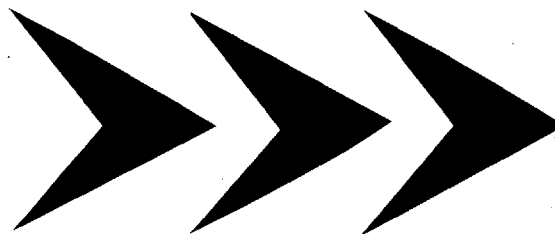


ANNUAL REPORT
2003 - 2004

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EVEREADY >>>
INDUSTRIES INDIA LTD.

EVEREADY

EVEREADY



Mr. Deepak Khaitan, Executive Vice-Chairman and Managing Director and Mr. Amitabh Bachchan after signing an agreement appointing the megastar as Eveready's Brand Ambassador.

"Eveready has been a part of the lives of millions and millions of people not just here but all over the world and it's wonderful to be associating with the company which is almost 100 years old."

- Amitabh Bachchan



Mr. B.M. Khaitan, Chairman and Mr. Deepak Khaitan, Executive Vice-Chairman and Managing Director addressed Team Eveready at the Annual Conference.



Compatible with a wide range of latest cordless telephones, Eveready cordless phone batteries are the only branded product in its category in Indian markets.

To reach out to more and more consumers this new Eveready charger pack with two rechargeable batteries was launched in select upcountry towns and rural markets.



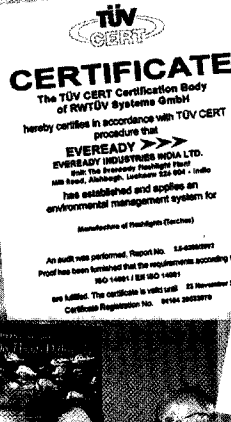
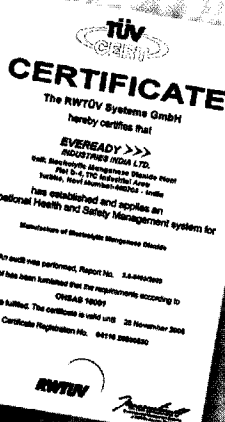
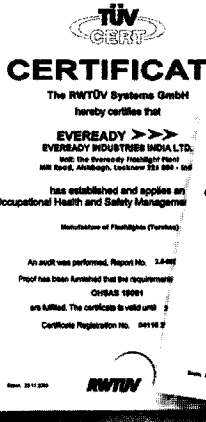
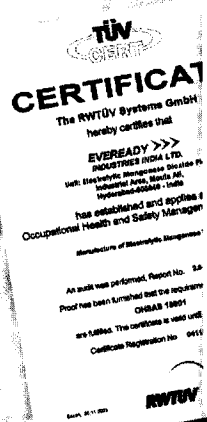
A new torch **Hi-Beam** was launched in response to the growing demand for continuous lighting especially in states where there are extensive power cuts.



Our foray into stylish aluminium and plastic torches got a further boost with the launch of two exciting new models - **Metallica** and **Zoom**.



Avishkar Quality Circle of our Mumbai plant secured the First position in the 15th National Convention of Quality Circles organized by Confederation of Indian Industry (CII).



Our Plants at Hyderabad, Lucknow and Mumbai were awarded the OHSAS 18001 for Occupational Health and Safety Management System.



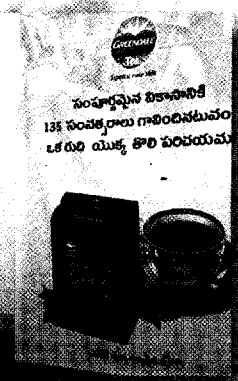
Our Plants at Lucknow and Mumbai were awarded the ISO 14001 for Environmental Management System.



We continued to storm the global market with our LAVA range of batteries and torches. LAVA is today a serious multinational brand well on its way to becoming an international favourite.



We launched a new brand of packet tea 'Greendale Classic' to strengthen our presence in the economy segment of the industry.



