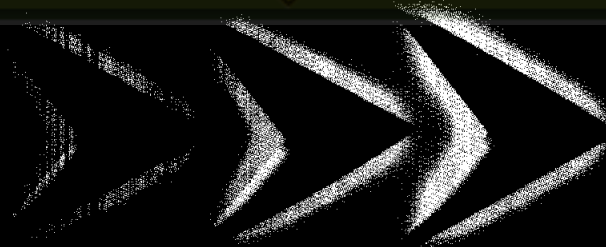


SANSO SERVICES Annual Report Library Service
ANNUAL REPORT 2001 - 2002

Report  junction.com



EVEREADY
INDUSTRIES INDIA LTD.

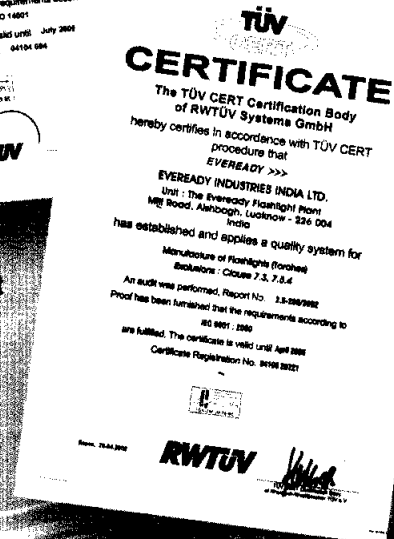


Our three brands of packet tea under the **Greendale** umbrella - **Tez**, **Jaago** and **Premium Gold**.

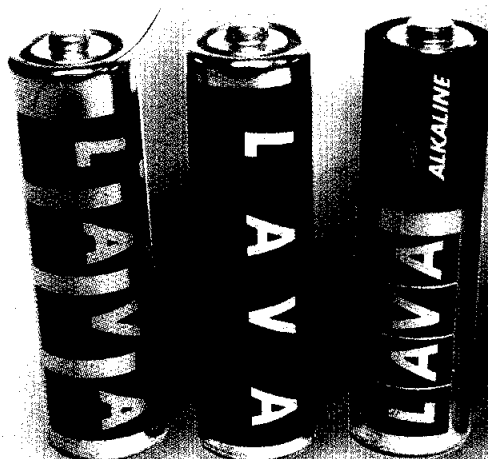


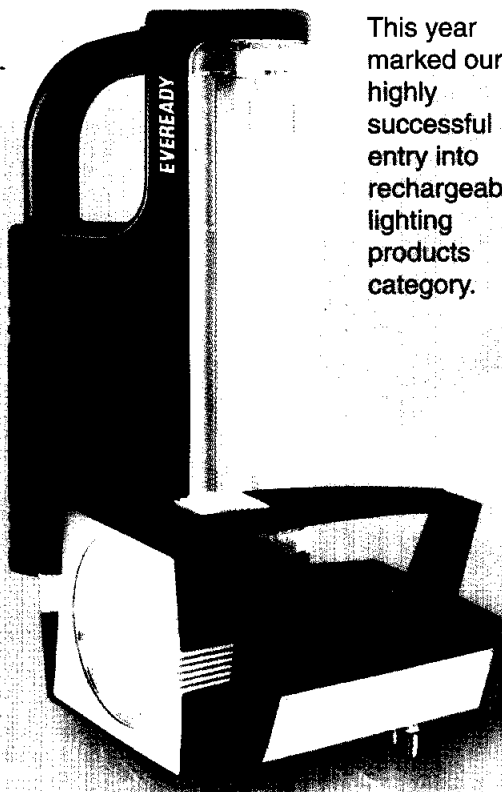
Our Hyderabad plant has been awarded the **ISO 14001** for effective **Environment Management Systems**.

Our **TEPCO** plant at **Lucknow** became India's first flashlight factory to be certified as **ISO 9001**.

