

CANSCO SERVICES A Division of Brierley Industries Corporation
A N R U A I R E F L O K H G P O I

SANCO SERVICES - A Sanco LP



EVEREADY **INDUSTRIES INC.**



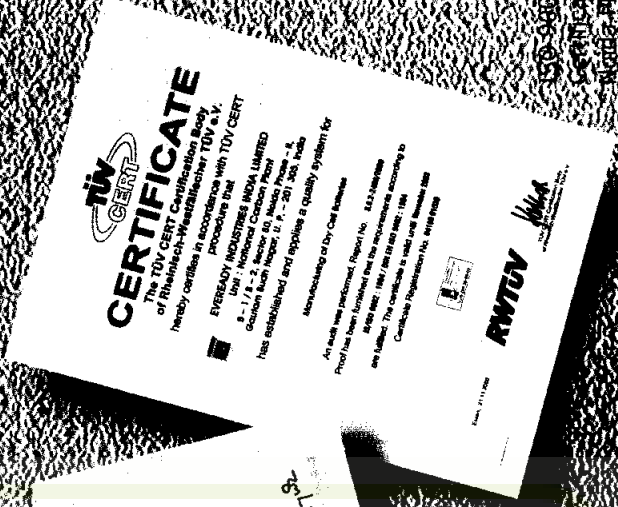
Mr. Deepak Khaitan, Executive Vice-Chairman & Managing Director, inaugurating the new premises of the Branch Office at Kolkata.



Mr. A. S. Sanyal, Manager Engineering, Rashtriya Plant, Lucknow, receiving the National Safety Award from the Hon'ble Union Minister of Industries, Mr. Sabya Mahapatra, at the Vishwakarma Rashtriya Prasthuti Yojana organised by the Ministry of Labour and Industries.



Mr. Mohish K. Chakravarti, Group General Manager, Battery Manufacturing, Bharat Electronics, receiving the Quality Award 2008-2009 from Mr. Arun Bharti, President, CII.



150-90012
Certificate for the
National Award

Contents

	Page
Board of Directors	1
Report of the Directors	2-8 & 43
Report of the Auditors	9-10
10 Year Financial Highlights	11
Profit and Loss Account	12
Balance Sheet	13
Schedules to Accounts	14-40
Cash Flow Statement	41-42
Report on Corporate Governance	67-70
Locations of Tea Estates	71
Manufacturing Locations	72
<i>Annual Reports of Subsidiary Companies :</i>	
Nepal Battery Company Limited	44-48
Natex Investment & Marketing Limited	49-55
Eveready Company India Limited	56-58
Dufflaghur Investments Limited	59-66

Board of Directors

B. M. Khaitan
Executive Chairman

Deepak Khaitan
*Executive Vice-Chairman &
Managing Director*

Aditya Khaitan
P. K. Khaitan
Sreedhar Menon
Bhaskar Mitter
R. Srinivasan
P. K. Kaul
Directors

R. S. Jhawar
R. L. Joseph
A. Roy
Wholtime Directors

A. Chakravarti
Wholtime Director & Secretary

Audit Committee of the Board
R. Srinivasan
Bhaskar Mitter
R. S. Jhawar

*Shareholders'/Investors' Grievance
Committee of the Board*
Bhaskar Mitter
R. S. Jhawar
A. Chakravarti

Bankers
American Express Bank Ltd.
Standard Chartered Grindlays Bank Ltd.
Citibank N.A.
ICICI Bank Limited
State Bank of India
United Bank of India
Standard Chartered Bank
Allahabad Bank
Central Bank of India
Indian Bank
State Bank of Bikaner & Jaipur
UCO Bank

Solicitors & Advocates
Khaitan & Co.
Sandersons & Morgans

Auditors
Price Waterhouse
S. B. Billimoria & Co.

Registered Office
1, Middleton Street
Calcutta 700 071.

REPORT OF THE DIRECTORS

For the financial year ended March 31, 2001.

Your Directors have pleasure in presenting the Annual Report, together with the audited Accounts of your Company, for the financial year ended March 31, 2001.

