

EVEREADY >>>
INDUSTRIES INDIA LTD.

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Annual Report 2005-2006



Dear Shareholders,

The last financial year was a good year for the economy and your Company. According to the Economic Survey for the year, the country's economy was estimated to have grown at a healthy 8.1 per cent. This growth came despite a modest agricultural growth of 2.3 per cent, which makes the overall growth more creditable. I am quite pleased to state that your Company was able to leverage this growth impetus to post excellent results, helping to create long term shareholder value. I would like to highlight a few of these achievements.

- Revenue from operations increased by a healthy 12 per cent
- PBDIT was higher by 56 per cent at Rs.166.59 crores. While part of this increase was contributed by non operating income, operations also contributed by an increase of 9 per cent in PBDIT as compared to the previous year.
- PAT was higher at 79.66 crores - up From 46.31 crores in the previous year.

The above achievements were after an unprecedented adverse impact on the business due to steep increase in input costs - especially that of zinc, which is a major raw material used by your Company. Let me now touch on a few key developments that occurred during the last financial year.

This was the 6th consecutive year when your Company increased its share in the dry battery market. It stood at 47.2 per cent at the end of the year - up from 45.6 per cent in the previous year. This was possible only due to your Company's sustained

initiatives on branding and distribution.

Focus on brand activities was kept up at a high pitch and brand 'Eveready' was looked after well. Encouraging results also came in from the area of distribution. Your Company's penetration level exceeded 3.5 million outlets all over the country, indicating one of the deepest and widest penetration levels across all FMCG companies.

Without moving away from your Company's focus on organic growth, an excellent inorganic growth opportunity was seized upon during the year. In your Company's acquisition of BPL Soft Energy Systems Ltd. (now known as Powercell Battery India Ltd. - PBIL), your Company was able to take over the 4th largest dry battery operation in the country. This opened the door to a new distribution chain, access to the brands 'Powercell' and 'Shakti' and a market share of 8 per cent. Though a late entrant in the market, PBIL has done very well to entrench itself with its consumers. This acquisition, whereby PBIL has become a 100% subsidiary to your Company, is expected to add approximately Rs. 130 crores in revenues.

Your Company also added a new product line- mosquito repellants- during the year, in line with the direction to leverage its distribution strength. Though in its initial stages, market response was encouraging.

Your Company was able to unlock value from its real estate during the year which has resulted in the non operating income as mentioned earlier. The Company is now committed to further efforts in this area and initiating similar development at its other properties.

Your Company had a successful issue of Global Depository Receipts (GDR) during the year. Total amount raised was US \$ 33 million, which was utilized to reduce debts - thus making for a stronger balance sheet and better profitability. The Promoters of your Company also got Convertible Warrants issued to them at the same price as that of GDR in indication of their confidence in your Company.

I must also share with you some other key operational facts. This was a year when input prices were on a rise in an unprecedented manner. Utilizing its pricing power built over the years through its branding and distribution, your Company was able to pass on the adverse impact. Your Company also managed to

put a cap on costs through optimal purchasing and serious overhead conservation initiatives. While these measures were taken in an aggressive manner, these were still out paced by the continual rise in the input costs which resulted in an under recovery of Rs.48 crores during the year. Actions already implemented should enable this amount to return to the bottom line in the coming year.

Healthy demand for your Company's products put capacities under strain. Construction work at its greenfield project to augment capacity at Haridwar, Uttaranchal is underway as per schedule. Capacity building up exercise at other existing manufacturing locations is also showing satisfactory progress.

GDP growth in excess of 7 per cent is now more than just popular consensus. Such healthy growth will release more people into consumption stream. Your Company offers FMCG products which are at the very base of the needs hierarchy of new consumers. Demand generated from this, along with higher levels of consumption from existing consumers as a result of higher income levels, will continue to provide high organic growth to your Company. Your Company will also be trying to take advantage of growth opportunity through the inorganic route.

All these factors will result in a steadily improving performance and greater shareholder value. I can say with confidence that your Company is poised to excel in the years ahead.