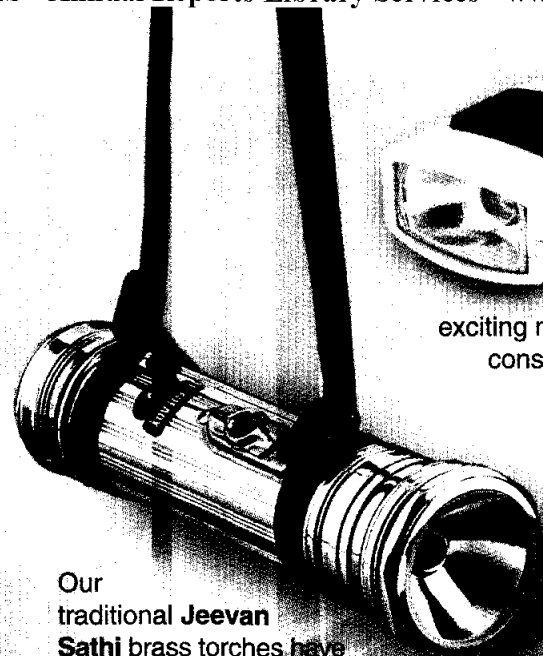


Our export brand **Lava** is represented in Ethiopia by our brand ambassador, the legendary **Haile Gebre Selassie** - the long distance runner who has won three gold medals at the Olympics.

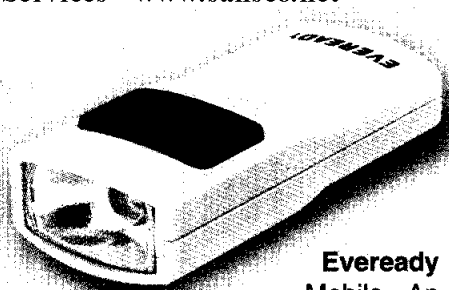




This year marked our highly successful entry into rechargeable lighting products category.



Our traditional **Jeevan Sathi** brass torches have come alive with 3 new features.



Eveready Mobile - An exciting new torch for the image conscious urban consumer.



These rechargeable batteries are among **Eveready's** futuristic products to meet a wide range of high-drain applications in household and industrial equipment.



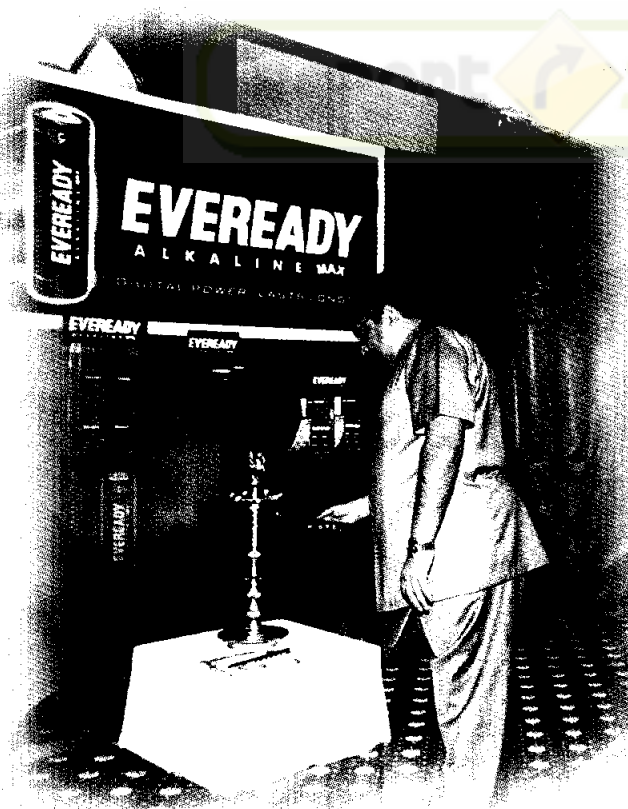
The Leadership Management International presented the 'Client of the Year' award to Camperdown Works, Kolkata, the oldest manufacturing plant of **Eveready**, for effectively initiating changes for better performance. Photograph shows Mr. Ajit Ghatak, Group General Manager, receiving the award from His Excellency, Mr. Viren Shah, Governor of West Bengal.

We stormed the market with our 'New Wave' range of **Eveready** batteries. Photograph shows Mr. B. M. Khaitan, Chairman, unveiling the New Wave range.



In November 2001 we launched **Eveready Alkaline Max** - with a promise of 'Digital Power Lasts Longer'.

Mr. Deepak Khaitan, Executive Vice-Chairman & Managing Director, unveiling **Eveready Alkaline Max**.



