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. S. R. Dasgupta
Mr. S. Goenka
Mr. A. Khaitan
Mr. B. Mitter
Mr. D. A. Nanda
Mr. P. H. Ravikumar
Mr. S. Sarkar
Non-Executive Directors

Mr. A. Saraf
Nominee of ICICI Bank Limited

Mr. S. Saha
Wholetime Director

Sr. General Manager – Legal & Company Secretary
Mrs. T. Punwani

Auditors
Deloitte Haskins & Sells

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1, Middleton Street
Kolkata - 700 071
West Bengal, India
Phone : 91-33-22883950
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Contents

Report of the Directors

For the financial year ended March 31, 2010

Your Directors are pleased to present the Annual Report, together with the audited Accounts of your Company for the financial year ended March 31, 2010.

Review of Performance

Financial results are summarized below :

(Rs. in Crores)

	2009-10	2008-09
Net Sales	**968.73**	857.33
Other Operating Income	**1.42**	3.16
Profit / (Loss) from sale of real estate	**7.03**	-
Total Income	**977.18**	860.49
Total Expenditure adjusted for increase/decrease of stocks	**853.30**	778.83
Provision no longer required	**(1.25)**	(1.95)
Total Expenditure	**852.05**	776.88
Profits before Depreciation, Interest, Exceptional Items and Taxation	**125.13**	83.61
Depreciation	**24.13**	24.93
Interest and Finance Cost	**34.38**	40.70
Profit/(Loss) before Exceptional Items and Taxation	**66.62**	17.98
Exceptional Items	**(97.37)**	-
Profit before Taxation	**163.99**	-
Provision for Taxation	**21.78**	(1.42)
Profit/(Loss) after Taxation	**142.21**	19.40
Balance of Profit/ (Loss)brought forward from previous year	**0.08**	(19.32)
Amount available for Appropriation	**142.29**	0.08
Which the Directors recommend for appropriation as under :		
- Proposed Dividend	**3.63**	-
- Tax on Proposed Dividend	**0.60**	-
- General Reserve	**100.00**	-
Balance carried forward to Balance Sheet	**38.06**	0.08

Net sales for the year were higher by 13% over the previous financial year. Profit before Depreciation, Interest and Taxation (PBDIT) before exceptional items was higher by 50% at Rs. 125.13 crores as compared to Rs.83.61 crores in the previous year. This progress coupled with your Company's improved financial position - entailing lower charges on account of interest - resulted in Profit before Taxation without considering exceptional items at Rs.66.62 crores against Rs.17.98 crores in the previous year - a growth of 271%. With the exceptional items contributing a net sum of further Rs. 97.37 crores, Profit after Taxation stood at Rs.142.21 crores for the year against the corresponding figure of Rs. 19.40 crores in the previous year.

This improved performance was contributed by overall improvement in operations, growth in volumes, lower incidence of excise duty and lower financing costs despite somewhat hardening of input costs, gradually over the year.

Dividend

Your Directors are pleased to recommend for approval of the shareholders, a dividend of Re. 0.50 per equity share on 7,26,87,260 fully paid up equity shares of Rs.5/- each being 10% on the paid up value of the equity shares of the Company for the year ended March 31, 2010 (previous year - nil).

Operational Review

Batteries and Flashlights

Batteries went through significant price increases to offset material cost push in the recent past. Cumulative price increases for the various battery types ranged between 20 per cent and 50 per cent. This met with stiff consumer resistance and demand started slowing down. Unfortunately, the price increases had to be persisted with, due to input costs continuing to prevail at high levels.

The consumer resistance mainly manifested itself in torch-using consumers (a key segment), looking for more energy efficient torches. Traditionally, they were using torches with incandescent bulbs using 'D' size batteries. The changed dynamics made them shift to torches with LED bulbs using 'AA' batteries (more fully covered subsequently). Thus, degrowth was most pronounced in 'D' size batteries.