Amalgamation of The Bishnauth Tea Company Limited (BTCL) with the Company.

The Scheme of Amalgamation of BTCL with the Company with effect from April 1, 2000 was approved by the respective shareholders of the two companies in separate meetings held on February 1, 2001 under the directions of the High Court at Calcutta. The Scheme received sanction of the Court on March 13, 2001. Upon filing of certified copies

of the High Court's Order with the Registrar of Companies, West Bengal, the Scheme became effective on May 4, 2001. The Audited Accounts presented herewith for the year ended March 31, 2001 reflect the state of affairs of the Company as the merged entity, and are, therefore, not comparable with the results of the previous year.

Allotment of shares of the Company to the shareholders of BTCL, in the exchange ratio stipulated in the Scheme, has been completed. The business of BTCL is being carried on by the Company in the trading name of "Bishnauth Tea" as part of the Tea Division.

Company Performance

Financial Results are summarised below :

	(Rs. in Crores)	
	2000-2001	1999-2000
Profit before Interest, Depreciation and Taxation	100.37	87.43
Less : Depreciation	(32.86)	(23.65)
	67.51	63.78
Less : Interest for the year	(55.34)	(53.77)
Profit before Taxation	12.17	10.01
Less : Provision for Taxation	(0.30)	(1.50)
Profit after Taxation	11.87	8.51
Profit brought forward from previous year	11.72	21.24
Profit brought forward pursuant to the above Scheme of Amalgamation	15.82	—
Profit available for Appropriation	39.41	29.75
Appropriations :		
Interim Dividend	—	7.23
Proposed Dividend	5.58	—
Tax on Dividend	0.57	0.80
Debenture Redemption Reserve	6.02	2.00
General Reserve	15.00	8.00
Profit carried forward	12.24	11.72
	39.41	29.75

Both Batteries and Tea businesses of your Company operated under severe competitive pressures during the year under review. The adverse weather conditions, particularly in the early part of the season, coupled with depressed market sentiments

almost throughout the year, adversely affected tea performance. Similarly, the influx of cheap & poor quality Chinese batteries for most part of the year depressed battery market and high input costs put pressure on profitability. While measures towards

significant cost control and consolidation of operations were introduced to offset the impact of these factors, high charge of interest adversely affected the overall performance. In order to reduce the interest burden and to improve operational efficiencies, your Company has taken up a vigorous restructuring exercise. This exercise includes consolidation of tea operations to achieve economies of scale, sale of tea estates with low financial viability and utilisation of proceeds in repaying debts. A part of the exercise has already been implemented and the balance is expected to be completed within the current year.

A significantly bigger and consolidated tea operation as a result of the amalgamation of BTCL, disposal of less remunerative tea estates, reduction of interest burden and the strengthening of competitive edge of the batteries and flashlights businesses should result in a significant improvement in the performance of your Company.

Dividend

Your Directors recommend that a Dividend of Re. 1.00 per share, amounting to Rs. 5.58 crores, be declared and paid.

Operations Review

Batteries and Flashlights : The battery industry continued to operate in a highly competitive environment, which heightened during the year with significant dumping of cheap and poor quality Chinese batteries into the country. Timely approach by the industry to the Govt. of India and prompt response by the latter led to several measures being imposed to restrict these imports from the second half of the year. The domestic industry came together in maintaining continuous vigil against dumping activities to ensure a level playing field. High input costs prevailing for most part of the year also depressed performance, though there was some relief in this regard towards the end of the year.

Though overall industry volumes came down due to these reasons, your Company managed to retain its volume through several sound measures. This enabled your Company to increase its market share and consolidated the market leadership position.

The flashlights industry saw negative growth during the year, which also reflected in the Company's sales for the year. Your Company, however, continued to remain a dominant market leader and it has embarked on new strategies for growing the market through innovations in design & merchandising and enhancing customer satisfaction.

Your Company continued to meet with reasonable success in the area of rechargeable batteries distributed by it. Despite stiff competition from low priced imports in this product segment, the business potential continues to be strong on account of brand association, high quality standards and customer servicing.