It will not be fair if I end this note without mentioning a few groups of people who provide the foundation to this Company. Your Company realizes that employee engagement is critical to sustaining growth of business. Thus human resource activities have continued and will continue in liberating the potential that exists in a happy and talented work force. I wish to also thank all our customers and vendors who have steadfastly stood by us in our journey and lastly a very special thanks to all shareholders for their faith and spirit.

With warm regards,

B.M. Khaitan

Corporate Information

Board of Directors

Mr. B. M. Khaitan

Chairman (Non-Executive)

Mr. D. Khaitan

Executive Vice-Chairman and Managing Director

Mr. V. Bhandari

Mr. Sanjiv Goenka

Mr. P. K. Kaul

Mr. A. Khaitan

Mr. Bhaskar Mitter

Mr. Diwan Arun Nanda

Non-Executive Directors

Mr. P. H. Ravikumar

Nominee of ICICI Bank Limited

Mr. A. Roy

Mr. S. Saha

Wholtime Directors

General Manager Legal & Company Secretary

Mrs. T. Punwani

Auditors

S. B. Billimoria & Co.

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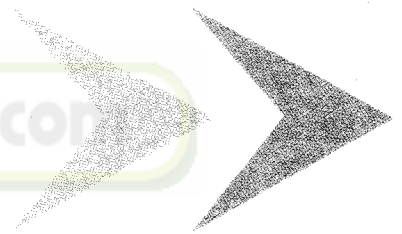
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EVEREADY >>>

Annual Report & Accounts



Report of the Directors

For the financial year ended March 31, 2006

Your Directors are pleased to present the Annual Report, together with the audited Accounts of your Company for the financial year ended March 31, 2006.

Review of Performance

Financial results are summarized below :

(Rs. in Crores)

	2005-06	2004-05
Net Sales	732.81	654.93
Other Income from operations	1.52	2.05
Profit from sale of real estate	76.62	23.85
Total Income	810.95	680.83
Total Expenditure adjusted for increase/decrease of stocks	644.36	574.03
Profit before Depreciation, Interest and Taxation	166.59	106.80
Adjustment to Provision for Contingency	(0.25)	-
Depreciation	18.31	18.51
Interest and Finance Cost	43.69	37.43
Exchange Fluctuation	5.35	2.56
Profit/(Loss) before Taxation	99.49	48.30
Provision for Taxation including Fringe Benefit Tax	19.83	1.99
Profit/(Loss) after Taxation	79.66	46.31
Profit/(Balance) brought forward from previous year	11.31	(119.56)
Amount adjusted with General Reserve as per Demerger Scheme	-	119.56
Balance available for appropriation	90.97	46.31
Which the Directors recommend for appropriation as under :		
a) Proposed Dividend	14.45	-
b) Tax on Proposed Dividend	2.03	-
c) General Reserve	60.00	35.00
Balance carried forward to Balance Sheet	14.49	11.31

As evident, net sales for the year were higher by Rs.77.88 crores, a gain of 12% over the previous financial year. Profit before Depreciation, Interest and Taxation (PBDIT) was higher by more than 56% at Rs.166.59 crores as compared to Rs.106.80 crores in the previous year. This gain was contributed both by the operating performance of your Company as well as by higher revenue from the real estate activities, as depicted below:

(Rs. in Crores)

	2005-06	2004-05	% Gain
PBDIT			
From real estate	76.62	23.85	221
From operations	89.97	82.95	8.5
Total	166.59	106.80	56

The gain in PBDIT from operations was somewhat modest at 8.5 % despite a healthy top line growth of 12% due to a very steep increase in raw material prices. Handsome gains came from the real estate activities.

Dividend

Your Directors are pleased to recommend a dividend of Rs.2/- per share on the share capital, subject to approval of the Members at the forthcoming Annual General Meeting.

Operational Review

Batteries and Flashlights

Your Company registered value growth of 12% in dry battery sales during the year under review. As per available data, the dry battery industry had only a marginal growth of 2.1% by volume (Source: AC Nielsen).

The value growth for your Company was contributed by both the volume growth at a level higher than the industry as well as price growth. As a result of sales growth at higher than the market growth rate, your Company ended up with an estimated market share of 47.2% in the year under review as compared to 45.6% in the previous period (Source: AC Nielsen). This was the 6th consecutive year when the Company improved its market share.