This trend of de-growth continued till the first quarter of the current year. In a very encouraging development this product segment turned to positive growth from the second quarter. Turnover grew in the last 3 quarters by 7% as compared to the corresponding period of the previous financial year.

So far the market share position remains unaltered despite the various market changes taking place with your Company being at 51% (Company estimate).

The phenomenon of consumer resistance to pricing actions was also very significant in the flashlights business. Similar to the trend in batteries, flashlights business also experienced degrowth of volumes. The impact was most significant in the 'brass' segment of flashlights - predominantly used in the rural areas.

As a mitigation measure and with a view to giving consumers a value-for-money option, the Company introduced a new class of flashlights. This new segment has popularly come to be known as the 'LED' segment due to usage of LED bulbs being used as the light source. The Company was at the forefront of introduction of this new segment and encouraged consumers to take to it due to the value proposition of lower battery consumption.

Initially introduced as a value offer, this segment has now started offering life-style products. These come in multifarious styling & colour, and offer choices to consumers across the aesthetic range and several price points. These have become the standard for flashlights in the country.

From the Company's perspective, this measure is positive. The earlier flashlights using incandescent bulbs (mainly brass flashlights) were profitable and were good for consumption of 'D' size batteries but remained for long period of in-use with consumers. The new LED torches are equally profitable and displays much lower in-use period and is good for battery consumption (mainly ‘AA’).

These new generation flashlights took the consumers' fancy as these were introduced. The previous year recorded significant volume growth - thus increasing overall torch user-ship significantly. The current year also saw growth in this product category - though at a more sedate rate of 8% - however on a much broader base.

Also, these flashlights being energy efficient have longer replacement cycle of batteries. However once the cycle sets in, it is positive to overall battery consumption, as perhaps being vindicated by the battery growth currently visible.

Presently the Company is engaged in enriching its portfolio of LED flashlights by introducing products which are more technologically advanced or which cater to specific focused use. These efforts are seeing reintroduction of metal flashlights and/or those using 'D' size batteries.

Your Company's share of the organized flashlights market remained at 76% (Company estimate). In a diversification of this product range, the Company launched a new range of lighting solutions for homes - addressing lack of electricity or the prevalent power-cut situation. This range of products has a simple message - 'light up your homes'. It is creating new usage and conversion from kerosene lamps. This product range was soft-launched towards the very end of the previous year and the current year under review was the first full year of operation during year under review. Turnover achieved in this period was Rs.50 crores (previous year - Rs.3.82 crores).

It is also worthwhile to mention that battery input costs, after being soft during the previous year - started to increase gradually over the year. This was most significant in zinc - a key input material. Excise duty rate was also enhanced by 2% in the Union Budget 2010. These adverse impacts were to some extent neutralized by an overall stronger Rupee. The net adverse impact was passed on to the market - without any perceivable ill effect.

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 efficiency in the manufacturing function.

Operations at the manufacturing facility at Cossipore, Kolkata, were suspended in the previous year due to unjustified demands by a section of workers and their very aggressive stand, which continued to remain so. This had no impact on the operations of the Company, as supplies to the market were met by other units.

Operations were also suspended in the previous year at the manufacturing facility at Hyderabad, the facility being surplus to the Company's needs. The facility was formally closed from April 24, 2010 in keeping with legal formalities. All workmen - barring a handful 24 - opted for a VRS scheme offered by the Company.

During the year your Company received an award from the Engineering Export Promotion Council for highest exports in thrust markets for thrust products (viz., batteries and flashlights).

Your Company's Noida unit was declared winner of Green Tech Foundation's Silver Award in manufacturing sector for outstanding achievement in Environment Management.

Lighting Products

The Company started distributing compact fluorescent lamps (CFL) through the Company's distribution from June 2007. The Company's distribution which is at a tangible differentiation from usual electrical trade, and brand 'Eveready' create a long term value - enhancing proposition in this business.