The manufacturing operations of both batteries and flashlights improved significantly in the areas of cost and quality. Other than through the ongoing manpower rationalisation programme, costs were improved through extensive work in the areas of yield, efficiency and sourcing of inputs.

The Company's battery facility at Taratola, Kolkata received the Confederation of Indian Industry-Eastern Region Quality Award for the year for being the model total quality management organisation. The flashlights facility at Lucknow received a National Safety Council of India Award during the year for its meritorious achievement in safety performance.

After an encouraging start in the previous year, export of batteries took firmer roots during this year. The product under a new brand 'Lava' was supplied to 8 countries including the highly quality-conscious markets of North America. This area will be receiving greater thrust in the coming year.

The overall scenario in the battery and flashlights industry is showing signs of gradual improvement and your Company has taken the required actions to further strengthen its operations. These should reflect in improved performance in the future.

Tea : The tea operations of your Company for the year included the business of the erstwhile The Bishnauth Tea Company Limited (BTCL), as a result of the amalgamation already referred to. Despite a second successive year of dry weather conditions, production of the consolidated tea operation could be maintained at the same level primarily due to

extensive irrigation and other superior plantation techniques followed.

Depressed market sentiments throughout the year for the tea industry affected the prices and overall industry realisations were much lower – North Indian teas by an extent of Rs.11 per kg.. However, your Company's quality teas continued to receive strong support, restricting such decline to only Rs. 4 per kg.. Your Company was also successful in increasing export sales in the face of low domestic industry demand.

The tea industry was also under pressure from escalating costs mainly in the areas of wages and energy costs. This factor and lower price realisation had been eroding the financial viability of certain estates. This matter had been under review for some time and during the year a few estates, viz. all estates in Darjeeling and few others in Dooars and Assam, identified in this regard, were sold in accordance with the shareholders' approval received in the extra-ordinary general meetings of the Company and BTCL held on December 20, 2000.

While the industry remains under pressure owing to various reasons mentioned, there are strong positive factors in favour of your Company. With the disposal of the less remunerative tea estates, the Company's operations will comprise of only profitable estates, which will strengthen performance. The operational consolidation with the estates of the erstwhile BTCL will provide the base to attain economies of scale. The uprooting and replanting programme initiated by your Company about 6 years back and the excellent plantation standards maintained will also continue to provide significant benefits. These factors should result in significant strengthening and improvement in the tea operations of your Company.

Packet Tea : Packet tea business of your Company came under severe competitive pressure and adverse industry conditions during the year, resulting in lower volumes compared to the previous year. However, packet tea business remains an area of promise and despite present difficulties the management remains confident of its future potential.

Other Manufactured Products : Sales of Electrolytic Manganese Dioxide(EMD) were at an all-time high and registered an increase of about 12% over the previous year.

The business of Cinema Arc Carbons was in review for some time on account of its unrelated nature from the mainstream activities of the Company. The business was closed down during the year and the related brands were sold to the present market leader of this industry. Sales of photo-engravers' plates and hard-facing rods were lower compared to the previous year's levels. This business, also unrelated to the mainstream activities, is under review for continuance in future.

Other businesses : Your Company was in the distribution of 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) respectively. These businesses were small and did not contribute to the profitability of the Company.

The business of distribution of miniature batteries was suspended in the previous year on account of poor prospects and conditions showing no improvement, your Company finally decided to make an exit from this business.

The business of distribution of alkaline batteries under the brand 'Energizer' was under review for some time on account of continued negative returns from this business, which was structured through a joint venture. Your Company came out of this unremunerative arrangement and is re-orienting the distribution of alkaline batteries under its own brand architecture.

Audit Committee of the Board

Pursuant to Section 292A of the Companies Act, 1956 the Company has constituted an Audit Committee of the Board consisting of the requisite number of non-executive Directors. The Annual Accounts for the year ended March 31, 2001 have duly been reviewed by the Committee before submission to the Board.

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 scheduling plant operations in line with market demands. Long-term wage settlement was concluded at the flashlight and EMD facilities respectively at Lucknow and Mumbai.

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.