The pillars behind your Company's sustained good performance continue to be its fundamental strengths on distinct quality edge, penetrative distribution and effective marketing.

Both battery and flashlights businesses, however, saw unprecedented squeeze on margins on account of very steep input cost increases. Special mention needs to be made of zinc which is used for the manufacture of both battery and a major segment of flashlights and constitutes over 30% of the raw material cost of these two businesses. This metal was in a steep bull run during the year under review.

Your Company took a series of pricing actions whereby the above adverse impacts were passed on to the market. However, since the input costs – especially that related to zinc – were rising continuously, there were time lags between incurring the increased costs and consequent implementation of pricing actions, in line with the supply chain throughput. This time lag contributed to the loss of Rs.35 crores in zinc alone during the year and a total of Rs.48 crores for all materials (about 53% of PBDIT from Operations). Had this not been for such adverse impact, the PBDIT margins would have been significantly higher.

The growth in battery sales has contributed to capacities being in near full usage. The Greenfield project proposed at Uttaranchal, to augment capacity, is currently under construction in full swing. This capacity is for the 'AA' segment.

Capacities are also being planned for the 'D' segment – for both Bare Bottom as well as False Bottom batteries. Work is already under way towards putting up such capacity in the existing plant locations.

The manufacturing operations of your Company continued to focus on total quality management, safety, energy conservation and cost control. This helped your Company in achieving manufacturing excellence, which manifested in wider recognition reflected in the following awards:

1. Two of your Company's manufacturing facilities at Kolkata received CII Eastern Region Productivity Awards, given for significant and sustained

improvement in productivity every year. These received the first and second prizes.

2. Quality Circles of Hyderabad and Kolkata units won awards in state, regional and national level competitions held by CII and QCFL.

The Cossipore unit at Kolkata was certified for ISO 14000 and OSHAS 18000 management systems. With this, four units of your Company are now OSHAS 18000 certified and all units of the Company have ISO 14000 certification except for one unit which has ISO 9000 certification.

The Company's EMD (a raw material for dry batteries) manufacturing operations at Thane, Maharashtra became completely un-remunerative on account of higher quality imported EMD being available in the market for battery manufacturing at costs lower than your Company's EMD manufacturing costs. As a measure of cost protection, your Company has decided on suspension of EMD operations and has put in place actions by which the manufacturing facilities will be closed from the close of March 31, 2007.

Packet Tea

The packet tea business of your Company continued to leverage the wide and deep national distribution reach. The business had a value growth of 15.3%, which was mainly contributed by a very healthy volume growth of 17.8%. The market continues to be severely competitive. However, your Company remains focused on this business as a driver for revenue growth.

Mosquito Coil

During the year under review, your Company diversified its product portfolio into a new product range, viz., mosquito repellents. This is in line with the Company's plans to grow organically in newer FMCG products using its distribution chain. Mosquito coils are the first products in this range, which were launched in 2 states – Assam and West Bengal – in January 2006.

The criterion applied for the selection of this product range included the large size of the mosquito repellent market – given India's perennial problems with mosquito and attendant diseases. Large-scale usage of coils in the rural mass market also was of particular interest, where your Company's distribution network is extremely strong. Initial response to the launch was encouraging and this segment will offer handsome revenue growth and profitability for the Company in future.

Real Estate

Your Company operates its various manufacturing units at major cities, sitting on lands which are of considerable value. It was felt that relocating manufacturing operations from such valuable properties would unlock value for the Company. With this principle your Company relocated its manufacturing facilities from one of its locations at Chennai and liberated the space to initiate development. The Company had received Rs.25 crores on handing over the land for such development in the previous year. In the year under review, it realized a further Rs.72 crores towards pre-selling of the space allotted to your Company in such development.

Your Company is now committed to sustain efforts in this area and will initiate similar developments at the other such properties and will maximize returns from such activities.