We launched the 'Premium Gold' brand of Greendale tea in the state of Andhra Pradesh. This is in line with our strategy to make packet tea available across all states of India.

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Board of Directors

B. M. Khaitan
Chairman

Deepak Khaitan
*Executive Vice-Chairman &
Managing Director*

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

R. S. Jhavar
A. Roy
Wholesale Directors

A. Chakravarti
Wholesale Director & Secretary

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

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

Remuneration Committee of the Board
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

Phone : (033) 2288 2147; 2288 3950
Fax : (033) 2288 4059

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 Ltd.
State Bank of Bikaner & Jaipur
State Bank of India
UCO Bank
United Bank of India

Solicitors & Advocates
Khaitan & Co.
Sandersons & Morgans

REPORT OF THE DIRECTORS

For the financial year ended March 31, 2004

Your Directors have pleasure in presenting the Annual Report with the audited Accounts of your Company, for the financial year ended March 31, 2004.

Review of Performance

Financial results are summarised below :

	(Rs. in Crores)	
	2003-04	2002-03
Profit before Interest, Depreciation and Taxation	64.82	92.63
Less : Depreciation	31.98	31.43
Less : Depreciation written back	—	—
	32.84	61.20
Less : Interest (net)	42.25	60.19
Profit/(Loss) before Taxation	(9.39)	1.01
Less : Provision for Taxation	(9.01)	(10.12)
Profit/(Loss) after Taxation	(0.38)	11.13
Provision for contingencies	—	—
Balance	(0.38)	11.13
Profit/(Loss) brought forward from previous year	(129.95)	(141.08)
Balance carried forward	(130.33)	(129.95)

The operations of the Company during the year under review were adversely affected by the continuing depressed scenario for Tea for the third year in succession although its impact was partly offset by the sustained focus of the Company towards improvement in quality and cost reduction. However, since April 2004 there is a distinct turnaround in the scenario for the Tea Industry fuelled by better prospects for exports and domestic demand, resulting in better price realisation.

For Batteries, the Company was able to achieve a growth over the previous year despite the decline in the overall domestic demand. There has also been a significant improvement in the sales of Flashlights as well as Packet Tea.

As a result of the above, the overall operations of the Company during the year under review resulted in a marginal loss.

Reorganisation of Business

The business environment in the country is becoming increasingly competitive and specialised. With the intent to provide focus to the two business

segments of the Company, viz. FMCG segment consisting of Batteries, Flashlights and Packet Tea, and the Bulk Tea segment, and to enhance shareholder values, your Board has decided to reorganise the existing business into two separate legal entities – one devoted to the FMCG business and the other to Bulk Tea, effective April 1, 2004. Accordingly it is proposed to retain the FMCG business in the existing company and de-merge the Bulk Tea business to a new company. A Scheme of Arrangement under Section 391 of the Companies Act, 1956 has been drawn up for the purpose. This Scheme is subject to the approval of the Stock Exchanges and the Shareholders, and requires the sanction of the High Court at Calcutta. The shareholders will be informed of the details of the Scheme in due course.

Dividend

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

Operations Review

Batteries and Flashlights : Despite a healthy economic situation in the country during the period

under review, the domestic battery industry declined by 5.4% over the previous year. Your Company could withstand the difficult market environment and managed to grow marginally. This was made possible by the market focused activities of your Company. The core strength areas of brand equity and distribution continued to play an effective role in enabling your Company to improve its market share and overall leadership position.

Record gains were seen in flashlights sales, which stood at 12.51 Million Pcs. – an increase of more than 16% over the previous year. Product innovation, introduction of new models and market related activities contributed to such improved results. The most heartening aspect was the sales of the profitable brass flashlights, which stood at a record high of 6.1 Million Pcs.

Rechargeable batteries also registered a handsome growth of 39% and this segment of batteries continued to be an area of focus for the Company.

Your Company continued its drive in the area of export of batteries and recorded sales of 46 Million Pcs. (Previous Year – 35 Million Pcs.) in a highly competitive environment.