Contents

Page

| | |
|--|-------|
| Board of Directors | 1 |
| Report of the Directors | 2-6 |
| Annexures to the Directors' Report | 6-8 |
| Management Discussion and Analysis | 9-12 |
| Report on Corporate Governance | 13-24 |
| Report of the Auditors | 25-26 |
| 10 Year Financial Highlights | 27 |
| Profit and Loss Account | 28 |
| Balance Sheet | 29 |
| Schedules to Accounts | 30-60 |
| Cash Flow Statement | 61-62 |
| Locations of Tea Estates | 63 |
| Manufacturing Locations | 91 |
| <i>Annual Report of Subsidiary Company :</i> | |
| Nepal Battery Company Limited | 64-68 |
| <i>Consolidated Financial Statements :</i> | |
| Auditors' Report | 69 |
| Consolidated Profit & Loss Account | 70 |
| Consolidated Balance Sheet | 71 |
| Schedules to Accounts | 72-88 |
| Consolidated Cash Flow Statement | 89-90 |

Bankers

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

Solicitors & Advocates

Khaitan & Co.
 Sandersons & Morgans

Board of Directors

B. M. Khaitan
Chairman

Deepak Khaitan
*Executive Vice-Chairman &
 Managing Director*

P.K. Kaul
 Bhaskar Mitter
 Aditya Khaitan
 P. K. Khaitan (upto 19.6.2002)
 P. H. Ravikumar (Nominee of ICICI Bank Ltd.)
 R. Srinivasan
Directors

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

A. Chakravarti
Wholesale Director & Secretary

Audit Committee of the Board
 R. Srinivasan - Chairman
 Bhaskar Mitter
 P. H. Ravikumar
 R. S. Jhawar

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

Remuneration Committee
 Bhaskar Mitter - Chairman
 P. K. Kaul
 P. H. Ravikumar
 R. Srinivasan

Auditors
 Price Waterhouse
 S. B. Billimoria & Co.

Registered Office
 1, Middleton Street
 Kolkata 700 071

REPORT OF THE DIRECTORS

For the financial year ended March 31, 2002

Your Directors have pleasure in presenting the Annual Report, together with the audited Accounts of your Company, for the financial year ended March 31, 2002.

Review of Performance

Financial results are summarised below :

| | (Rs. in Crores) | |
|---|-----------------|---------------|
| | 2001-02 | 2000-01 |
| Profit before Interest, Depreciation and Taxation | 50.16 | 100.37 |
| Less : Depreciation | — | (32.86) |
| Add : Depreciation written back | 8.68 | — |
| | 58.84 | 67.51 |
| Less : Interest for the year | (111.60) | (55.34) |
| Profit/(Loss) before Taxation | (52.76) | 12.17 |
| Less : Provision for Taxation | (0.57) | (0.30) |
| Profit/(Loss) after Taxation | (53.33) | 11.87 |
| Provision for contingencies | (100.00) | — |
| Balance | (153.33) | 11.87 |
| Profit brought forward from previous year | 12.25 | 11.72 |
| Profit brought forward pursuant to Scheme of Amalgamation | — | 15.82 |
| Profit/(Loss) available for Appropriation | (141.08) | 39.41 |
| Appropriations : | | |
| Proposed Dividend | — | 5.58 |
| Tax on Dividend | — | 0.57 |
| Debenture Redemption Reserve | — | 6.02 |
| General Reserve | — | 15.00 |
| Balance carried forward | (141.08) | 12.24 |
| | (141.08) | 39.41 |

The overall operations of the Company during the year under review resulted in a loss.

In line with the scenario in the entire Tea Industry, the Tea business of the Company was severely affected by an un-precedented steep fall in the selling price, both in the domestic as well as in the international markets, resulting from excess production internationally as well as by small growers and bought-leaf factories within the country. The sentiments were further depressed by the lower level of total exports from the country.

The various steps taken over the last two years towards improving operations of the Battery & Flashlights businesses did have the desired

beneficial impact. These were supported by the soft price trends in international prices of metals & alloys, specially zinc and brass which are key raw materials for battery and brass flashlights. These measures resulted in a significant improvement in the performance of the Battery & Flashlights businesses, which however, was not adequate to compensate for the drop in the income from Tea business.

While it is difficult to predict the trend of prices, the various steps taken by the Company towards rationalization of the working at tea estates, further efforts towards improvement in quality, stricter monitoring of costs and working capital and the

elimination of non-viable and less profitable gardens, are resulting in substantial savings in cost and increase in revenue. In fact, during the year under review total expenditure in the Tea estates was less compared to the previous year despite increases in labour and other inflation-related costs. There are signs of further improvement in the performance of the Battery and Flashlights business. The exercise on re-structuring of loans from the various Banks and Financial Institutions has already been completed, and while the Interest cost for the year under review continued to remain at a high level, the savings from the re-structuring are now being seen. The impact of all these factors should be more fully reflected in the performance of your Company for the current year. In this context the Board wishes to record its sincere thanks to lending Banks and Institutions for their unstinted support and co-operation in restructuring of the Company's debts.