The Company also launched in April 2009, the full range of General Lighting Service (GLS) lamps - the normal mass market incandescent lamp. This market is stagnant on account of shift taking to CFL lamps - but still has considerable size, and the Company needed to enter this as it plans to be a full range player in the lighting products business. The Company's brand and distribution edge should be able to get it an attractive share of this market.

Net sales for the current year stood at Rs.91.54 crores with a growth of 151% over the previous year at Rs.36.41corres.

Packet Tea

The packet tea business continued with its steady performance through leveraging of the distribution network of the Company. Current share of the market stands at 1 - 6 per cent in the various markets of the country. Focus is currently being given to make the business profitable. As a compromise, some marginal turnover is being sacrificed. Sales turnover for the current year stood at Rs.75.94 crores - at a marginal decline against that of the previous year at Rs.81.67 crores.

Insect Repellents

The launch of Mosquito Coils and Liquid Vaporizers over the target markets across the country was completed in the previous year. The trade and consumer response to these products was encouraging. The business is still in a nascent stage. Current market share varies between 1 per cent and 3 per cent in the target markets. Turnover for the year under review was at Rs.11 crores.

Subsidiaries & Consolidated Financial Statements

The Company signed a Term Sheet on May 14, 2009 with C G Holding, France, for investment by the Company, both by way of equity and debt upto a maximum amount of 10 million Euro in an overseas Company, Novener SAS in order to acquire a controlling stake in Uniross SA, a French Company.

Uniross is engaged in the manufacturing and marketing of rechargeable batteries and allied products. Uniross has presence in various parts of the world and is particularly strong in Europe. It faced major financial difficulties prior to this acquisition on account of a high-cost acquisition not going as per plan and also on account of a commodity-led cost push. It currently continues to be loss making.

It has however a compelling case in terms of potential and the Company believes that it can be nursed back to sustainable profitability in the foreseeable future.

A sum of Rs.41.10 crores (equivalent to 6 million Euro) was remitted by the Company on June 27, 2009 towards the equity stake of 80% and a sum of Rs. 6.27 crores (equivalent to 1 million Euro) was remitted on March 17, 2010 by way of debt. The Company effectively became the Holding Company of Uniross and its subsidiaries from July 1, 2009.

Novener thus acquired a controlling stake of 97.3% in Uniross SA, which in turn has 100% stake in Uniross Batteries SAS, France which again, in turn, has 100% stake in Industrial - Uniross Batteries (PTY) Ltd., South Africa, Uniross Batteries GmbH Germany, Uniross Batteries Limited, UK, Zhongshan Uniross Industry Co. Limited, China, Everfast Rechargeables Limited, Hong Kong, Rechargeables Online SAS, France, Celltex Limited, Hong Kong, Uniross Batteries Corp., USA and Lognes Batteries Corp, USA. Uniross Batteries Corp. USA has 100% stake in North American Battery Corp, USA and Multiplier Industries Corp, USA. Novener also has 70% stake in Idea Power Limited, Hong Kong.

The addition of the above operation to your Company meant an addition of Rs.135. 43 crores in net sales and adding a net loss of Rs 14.98 crores. The effect of this is available in the Consolidated Accounts attached to this Report.

An overseas company, Everspark Hong Kong Private Ltd with a minimum paid up share capital of 100 shares of HK$ 1 each totaling to HK$ 100 was incorporated by the Company in Hong Kong on December 17, 2009, to be a wholly owned subsidiary of the Company. This was done with a view to obtain commercial benefits on the Company's sourcing of input materials and goods from China. However, this is at a feasibility exploration level and the subsidiary has not started trading yet.

The consolidated financial statements have been prepared in accordance with Accounting Standard 21 (AS-21) issued by the Institute of Chartered Accountants of India and include the financial numbers of your Company's subsidiaries, for the year under review. As required by Clause 32 of the Listing Agreement with the Stock Exchanges, the Audited Financial Statements together with the Auditors' Report thereon are annexed and form part of this Annual Report.