Manufacturing operations of both batteries and flashlights were marked with significant improvement in areas of cost and efficiency. However, gain from such improved efficiencies was to a great extent neutralised by the rising cost of input material in the global markets, especially in non-ferrous metals like Zinc and Brass, which are key input materials of the Company's products.

Your Company decided to discontinue manufacturing of the low volume segment of 'C' size batteries on cost considerations. The company has decided to operate in this segment through outsourcing measures.

Your Company's thrust towards creating an eco-friendly environment and providing high standards of safety and health related to its manufacturing operations continued during the year. Plant facilities at Hyderabad, Mumbai and Lucknow received the OSHAS 18000 certification. The facilities at Lucknow and Noida received the ISO 14000 series certification. All manufacturing facilities including the above continued to retain ISO 9000 series certification.

The Avishkar Quality Circle of the EMD facility at Thane received the first prize at an All-India CII meet. Several Quality Circles of other manufacturing plants received recognition at Quality Circle meets held at regional level.

Shrinkage in the battery market in the country during the year is in line with the trend seen in most FMCG product categories and is believed to be a temporary phenomenon. It is expected that the current year will see the industry going back to its normal pattern of healthy growth. Your Company has already recorded a handsome growth in flashlights during the year and it is expected that this will be sustained.

The Company has taken major initiatives in further improving upon its core strengths – brand and distribution. It has already engaged Mr. Amitabh Bachchan, leading Indian actor, as its brand ambassador. These steps should reflect in a better operating performance in the current year.

During the year, the Company has set up a Training Centre, called 'Eveready Academy of Sales Training' for imparting training to fresh graduates under a one-year structured programme leading to a post-graduate certificate in professional selling. This has received encouraging response.

Packet Tea

Severe competitive pressure and adverse market conditions continued to prevail in the packet tea industry. Many leading packet tea operators saw lower volumes during the year. However, your Company improved its volume by 39% and made cash profits in this business. Your Company continues to believe that packet tea will be a significant operation in the long run and has made plans in line with such belief. It is expected that in the current year also the business will generate favourable returns.

Tea

During the last three years of difficult situation for the Tea Industry, the Company was able to take various steps towards rationalising the operations of the tea estates, greater stress on improvement of the quality, and cost reduction. All these steps have ensured that the Company's estates are maintained in excellent condition and the teas produced by the Company continue to command

premium in all markets. Although average price realisation for the Company was lower than that in the previous year, the price realisation for the Company's tea continues to be much above the Industry average.

During the year the Company achieved a production of 422 lakh kgs. as compared to 376 lakh kgs. in the previous year.

Despite overall reduction in exports for the country, the Company has achieved higher exports, including the deemed exports routed through Hindustan Lever Ltd. for their Unilever associates. Relations with all the overseas customers remained excellent.

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 battery facility at Cossipore, Kolkata.

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 also wish to 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 has continued its support to the various welfare activities for all-round development. It has developed infrastructure around the Tea Estates by building roads, organising health camps and supporting private schools. It has persisted in its efforts towards promotion of education, literature, culture and sports.

The Company continued its support to the Assam Valley Literary Award, which has now found wide acceptance in Assam. Through the Scholarship Scheme of the Company-sponsored Williamson

Magor Education Trust over 60 students have, till date, been awarded Scholarships from Assam to pursue higher studies in prominent technical and management institutions of the country. The Law Faculty building at the Guwahati University is another example of the Company's contribution and commitment to higher education. The Company's support to the Assam Valley School, which has already established its reputation as one of the premier public schools of the country, continues.

The Company also continues to assist the small growers by providing up-to-date technology to them. In the field of health care, the well-equipped hospitals, particularly the Central hospitals render excellent medical facilities to the workmen and others. The Company supports the Mother's Club to look after mother and childcare.

The Company has also promoted sports through the Williamson Magor Football Academy which has brought up quite a number of outstanding footballers.

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

Subsidiary Company

Nepal Battery Company Ltd. (NBCL), the erstwhile subsidiary of the Company, went into voluntary liquidation on October 10, 2003 under the provisions of the (Nepal) Company Act, 1997. The Company's investment in NBCL has thereupon been written off from the books of the Company with due approval of the Reserve Bank of India.