The Company, in earlier years, had given certain loans and advances to its former subsidiary companies as well as to other companies, the recovery of which is getting delayed due to continuous sluggishness in the capital market. To adequately cover such delays and possible shortfalls, the Directors have thought it prudent to make a provision for contingencies of Rs. 100 crores.

Dividend

In view of the loss for the year the Directors are unable to recommend any Dividend.

Operations Review

Batteries and Flashlights : The battery industry continued to operate in a highly competitive environment. However, your Company managed to improve sales volume by a significant 13.2%, through sustained market-focussed efforts. This enabled your Company to increase its market share and further improve upon its market leadership position.

The flashlights industry in the country came under serious pressure on account of a major influx of cheap and poor quality Chinese flashlights. Despite this pressure, your Company managed to improve sales volume marginally, through consumer-focussed innovations and other marketing activities.

Your Company continued to meet with limited success in the area of rechargeable batteries distributed by it. The market is yet in a nascent stage. However, your Company decided to withdraw from the cell-phone battery segment on account of stiff competition from poor quality and cheap imports and gray channel activities in this segment.

Your Company launched alkaline batteries under its own brand 'Eveready' during the year. Though this high-price market segment is extremely small, the response to the launch was heartening, despite being entrenched by international brands.

The manufacturing operations of both batteries and flashlights improved significantly in the areas of cost and quality. Cost improvement programmes through extensive work in the areas of yield, efficiency and sourcing of inputs continued to be a priority area and yielded significant results.

The Company's battery facility at Cossipore, Kolkata was awarded appreciation certificate for improvement in productivity by CII, Eastern Region. The flashlight facility at Lucknow was certified for ISO 9000, 2000 series. This facility was also the runners-up for the National Safety Award for the lowest average frequency rate of accidents. Quality Circles of various factories won awards at zonal and state level competition. The Company's battery and electrodes factory at Hyderabad has received certification for ISO 14000 for environmental management systems.

Export of batteries got further boost during this year. Efforts in the Nepal market received very encouraging results. Market lost by your Company's subsidiary, Nepal Battery Company Limited (NBCL) due to reasons elaborated in its Annual Report and Accounts annexed to this Report, was regained by products exported from your Company. Products under the export brand 'Lava' were supplied to 14 countries. An internationally reputed battery Company based in Japan tied up with your company for supply of batteries in their brand label for export in several countries.

The overall scenario in the battery industry is encouraging though highly competitive. Flashlights industry is going through a transformation as experienced earlier by the battery industry on account of indiscriminate exports. Your Company

has taken the required steps to match the changing environment. These should continue to reflect in healthy operating performance in the future.

Packet Tea

Packet tea business of your Company continued to be under severe competitive pressure and adverse industry conditions, resulting in lower volumes for the second consecutive year. Despite the present difficulties, your Company continues to be committed to the packet tea business on account of its potential.

Tea

As stated above, the Tea Business of the Company was severely affected by an unprecedented steep fall in the market prices of tea particularly from July 2001 onwards, both in the domestic as well as in the international markets. The average selling price for North Indian tea, which was at Rs. 85.19 per kg in June 2001, gradually came down to Rs. 43.72 per kg in March 2002. Due to this phenomenon your Company's average price realisations for Tea for the year under review was Rs. 77.89 per kg compared to Rs. 91.92 per kg during the last year, that is a drop of Rs. 14 per kg. On total sales of 37.98 million kgs during the year under review, the impact of this drop has been quite substantial on the total operations of the Company.

The Company's tea estates, however, continued to remain in a healthy state, producing quality tea and commanding premium both in the domestic as well as in the international markets even in the depressed price situation.

Other Manufactured Products

Sales of Electrolytic Manganese Dioxide (EMD) improved by 27.8% over last year and at 1787.6 tonnes were at an all-time high.

Your Company decided to withdraw from the business of photo-engravers' plates during the year as this business was unrelated to the mainstream activities and was diluting focus.

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 EMD facility at Thane and the Battery & Carbon Electrode facility at Hyderabad.

Your Board would like to record its appreciation of the unstinted 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

The Company continued with its efforts in reinforcing and developing the infrastructural facilities around the tea estates by building /refurbishing roads, hospitals and primary schools. The Company endeavours to care for all its employees by providing medical and welfare facilities way beyond the statutory requirements. Regular orientation and development courses for various disciplines are conducted. Your Company continues its support to the Assam Valley School, which has been accepted as one of the premier schools of the country. It caters to the needs of the Garden executives by providing high-class educational facilities to their children.