In terms of the exemption granted by the Central Government, under section 212 (8) of the Companies Act, 1956, the accounts of the applicable subsidiary companies for the year 2009-10 and the related detailed information are not attached. Hard copy of the Annual Accounts of the applicable subsidiary companies and related other information shall be made available to the members seeking such information and shall also be kept open for inspection at the Registered Office of the Company during working hours.

The statement under section 212 of the Companies Act, 1956 is attached.

Transfer of lease

The Company had entered into an MOU on August 29, 2007 with Housing Development & Infrastructure Limited (HDIL) for the transfer of its leasehold premises at Navi Mumbai for a consideration of Rs.115 crores. The Company had received the full consideration by the previous year, the proceeds of which were utilized for repayment of debt.

The assignment/ transfer was completed during the year under review and the net income effect of the transfer was thus recorded in the accounts for the year as an exceptional item.

Prospects

The financial results for the year were very encouraging and vindicated your Company's efforts.

Despite the difficulties faced by the batteries and flashlights businesses in the recent past, it is firmly believed that there has not been any change in the basic fundamentals of the market. The demand drivers and the potential offered by the presently low-consuming Indian market will continue to offer major potential for growth. Also, after the consumer's initial difficulty in adjusting to the new high cost regime, the market seems to have come back to the consumption levels determined by fundamental demand.

The tremendous growth seen in the flashlights business in the recent past has imploded usership and will benefit battery consumption in the long term. Growth of flashlights also looks sustainable - though at a moderate pace. The recently introduced lanterns will add to turnover growth and profitability.

Other products like packet tea, insect repellents and lighting products are poised for a success in the future. These new products leverage your Company's existing brand and distribution and will play a key role in improving scale and profitability of your Company's business.

The pillars behind your Company's sustained good performance over time continue to be its fundamental strengths on distinct quality edge, penetrative distribution and effective marketing. These strength areas will continue to take the Company to a path of sustainable growth.

The cost structure of the Company is sensitive to 2 specific items of the broader economy -

1. Price of zinc, as this constitutes about 17% of raw material costs, and
2. US dollar exchange rate against Indian Rupee, as 40% of the cost of materials and goods is dollar denominated.

As a coincidence or otherwise, these 2 factors had been moving in opposite directions over the recent past and also during the year under review. Thus, the hardening zinc price was to some extent neutralized by the appreciating Rupee. However, any remaining adverse impact will have to be recovered from the market - as was done towards the end of this year, without any ill effect.

Also as the economy continues its gradual improvement, overall benefit should also percolate to your Company's sales volumes. The economic measures taken by the Government focusing on rural and poorer sections of the society will benefit the Company as it is in the marketing of essential products consumed even by the poor and is deeply entrenched in rural distribution. All these factors are expected to combine for a further improved performance.

Convertible Warrants

An amount of Rs. 2.61 Crores representing the initial amount paid on allotment of 45,00,000 covertible warrants on preferential basis on October 17, 2007, has been forfeited on April 16, 2009, on the expiry of the time frame to opt for conversion.

Finance

Tight control was kept over the finances of your Company, with emphasis on reduction of debt. This, along with strict management of working capital helped your Company save interest charges.

Your Company met its financial commitments in servicing debt and repayments thereof in a timely manner. Capital expenditure programme was fully met.

A transfer of Rs. 100 crores was made to the General Reserves out of the amount available for appropriation. After providing for proposed dividend and Dividend Distribution Tax, profits left to be carried forward was at Rs. 38.06 crores.

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. Long-term wage settlements were concluded at the Taratalla unit.

A statement of particulars of employees as required under section 217 (2A) of the Companies Act, 1956 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

Your Company does not have any public deposit scheme and has repaid all Fixed Deposits that have matured and were claimed by depositors under the earlier scheme. Rs. 1.47 lakhs remain unencashed by the depositors as on March 31, 2010.