Prospects

There are enough indications which point to a sustainable GDP growth in excess of 8%. Your Company offers products which are at the base of the hierarchy of consumer needs. Thus dry batteries, flashlights, packet tea and mosquito coils are the first few items of consumption as new people come to consumerism and people with increasing income levels can afford higher consumption. The FMCG market continues to show signs of robust growth and your Company is confident that it will continue to ride this robustness.

Your Company has the two essential assets required of a FMCG operation, viz., a strong brand and a penetrative distribution. It is thus poised to take full advantage of the favorable market conditions.

The only cause for some concern at this stage appears to be the continuing bull run of zinc. Despite several price increase actions in the recent past, the uptrend of zinc seems to continuously beat such actions. The upside in zinc does not seem to have been fully exhausted and your Company is prepared to see some more action on this front and is ready to meet such contingencies through pricing and cost conservation measures – on a proactive basis.

The Company's Greenfield project at Uttaranchal is progressing as per plan and is well in position to commence production before March 2007, so as to be able to avail of the tax and excise duty benefits.

Issue of Global Depository Receipts

During the year under review, your Company successfully issued Global Depository Receipts (GDRs). The total amount issued was US \$ 33 million with 1,59,68,258 GDRs represented by 1,59,68,258 fully paid up equity shares of Rs.5/-, at an issue price of Rs.95/- (US \$ 2.066) for each such share. Your Company has also received the listing approval for the abovementioned shares. Proceeds on this account were utilized mainly to pay down debt.

Issue of Convertible Warrants on preferential basis

During the year under review, your Company issued and allotted 67,50,000 Convertible Warrants on a preferential basis to 17 proposed allottees on October 5, 2005. A sum of Rs. 6,41,25,000/- in the aggregate being 10% of the price of the underlying equity shares @ Rs. 95/- per share was received from the proposed allottees. Proceeds on this account were mainly utilized to repay debt. Subsequently, one of the allottees exercised part of its option so as to convert 5,00,000 Convertible Warrants out of the 55,65,000 Convertible Warrants held by it and consequently 5,00,000 equity shares of Rs. 5/- each at a premium of Rs. 90/- per share i.e. at an aggregate price of Rs. 95/- per share has been allotted to the said allottee on May 11, 2006. Accordingly, the share capital of the Company as at May 11, 2006 stands increased to Rs.36,12,36,300/- represented by 7,22,47,260 equity shares of Rs. 5/- each. Necessary application for listing of the abovementioned shares as allotted is in process.

Subsidiary Company

Your Company and its nominees acquired the shares of Powercell Battery India Ltd. (formerly known as BPL Soft Energy Systems Ltd.), transfer whereof was completed on November 23, 2006. Consequent to this, Powercell Battery India Ltd. (PBIL) became a wholly owned subsidiary of your Company with effect from that date.

The consolidated accounts presented under this Annual Report include the financial numbers of PBIL for the period November 23, 2005 to March 31, 2006. The statement under section 212(3) of the Companies Act, 1956 is attached.

PBIL is the fourth largest player in the battery market. It has come to this level within a very short period of time and has built up a distribution network which is deep and penetrative. Acquisition of PBIL makes the combined market share of the dry battery market with your Company a very formidable one. As a result, this will also allow your Company better pricing power.

PBIL's performance in the recent past prior to take over by your Company was somewhat depressed due to several constraints including an industrial unrest. However, a quick turn around has been accomplished with the takeover of PBIL by your Company. All parameters indicate to a successful future of this subsidiary with great benefits of synergy between it and your Company.

Finance

The financial position of your Company improved significantly during the year under review. Operating revenue, profit from sale of real estate and proceeds from GDRs and Convertible Warrants provided a sound financial base. This allowed the Company not only to run operations in an optimal manner, but also gave it the acquisition opportunity mentioned earlier in this Report.

The other positive development was that in addition to scheduled repayment of debt, your Company was able to prepay some part of its debt portfolio. Borrowings were at Rs.378.86 crores as at March 31, 2006 compared to Rs.508.67 crores as at March 31, 2005 – thus lower by Rs.129.81 crores.

The balance sheet position is significantly improved due to factors mentioned above and your Company has the financial ability to meet the future needs of business.

Employee Relations

One of your Company's key strengths is its people. Relations with employees remained cordial and satisfactory. Your Board would like to place on record its appreciation of employees for their contributions to the business.

