high pressure withering for saving of fuel.
- b) Installation of dehumidifier equipment, thereby avoiding the second firing of tea before packing for saving fuel.
- c) Replacement of old tea driers by Vibro Fluid-Bed driers and installation of new combustion equipment.
- d) Formation of structured team comprising of professionals for improvement work.

**A. Power and Fuel Consumption**

	Year Ended 31.03.2000	Year Ended 31.03.1999
i) Electricity :		
a) Purchased :		
Unit (kwh)	2,14,50,441	2,27,39,803
Total Amount (Rs.)	8,76,46,914	8,05,46,880
Rate/Unit (Rs.)	4.09	3.54
b) Own Generation :		
Through Diesel Generator :		
Unit (kwh)	73,56,059	85,81,987
Unit per Ltr. of Diesel Oil	2.78	2.51
Cost/Unit (Rs.)	4.26	4.17
ii) Coal :		
Quantity (Tonnes)	4,392	4,817
Total Amount (Rs.)	92,04,261	98,57,181
Average Rate (Rs.)	2,095.75	2,091.43

	Year Ended 31.03.2000	Year Ended 31.03.1999
III) Furnace Oil :		
Quantity (Litres)	60,94,809	63,17,975
Total Amount (Rs.)	5,89,73,917	4,39,58,372
Average Rate (Rs.)	9.68	8.98

**B. Total Power and Fuel Consumption per unit of Production of Tea :**

Saleable Production -		
Tea (kgs.)	2,60,42,096	2,75,02,448
Electricity (kwh)	1.11	1.07
Furnace Oil (litres)	0.23	0.23
Coal (kgs.)	0.17	0.17
Others (Rs.)	0.65	0.52

**B. Research and Development**

- Specific areas in which R&D carried out by the Company :  
R&D was carried out - as in earlier years - in the area of field management of tea. The areas covered like before were clonal trials, manurial requirements, irrigation and growth regulators. Emphasis on soil correction and proper drainage was continued with. Also, your Company being a member of the Tea Research Association, continued to derive benefit from research findings of that Association.
- Benefits derived as a result of the above R&D :  
Findings are utilised by the Company for maximising yield and improving quality with due care for

environment protection. Specific clones identified to suit each estate are being used for planting for best results.

**3. Future plan of action :**

Most projects are medium to long term and will continue.

**4. Expenditure on R&D :**

	Year Ended 31.03.2000 Rs. lakhs	Year Ended 31.03.1999 Rs. lakhs
a) Capital	Nil	Nil
b) Recurring	32.14	25.52
c) Total	32.14	25.52
d) Total R&D Expenditure as % of turnover	0.04%	0.03%

**Technology Absorption, Adaptation and Innovation**

- A separate department which was set up for training of Tea Estate personnel at various jobs became fully operational. The department undertakes training activities for both managerial and supervisory personnel. It also arranges Seminars and Courses, issues the necessary operating instructions for speedy implementation of changes and optimisation of managerial cycle. The technical circulars and discussions with Plantation Advisors from time to time continue as before.
- The above provides impetus to your Company's efforts in the areas of quality, cost and customer satisfaction.