Welfare Activities

Like in the past, your Company stood fully committed to meet its social responsibilities towards its employees and neighbourhood. It continued with its efforts in reinforcing and developing the infrastructural facilities around the estates by building and refurbishing roads, hospitals and primary schools. It also persisted with its efforts for all round development of education, literature and culture.

Your Company continues its support to the Assam Valley School, which is acknowledged as a prominent public school in the country. The Assam Valley Literary Award, also created with support from your Company completed its 11th year, continues to be conferred on eminent literary personalities of Assam. As in previous years, 'Eveready Scholarships' for advanced education were awarded to employees' children, and to the general public, the latter being

awarded through Eveready Welfare Services.

Public Deposits

Deposits amounting to Rs. 65.79 lakhs due for repayment remained unclaimed by depositors as on March 31, 2001. The concerned 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 and of Natex Investment and Marketing Limited, Eveready Company India Limited and Dufflagarh Investments Limited are annexed to this Report, as required under Section 212 of the Companies Act, 1956. Eveready Energizer Miniatures Limited, which was set up as a joint venture between your Company and EBC (India) Company Limited in 1996 has undergone voluntary liquidation, as the business of miniature batteries became unviable, and refund of the amounts invested in the share capital of this company has since been received from the Liquidator.

Exports and Foreign Exchange Earnings & Outgo

George Williamson & Co. Ltd., Newbury ceased to be the overseas Selling Agent for tea and Greenfield Trading Company Limited, Dartford, UK was appointed as a Selling Agent for sale of tea in all countries outside India except Nepal & Bhutan with effect from May 15, 2001. Market response to the new arrangement was found to be quite encouraging. 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.

Under the 'Lava' brand, battery exports showed promise for the future. This encouraged your

Company to put in place a major export drive in batteries.

	Year Ended 31.03.2001	Year Ended 31.03.2000
	Rs. lakhs	Rs. lakhs
Foreign Exchange Earnings	120,95.87	57,01.08
Foreign Exchange Outgo	55,32.11	50,54.17

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' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors state as follows :-

1. That in the preparation of the annual accounts for the financial year ended March 31, 2001, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors had prepared the annual accounts on a going concern basis.

Directors

Mr. B. M. Khaitan, Chairman, who was also the Chairman and Managing Director of The Bishnauth Tea Company Limited (BTCL), became the Executive Chairman of the Company from April 1, 2000 upon the Scheme of Amalgamation of BTCL with the Company becoming effective on May 4, 2001. The

appointment is subject to the approval of shareholders at the forthcoming Annual General Meeting.

Mr. P. Magor resigned from the Board with effect from April 27, 2001. The Directors are pleased to record its deep appreciation of the services rendered by Mr. Magor during his tenure with the Company.

Dr. R. Srinivasan and Mr. P. K. Kaul were appointed Additional Directors by the Board with effect from October 31, 2000 and May 4, 2001 respectively. In terms of Article 116(1) of the Articles of Association they hold office until the forthcoming Annual General Meeting of the Company. Notices in writing under Section 257(1) of the Companies Act, 1956 have been received from two Members separately signifying their intention to propose them respectively for election to the office of Director.

Messrs. R. L. Joseph and A. Roy were reappointed as Wholtime Directors each for a further period of three years and their reappointment together with terms as to remuneration were approved by the Members at the Extraordinary General Meeting held on December 22, 2000. At the Board Meeting held on June 29, 2001, Mr. A Chakravarti was reappointed as a Wholtime Director for a further period of three years with effect from July 24, 2001. This reappointment is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

In accordance with the Articles of Association of the Company, Messrs. B. M. Khaitan, Bhaskar Mitter, P. K. Khaitan and A. Chakravarti will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for reappointment.

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

June 29, 2001

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, 1988, and forming part of the Directors' Report for the year ended March 31, 2001.

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

Energy conservation continued to be an area of priority. Continued efforts in this area resulted in a saving of 3.5% energy compared to the previous year's operation. Energy conservation efforts have resulted in energy savings of 2.5% per annum over the last 10 years.

The Company continued to harness non-conventional energy and 3.4 million units of electricity were generated through wind and solar energy, thereby meeting part of the energy requirements of manufacturing operations.