Your Company believes in a system of Human Resource Management which rewards merit based performance and playing an active role in improving employee skills. Actions during the year under review were supportive of this policy.

The Eveready Academy of Sales Training (EAST) continues to place successful students in the management cadre of your Company.

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A statement of particulars of employees as required under section 217(2A) of the Companies Act, 1956 (Act) forms a part of this report as a separate Annexure. In terms of section 219 (1)(b)(iv) of the Act, this Report is being sent to all Members without the said annexure. Any member interested in taking inspection or obtaining a copy of the statement may contact the Secretary of the Company at its Registered Office during working hours.

Public Deposits

Deposits amounting to Rs.9.28 lakhs due for repayment remained unclaimed by depositors as on March 31, 2006. The concerned depositors have been intimated for completing the procedure for repayment.

Exports and Foreign Exchange Earnings and Outgo

During the year under review, your Company exported batteries of 51.30 million pcs and flashlights of 479.44 K pcs against 44 million pcs and 332 K pcs respectively in 2004-05.

Rs. Lakhs

	Year ended 31.03.2006	Year ended 31.03.2005
Foreign Exchange Earnings	959.98	580.87
Foreign Exchange Outgo	9228.72	8698.55

Conservation of Energy and 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, 2006, the applicable accounting standards had been followed with no material departures;
2. That the Directors had selected such accounting policies and applied them consistently and made judgments 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

In accordance with the Articles of Association of the Company, Mr. B. Mitter, Mr. P. K. Kaul and Mr. A. Khaitan will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

Mr. V. Bhandari was appointed as Additional Director by the Board with effect from February 1, 2006. In terms of Article 116(1) of the Articles of Association of the Company he holds office until the forthcoming Annual General Meeting. Notice in writing under Section 257(1) of the Companies Act, 1956 has been received from a Member signifying his intention to propose Mr. Bhandari for election to the office of Director.

Mr. A. Chakravarti, Wholetime Director and Secretary retired from the services of the Company effective February 1, 2006. The Board of Directors is pleased to place on record its deep appreciation of the services rendered by Mr. Chakravarti during his tenure with the Company.

On a Reference Application made by the Central Government to the Company Law Board (CLB) under Section 408 of the Companies Act, 1956, the CLB, by an order dated December 20, 2004 directed the Central Government to appoint three Directors on the Company's Board for three years. As the CLB's order suffers from various legal infirmities, the Company, based on legal advice, has challenged this order of the CLB before the High Court at Calcutta, which has, by an interim order, stayed the operation of the CLB's order. The stay is continuing.

Auditors

Messrs. S.B. Billimoria & Co. (SBB), Chartered Accountants, have been the Statutory Auditors of your Company since 1983. They retire at the ensuing Annual General Meeting and have communicated that they are not seeking re-appointment.

Following the GDR Issue, the Company's financial statements will be increasingly used internationally and it is proposed to have an audit firm with international recognition. Your Directors therefore propose to appoint Messrs. Deloitte Haskins & Sells (Deloitte), Chartered Accountants, who are eligible under Section 224 (1B) of the Companies Act, 1956 and have offered themselves for appointment. Some of the partners of SBB are also partners of Deloitte. The appointment of Deloitte is subject to the approval of the Members at the forthcoming Annual General Meeting.

Management Discussion and Analysis Report and Report on Corporate Governance

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

Kolkata
17th May, 2006

For and on behalf of the Board
B. M. Khaitan
Chairman

Management Discussion & Analysis

The Business

Eveready Industries India Limited (EIL) is one of India's most renowned and enduring FMCG companies, entrenched in the country for over 100 years. Over the decades, it has strengthened its position as the dry cell battery and flashlight industry market leader in the second most populous country in the world.

The Company's contemporary product portfolio comprises the following :

- Dry cell batteries, flashlights and rechargeable batteries under brand 'Eveready'.
- Packet tea under brands 'Tez', 'Jaago', 'Premium Gold', 'Classic'.
- Mosquito coil under brand 'Eveready Poweron'.