Exports and Foreign Exchange Earnings and Outgo

During the year under review, your Company exported batteries totaling to a value of Rs. 2553.54 Lakhs (2008-09 : Rs. 2545.92 Lakhs and flashlights totaling to a value of Rs. 471.81 Lakhs (2008-09 : Rs. 285.06 Lakhs).

Rs. Lakhs

	31.03.2010	31.03.2009
Foreign Exchange Earnings	1792.56	1766.07
Foreign Exchange Outgo	13836.18	10963.73

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, 2010, 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. D. A. Nanda, Mr. S. Saha and Mr. S. Goenka will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

Mr. S. Sarkar was appointed as Additional Director by the Board effective February 24, 2010. In terms of Article 116(1) of the Articles of Association of the Company Mr. S. Sarkar 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. Sarkar for election to the office of Director.

The above re-appointment of Mr. Sarkar is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Mr. V. Sridar resigned from the Board of Directors of the Company effective February 24, 2010. The Board records its appreciation of the valuable services rendered by Mr. Sridar during his tenure as Director.

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. Deloitte Haskins & Sells retire as Auditors at the conclusion of the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

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.

For and on behalf of the Board

Kolkata
July 30, 2010

B. M. Khaitan
Chairman

Management Discussion & Analysis

The Business

Eveready Industries India Limited (EIIL) is one of India's leading FMCG companies, with its products and brand being household names for the past century. Over the decades, it has strengthened its position as the leader of the dry cell batteries and flashlights markets 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', 'Powercell' and 'Shakti'.
- Packet tea under brands 'Tez', 'Jaago', 'Premium Gold', 'Classic'.
- Insect repellents under brand 'Eveready Poweron'.
- Lamps – CFL and GLS under the brand 'Eveready' and 'Powercell'.

The operations started in India through import of dry cell batteries and then marketing the same across major cities. This led to setting up of manufacturing facilities and a distribution network across India. Subsequently, this manufacturing presence was integrated forward into the manufacture and marketing of flashlights - a leading device category consuming batteries.

Over time, the Company evolved into the largest dry cell battery player in India with a market share of 51 per cent and a very dominant flashlights player with over 76 per cent share of this market. (Source : Company estimate).

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, lighting products and insect repellents.

The Company entered the lighting products market with CFLs during 2007 and then GLS lamps in 2009. The Company remains optimistic about the business prospects and plans to be a significant player in this category as the brand and distribution of the Company have a good fit to these products.

The Company's existing share of the packet tea market is limited. However, this product category provides a sustainable turnover thereby adding scale to the Company's operations. It is also expected that the business can and will be run in a profitable manner.

Insect repellents were launched by the Company in the recent past. The operation is still in its learning phase, but the Company expects to garner a reasonable share in this market within a foreseeable time frame based on its rural reach and tangible differentiation from other products available in the market.

With a robust product outlook, EIIL expects to strengthen its presence across these products through increasing value and volumes in the future.

India Economic Overview

The off-take of the Company's products is naturally influenced by the health of the Indian economy.

According to reports, the country's economy was estimated to have grown at 7.2 per cent during the year under review. This was better than growth recorded in the previous year. India has been one of the few countries which have bounced out of the global recession much faster than other economies.

The country faced the challenges of down turn like the rest of the world. However, India could take the problem in its stride – albeit a slightly lower growth rate as compared to the recent trend of 5 years. This was possible due to strong domestic demand and relatively lower dependence on exports. Given the usual positives & negatives - in the overall - the economy could be considered resilient. Signs are already visible that the current recovery process will take India back to its usual high growth pattern before many other economies even manage to recover from the down turn.

Indians will continue to experience the power of higher income levels and affluence. The Government is focusing specific attention on the economic development of the rural and poorer sections of the economy. Spurred by the economic boost, India stands on the anvil of becoming a 'middle income' economy. This transition is expected to ignite consumerism. The FMCG sector is set to take full advantage of this.