Public Deposits

Deposits amounting to Rs. 79.81 lakhs due for repayment remained unclaimed by depositors as on March 31, 2004. The concerned depositors have been intimated for completing the procedure for either repayment or renewal.

Exports & Foreign Exchange Earnings & Outgo

During the year the Company exported 8.89 million kgs of tea (including deemed export of 4.12 million kgs) and 46 million batteries under the 'Lava' brand, against 7.73 million kgs and 35 million pieces respectively in the preceding year.

	Year Ended 31.3.2004 Rs. lakhs	Year Ended 31.3.2003 Rs. lakhs
Foreign Exchange Earnings	5063.64	7528.45
Foreign Exchange Outgo	6742.99	7295.23

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, 2004, 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. R. S. Jhawar, Mr. R. L. Joseph, Mr. A. Roy and Mr. A. Chakravarti have been reappointed as

Wholtime Directors by the Board for a further period of three years each effective October 1, 2003, December 8, 2003, December 8, 2003 and July 24, 2004, respectively. Subsequently, Mr. Joseph has taken early retirement from the services of the Company and his Directorship will cease from June 1, 2004. The reappointment together with the terms thereof for their respective tenures is subject to the approval of the Members at the forthcoming Annual General Meeting.

In accordance with the Articles of Association of the Company, Mr. P.K. Kaul, Mr. A. Khaitan and Dr. R. Srinivasan will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment.

The Board has placed on record its appreciation of the services rendered by Mr. R.L. Joseph during his tenure with the Company.

Auditors

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

Auditors' Report

In regard to the observations made by the Auditors in their Report relating to overdue loans and advances, interest accrued on loans and other recoverable items, and the period-end gross diminution in the value of investments, reference is made to Note No. 4 on Schedule 19 to the Accounts, which is self-explanatory.

Management Discussions & Analysis Report and Report on Corporate Governance

As required in terms of the Listing Agreement with Stock Exchanges a Management Discussions and Analysis Report and a Report on Corporate Governance are annexed.

For and on behalf of the Board

June 28, 2004

B. M. Khaitan
Chairman

Annexures to the Directors' Report – 2003-2004

Information in accordance with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended March 31, 2004.

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 3.4% energy compared to the previous year. Energy conservation efforts have resulted in energy savings of 3% 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. Improvement of Flashlight performance of all D-Size batteries through improved conductive mix formulations.
- b. Imparting higher strength on the anode by revising process parameters of Can extrusion process, resulting in reduction of dented products in market.
- c. Development of alternate metal alloys and pastes formulation for removal of Toxic elements in batteries protecting the performance standards.
- d. Cost reduction with overall improvement of product performance.

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

The above stated developments / innovations are scaled up and are at various stages of implementation. These projects are aimed at developing USPs of the products and will also result in substantial cost savings for the company.

3. Expenditure on R&D :

	Year ended 31.03.2004	Year ended 31.03.2003
	Rs. Lakhs	Rs. Lakhs
(a) Capital	5.67	6.46
(b) Recurring	111.25	120.97
(c) Total	116.92	127.43
(d) Total R&D Expenditure as % of turnover	0.18%	0.20%

Technology Absorption, Adaptation & Innovation

New technologies developed are being absorbed and adapted in various locations of the Company. R&D group is directly involved in Training / Education of the plant personnel on the new processes that are developed in the in-house R&D.

Modernisation

The company's continuous effort 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 :

- a. Factory efficiency has improved in spite of frequent breakdown on the part of State Electricity Board in supplying the power.
- b. Power transmission losses have been minimized with improved insulators in the factory and other places.
- c. Awareness of energy conservation has been brought about amongst the employees.

B. Power & Fuel Consumption

	Year ended 31.3.2004	Year ended 31.3.2003
1.. Electricity		
(a) Purchased :		
- Units (Kwh)	25234336	23955441
- Total Amount (Rs.)	139973035	122500331
- Rate/Unit (Rs.)	5.55	5.11