EIL commenced its Indian operations through import of dry cell batteries and then marketing the same across major Indian cities. This eventually led to setting up manufacturing facilities and a distribution network across India. Subsequently, this manufacturing presence was integrated forward into the manufacture of flashlights, the largest consumer of batteries.

Over time, the Company evolved into the largest dry cell batteries and flashlights player in India.

* Market share, batteries: 47.2 per cent (#)

* Market share, flashlights: 85 per cent (\$)

(Source : # AC Nielsen ; \$ Industry estimates for 2005-06 based on primary sales)

The company possesses one of the widest and deepest distribution networks among FMCG companies in India, reflected in its premium brand equity and customer loyalty. To leverage the growth of this pan-national distribution pipeline, the Company extended its product category to the marketing of packet tea and mosquito coil. The Company's existing share of packet tea market is limited. However, the Company expects that quality level of its product and its strength of retail penetration will eventually translate into a significant market share over the foreseeable future.

Mosquito coils were launched by the Company only towards the end of the year under review. However, initial response has been encouraging and the company expects to garner significant share in this market within a reasonable time frame based on its rural reach and tangible differentiation from other products available in the market.

Given the buoyant Indian economy, robust product outlook and a proactive management, EIL expects to strengthen its presence across these products through increasing value and volumes.

India Economic Overview

The offtake of the Company's products is influenced by the health of the Indian economy. According to the Economic Survey 2005-06, the country's economy was estimated to have grown at a healthy 8.1 per cent during the

year under review.

The country took rising input material costs of non-ferrous metals, petroleum etc. in its stride and key sectors like infrastructure, steel and cement grew at a healthy trot. But for the agriculture sector, which grew at a modest 2.3 per cent, the overall economy would have turned out even better results. This healthy growth in the economy led to higher income levels and consequently growing consumerism. The FMCG sector is set to take full advantage of this.

FMCG Industry In India

The recent past proved to be challenging for India's FMCG sector on account of volatility in agricultural incomes, increased competition, price discounts and the growing affordability of lifestyles and durable products. This led to concerns on retaining the share of consumer wallet for FMCG goods.

However, this trend has significantly changed during the year under review, with many FMCG categories showing healthy growth. The sectoral outlook continues to be positive mainly on account of the projected increase in per capita income. It is now firmly believed that the positive factors of the economy is finally having its impact on per capita consumption pattern. All parameters seem to indicate that this trend is sustainable over the coming years.

Batteries

Industry size and structure

The Indian market for dry cell batteries is estimated at 2.6 billion pieces by volume and Rs. 14 billion by value. The battery market has only a few players. Out of which EIL has a market share of 47.2 per cent (Source: AC Nielsen), and the next player lags by almost 19 per cent points.

During the year under review however, the market had the adverse impact of a very aggressive rise of the input material costs, particularly that of zinc. These adverse impacts were passed on to the consumer. It appears that there was no consumer resistance to these increases. However, due to the frequency of these price actions, the market was somewhat disturbed at the trade level – leading to de-stocking, which resulted in a growth being modest during the year - estimated at 2.1 per cent by volume (Source: AC Nielsen).

Surprisingly, this phenomenon did not seem to impact the 'D' size batteries in a significant manner, though these are the costlier batteries and more predominantly used in the rural sections of the society. D segment grew at a very healthy 8.3 per cent. On the other hand, the AA batteries which are more in use in the urban areas and historically the growth champion had a negative growth of 1 per cent.

As stated before, the growth rates for the year under review should be taken to reflect temporary trade sentiment and is not seen to have any permanent impact.

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The segment pattern within the industry remained more or less in line with the past trends. The share of 'D' size batteries rose to 52 per cent and the AA size batteries came down to 44 per cent.

The split of technology within the dry batteries market also remained constant with zinc carbon batteries virtually possessing the entire market with 99 per cent share. The alkaline batteries have minimal share of the market at 0.5 per cent and are present in only some premium urban outlets. Rechargeable batteries, which have the balance 0.5 per cent of the market seems to have made its mark on a loyal customer base but rising slowly.

Offtake of batteries is driven largely by growth in the offtake of its applications. A growing need for portable power and the advent of a number of battery-operated gadgets catalyse consumption. Since these address everyday use, batteries have enjoyed a non-cyclical demand and have been largely untouched during the past general downturns.