FMCG Industry In India

The 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 recent times, with many FMCG categories showing healthy growth. The sectoral outlook continues to be positive on account of the projected increase in per capita income. It is now firmly believed that the resilience and health of the economy will finally have 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 now estimated at 2.2 billion pieces by volume and Rs. 12 billion by value. The battery market has only a few players, out of which EIIL has a market share of 51 per cent between Eveready and Powercell brands (Source : Company estimate), and the next player lags by some 20 percentage points.

The battery market saw all the players passing on significant price increases to offset material cost push in the recent past. Cumulative price increases for the various battery types ranged between 20 per cent and 50 per cent. This met with stiff consumer resistance and demand started slowing down. Unfortunately, the price increases had to be persisted with, due to input costs continuing to prevail at high levels.

During the year under review, the market reversed its earlier trend of de-growth of the past 3 years and recorded a modest growth of 4%. Latest trends indicate that the market is poised to stabilize with reasonable growth.

The segment pattern within the market underwent change during the recent past as consumers shifted from the more expensive 'D' size batteries to 'AA' size. The share of the principal battery categories ended at the year-end as per the table below (Company estimate).

Battery category	% of market
D	25.0
C	0.5
AA	67.3
AAA	7.2
Total	**100.0**

The above is quite similar to the pattern seen globally. To that extent it may be said that the recent phenomenon has resulted in the Indian market in aligning itself to the global trend as far as segment share is concerned.

The split of technology within the dry batteries market remained constant with zinc carbon batteries virtually possessing the entire market with 98 per cent share. The alkaline batteries have minimal share of the market at 1 per cent and are present in only some premium urban outlets. Rechargeable batteries, which have the balance 1 per cent of the market seems to have made its mark on a loyal customer base, but remaining stagnant.

Consumption of batteries is driven by growth in the off-take of its applications. A growing need for portable power and the advent of a number of battery-operated gadgets catalyze consumption. Since these address everyday use, batteries have enjoyed a non-cyclical demand. The phenomenon of consumption reducing on account of increases in the recent past is somewhat unique – perhaps determined by the significant extent involved. However, as latest trends, including that of the year under review, seem to indicate, that the market is back to its usual growth path.

Performance review

Volume in the battery market in India was estimated to have grown by 4 per cent. Sales volume of EIIL also increased by a similar margin. As a result, the market share pattern remained by and large consistent with the previous year.

EIIL's product mix is quite similar to that of the market. In the year under review, 'D' size had a share of 27 per cent, and 'AA' at 66 per cent, 'AAA' at 6 per cent and 'C' at 1 per cent.

Marketing and distribution

The Company continued to put emphasis in strengthening its distribution network. Of the total FMCG universe of 7.3 million outlets, penetration of batteries stocking universe was at 65 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 brand campaign featuring continued to add positive qualities to its brand value. EIIL 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 an inherent potential for growth. Since dry cell batteries represent the cheapest source of portable power, consumption is expected to increase over time. Besides, growing income levels, changing lifestyles and an increased need for convenience have resulted in proliferation of gadgets (remote controls, torches, toys, cameras, FM radio sets and portable music systems) run by batteries.

The 'D' segment batteries are 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 continue to 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 like the new generation 'LED' flashlights across both rural and urban India. The new 'AAA' segment will take higher share of the battery market, with introduction of smaller size devices.

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 made its presence felt in this segment by becoming the first organized entrant. Rechargeable batteries continue to be a potential driver of the Company's revenues.

Batteries do not face any serious threat because they are items of recurring use, providing portable energy at an affordable cost. EIIL 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. Initially – about 9 years back - these low cost products did invite first-time use on the basis of the price differential but could not garner repeat consumption on account of poor quality.

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 1 per cent share of the market despite being present for over 15 years. In any case, EIIL has presence in this segment and will be able to participate if the market provides indication of an opportunity.

Given the overall positive scenario, a tangible threat to battery consumption lies in making the product unaffordable to poorer segments of the economy, as was evidenced in the past 3 years – a trend which got reversed during the year under review.