As in previous years, 'Eveready Scholarships' for advanced education were awarded to employees' children and to the general public.

Subsidiary Companies

Natex Investment and Marketing Limited, Eveready Company India Limited and Dufflaghur Investments Limited ceased to be the subsidiaries of the Company effective December 31, 2001. Copies of Annual Report and Accounts of Nepal Battery Company Limited (NBCL) are annexed to this Report as required under Section 212 of the Companies Act, 1956. In accordance with Accounting Standard 21, a consolidated financial statement incorporating

the Accounts of NBCL form a part of this Report and Accounts.

Public Deposits

Deposits amounting to Rs 29.19 lakhs due for repayment remained unclaimed by depositors as on March 31, 2002. The concerned depositors have been approached for completing the procedural formalities for either repayment or renewal.

Exports & Foreign Exchange Earnings & Outgo

During the year the Company's tea exports were effected through the new overseas selling agents, Greenfield Trading Company Limited, Dartford, UK, and it was good to note that their services to all the customers were extremely satisfactory. During the year, the Company exported 7.41 million kgs of tea, *which is considered quite encouraging performance* particularly in view of the fact that exports under the new arrangements commenced only from June 2001. Further improvement in exports during the current year with full support from our overseas selling agent is expected.

Batteries under the brand 'Lava' were exported to 14 countries and were very well received. An export volume of 25 million batteries was achieved as against approximately 10 million in the previous year.

| | Year Ended 31.03.2002 | Year Ended 31.03.2001 |
|---------------------------|--------------------------|--------------------------|
| | Rs . lakhs | Rs . lakhs |
| Foreign Exchange Earnings | 6966.57 | 12095.87 |
| Foreign Exchange Outgo | 6408.49 | 5654.38 |

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, 2002,

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 retired as an employee of the Company effective February 1, 2002. At the request of the Board he has agreed to continue as the Non-executive Chairman of the Company with effect from that date.

Mr P. K. Khaitan has resigned from the Board with effect from June 19, 2002. The Board is pleased to place on record its deep appreciation of the valuable contributions made by Mr Khaitan during his tenure as a Director of the Company.

Mr. D. Khaitan has been reappointed as the Executive Vice-Chairman & Managing Director for a further period of three years from June 1, 2002. His reappointment is subject to the approval of the shareholders at the ensuing Annual General Meeting.

Mr P. H. Ravikumar has been appointed as a Nominee Director of ICICI Limited (now known as 'ICICI Bank Limited') effective August 31, 2001.

In accordance with the Articles of Association of the Company Messrs. R. S. Jhavar, R. L. Joseph, A. Khaitan and A. Roy 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 reappointment.

Management Discussions & Analysis Report and Report on Corporate Governance

As required in terms of the Listing Agreements with

Stock Exchanges a Management Discussion and Analysis Report and a Report on Corporate Governance are annexed.

For and on behalf of the Board

B. M. Khaitan
Chairman

June 28, 2002

Annexures to the Directors' Report - 2001-2002

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, 2002.

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 8.9% energy compared to the previous year's operation. Energy conservation efforts have resulted in energy savings of 3.0% per annum over the last 10 years.

The Company continued to harness non-conventional energy and 3.8 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:

- a. Reduction of sludge generation in EMD manufacturing process.
- b. Water conservation in EMD plant.
- c. Zinc can strength improvement by process modification.
- d. Performance improvement of AAMJ batteries.

- e. Development of new NMD sources.
- f. Leak-proofness improvement of cooked cells.
- g. Shelf life improvement of cooked cells.

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

In-house R&D efforts on the above have been scaled up to Plant level and commercialised. Products made with improved leak-proofness and shelf life were very well accepted in the market and resulted in better value for money for the consumers. Work carried out on sludge reduction and water conservation at the EMD plant helped the Company to bring down process cost considerably.

3. Expenditure on R&D :

| | Year ended 31.03.2002 Rs. Lakhs | Year ended 31.03.2001 Rs. Lakhs |
|---|---------------------------------------|---------------------------------------|
| a) Capital | 0.04 | 1.94 |
| b) Recurring | 127.97 | 107.97 |
| c) Total | <u>128.01</u> | <u>109.91</u> |
| d) Total R&D Expenditure as % turnover | 0.22% | 0.26% |

**Technology Absorption,
Adaptation & Innovation**

New technologies such as alternate mix/paste formulations developed through in-house R&D efforts are well-absorbed and adapted in the plants.

Technical personnel of the Company visited various