Performance review

While volumes in the battery market in India went up only by 2.1 per cent (estimated by AC Nielsen), EIL managed to grow by 7.6 per cent. This translated to the entire market growth being accounted for by EIL. Consequently, its market share grew from 45.6 per cent in the previous year to 47.2 per cent in the current year under review. (Source: AC Nielsen). This was the 6th consecutive year that EIL's market share in dry batteries went up.

Product mix of EIL remained by and large as per previous trends with D sharing 58 per cent with AA being at 38 per cent. During the year, the more remunerative D segment grew at 8 per cent and AA grew at 1 per cent.

Marketing and distribution

The Company continued to put emphasis in strengthening its distribution network. As per AC Nielsen data, total FMCG universe rose to 7.3 million outlets during the year under review. Of these, penetration of batteries stocking universe remained at 70 per cent. Eveready batteries were stocked in 66 per cent of such outlets, higher than any other battery brand by a wide margin.

Eveready's media campaign featuring Amitabh Bachchan as the brand ambassador continued to add positive qualities to its brand value. EIL will persist with these efforts to further strengthen its brand salience.

Opportunities and threats

India has a low per capita consumption across a number of product groups, batteries included, indicating a latent potential for sustainable growth. Since dry cell batteries represent the cheapest source of portable power, their increasing consumption is expected to sustain. Besides, growing income levels, changing lifestyles and an increased convenience have resulted in proliferation of gadgets (remote controls, torches, toys, cameras, FM radio sets and portable music systems) run by batteries.

Growth in the Company's D segment is being driven primarily by a need for light (flashlights) and entertainment (radio) in rural India. The proven durability and quality assurance of the Company's brand will capitalize on this longstanding opportunity.

Growth in the AA segment will continue to be fuelled by proliferation of clocks, remote control devices and growth of newer devices across both rural and urban India.

Besides, the introduction of high drain equipment (digital cameras and CD players) is expected to enhance the demand for more powerful rechargeable batteries. The Company reinforced its presence in this segment by becoming the first organized entrant. EIL expects rechargeable to be one of the drivers of the Company's revenues in the future.

Batteries do not face any serious threat because they are an item of recurring use, providing portable energy at an affordable cost. EIL is adequately protected from competition due to its enduring brand equity, tangible quality and ease of availability due to its deep distribution.

Cheap imports have also not proved to be a threat because of their inherently poor quality. While these low cost products did invite initial use on the basis of the price differential, their sustained use is unlikely as price and quality have been proved as directly proportionate.

Alkaline batteries, popular in the West, also do not pose a threat because of price-sensitive nature of the Indian consumer leading to a mere 0.5 per cent share of the market despite being present for over 12 years. In any case EIL has presence in this segment and will be able to participate in any opportunity the market presents.

Risks and concerns

Aggressive raw material price increase represents an area of concern. A key raw material, zinc, grew by nearly 100 per cent during the course of the year under review. This of course is a general phenomenon, not limited to EIL alone. The company mitigated the adverse impact by passing this to the market through a series of price increases. Yet, there were time-lags between incurring of the increased cost impact and implementation of the price increase. The cost of such time lag was under recovery of about Rs.48 crores during the course of the year under review. The company made aggressive cost savings to minimize the losses on account of the above.

The bull run in zinc is in continuation even in the current year. Without entering in the speculation of the future of zinc prices, EIL has adopted the policy of passing on adverse impacts, if any. EIL believes the market has the affordability and will bear the increased prices. The risk continues to be the under recovery due to the time lag factor.

The Company has a well documented Risk Management System, which is reviewed by an active Steering Committee appointed by the Board of Directors. The risk registrar does identify a few risks, which are purely routine in nature and none of any significant impact. There is a mitigation system in place which addresses these risks as part of routine management process.

Flashlights

The flashlight market is determined by EIL because of the overwhelming market share position that EIL has – estimated at 85 per cent. Growth estimates are thus reflection of actual growth seen in EIL's performance. The industry was estimated to have grown by over 6 per cent.