Risks and concerns

Raw material prices have once again shown tendency of hardening. This represents an area of concern.

However, with the experience of the previous commodity boom, when input costs sky-rocketed, EIIL is now in a much better position to tackle this risk. Also, perhaps only by default, the strengthening Rupee – which brings down import cost of input materials has been a neutralizing factor. EIIL expects that the overall impact may not be substantial and can be absorbed by the market. It may also be noted that this will be a general phenomenon, not limited to EIIL alone.

Also, the demand drivers continue to be the same and the Indian market continues to offer major potential for growth being a consumer of perhaps the lowest number of batteries in the world.

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 routine in nature and none of which present 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 shaped by EIIL because of its dominant market share position at over 76 per cent (Source : Company estimate) in the organized segment.

The segments in the flashlights market were traditionally determined by the material used for manufacturing the flashlight viz., Brass, Plastic, and Aluminum.

Historically, the 'brass' segment was the most popular among consumers – especially in the rural areas. However, in the recent past, prices of brass flashlights had to be increased manifold on account of the cost push of the underlying base metals – zinc and copper. This was thoroughly resisted by the consumers and brass flashlights volumes started de-growing significantly over the last 3 years.

As a mitigation measure and with a view to giving consumers a value-for-money option, the year under review saw the advent of the new generation 'LED' flashlights, so named popularly due to usage of LED bulbs being used as the light source. EIIL has been at the forefront of introduction of this new segment and has encouraged consumers to take to it due to the advantage of lower battery consumption in these flashlights.

This development breathed new life to this business with volumes making major strides both in number and growth over the previous 2 years. This in turn led to an enhanced user-ship. Also, the in-use period of these flashlights (mostly plastic) being considerably lower than the traditional metal flashlights, replacements will be more frequent. As a result, these factors will also provide boost to battery demand.

Growth moderated to more realistic level of 8 % in the year under review – but on an increased base.

LED flashlights now occupy more than 90 per cent of the total volume sold by EIIL. The incandescent bulb flashlights across all segments – brass, aluminum & plastics – account for the balance.

As mentioned earlier, the industry is dominated by EIIL. There are a few other players, none of whom have any significant position and no new trend seems to be emerging in this respect.

Performance review

During 2009-10, flashlights turnover of EIIL grew by 8 per cent. This business segment continues to be equally profitable as the battery business.

Opportunities and threats

There was a temporary setback for this product category in the recent past caused by assignable reasons already explained. India's flashlights market is expected to grow at a steady pace. A vast dormant population (almost 45 million rural households) of non-users represents a large opportunity for flashlights, which the Company expects to use over the foreseeable future.

Growth in urban areas – where flashlight ownership is less common – is the other opportunity area. Vast parts of urban areas now face periodic power cuts and flashlights provide a lighting solution in those times.

The recently launched lantern segment - meant to give lighting solutions in the absence of electricity - also provide a great opportunity for growth.

Risks and concerns

Volumes which grew at a significant pace over the previous 2 years created a large base of users and thus saturating penetration. There is thus a concern of the market not being able to keep repeating such growth trend. In the current year, the growth was at 8 % and such rate may seem to be the sustainable one.

There remains a vast potential in terms of numbers who do not yet own flashlights. This needs to be tapped through innovative marketing.

Packet Tea

Tea is the staple Indian beverage, sold either in loose, unbranded or packaged branded forms. In India, consumption is hugely skewed towards loose tea with a 60 per cent market share. India's packet tea industry is fragmented with a few large players occupying a significant share and several localized players accounting for regional competition.

EIIL is leveraging its distribution pipeline to market this product and thus growing additional revenues on virtually no additional costs. EIIL has not really put any advertising money behind the four brands viz. Tez, Jaago, Premium Gold and Classic, which are positioned for different consumer segments. Yet these brands have gradually grown in consumer acceptance due to a tangible differentiation in quality, which has been a hallmark of