B. Technology Absorption/Modernisation**Research & Development**

1. Specific areas in which R&D was carried out by the Company :

- Development work on eco-friendly systems.
- Conservation of EMD through alternate formulations.
- Development of carbon rods with higher venting resistance.
- Efficiency improvement in calcine leaching.
- Introduction of bar coding in packaging materials.
- Introduction of battery testing facilities as per IEC Standards for exports.

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

The zero cadmium and zero mercury AA manufacturing process was commercialised and the product was launched in export markets. Work carried out on alternate formulation for EMD conservation resulted in cost savings. Efficiency improvement in calcine leaching resulted in cost savings and reduction in waste generation. Benefits from the other projects are expected to accrue in the following years.

3. Expenditure on R&D :

	Year Ended 31.03.2001	Year Ended 31.03.2000
	Rs. lakhs	Rs. lakhs
a) Capital	1.94	24.98
b) Recurring	1,07.97	1,92.02
c) Total	<u>1,09.91</u>	<u>2,17.00</u>
d) Total R&D Expenditure as % of turnover	0.26%	0.12%

Technology Absorption, Adaptation and Innovation

New technologies such as zero cadmium can manufacturing process, leaching efficiency improvement project developed through in-house R&D efforts are well absorbed and adapted in the plants.

Modernisation

The Company's continuous efforts in modernisation continued at all of its manufacturing units through automation and process rationalisation, which led to improved efficiencies and lower costs.

TEA DIVISION**A. Conservation of Energy**

Energy Conservation measures taken :

- Installation of dehumidifier equipment, thereby avoiding the second firing of tea before packing for saving fuel.
- Installation of modern flexible panel boards for greater efficiency in power distribution.
- Formation of structured team comprising professionals for improvement work.

A. Power and Fuel Consumption

	Year Ended 31.03.2001	Year Ended 31.03.2000
i) Electricity :		
a) Purchased :		
Unit (kwh)	3,29,09,931	2,14,50,441
Total Amount (Rs.)	14,69,91,244	8,76,46,914
Rate/Unit (Rs.)	4.47	4.09
b) Own Generation :		
Through Diesel Generator :		
Unit (kwh)	1,14,43,791	73,56,059
Unit per Ltr. of Diesel Oil	2.57	2.78
Cost/Unit (Rs.)	5.86	4.26

	Year Ended 31.03.2001	Year Ended 31.03.2000
ii) Coal :		
Quantity (Tonnes)	4,625	4,392
Total Amount (Rs.)	99,61,790	92,04,261
Average Rate (Rs.)	2,153.93	2,095.75
iii) Furnace Oil :		
Quantity (Litres)	95,46,575	60,94,809
Total Amount (Rs.)	12,75,89,618	5,89,73,917
Average Rate (Rs.)	13.36	9.68

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

Saleable Production -

Tea (kgs.)	4,34,49,048	2,60,42,096
Electricity (kwh)	1.02	1.11
Furnace Oil (Litres)	0.22	0.23
Coal (kgs.)	0.11	0.17
Others (Rs.)	0.65	0.65

B. Research and Development

1. 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. The Company is also utilising the expertise of IIT, Kharagpur who have been retained to look into and suggest methods for the control of termites in tea, as well as improve-

ment of withering systems in the factories. Results are awaited from the ongoing trials.

2. 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 31.03.2001 Rs. lakhs	Year Ended 31.03.2000 Rs. lakhs
a) Capital	Nil	Nil
b) Recurring	55.18	32.14
c) Total	55.18	32.14
d) Total R&D Expenditure as % of turnover	0.06%	0.04%

Technology Absorption, Adaptation and Innovation

1. A separate department set up for training of Tea Estate personnel at various jobs continued to undertake training activities for both managerial and supervisory personnel. It continued to arrange seminars and courses, issue operating instructions for speedy implementation of changes and optimisation of managerial cycle. The technical circulars and discussions with Plantation Advisors from time to time continued as before.

2. The above provided impetus to your Company's efforts in the areas of quality, cost and customer satisfaction.