# EVEREADY

## ANNUAL REPORT
## 2010-2011

*Dear Shareholders,*

I write to you at a time when the overall economic environment is somewhat clouded by the uncertainties in its outlook. The difficulties faced by the advanced economies have again pulled those countries towards recessionary conditions. This may impact India's progress in the coming months. Already a comparative slow-down in certain key sectors seems to have surfaced. Inflationary tendencies in the economy and the measures to control it, both seem to be putting pressure on the economy.

However, the positives continue to be our country's strong internal demand fuelled by a young population, and relatively a low dependence on exports. India came out of the recessionary situation 3 years back much stronger than most other countries. I am quite certain we will display the same resilience even this time around.

Perhaps in reflection of the overall situation, your Company faced challenges in its operations in the year under review. Adverse impact from input costs and inflationary trends in other costs have been putting significant pressure on margins. On the other hand, in a scenario where food inflation is restricting common people's spending power, this impact on margins could not be recovered from the market fully.

Batteries continued on the path of gradual recovery with a very modest growth - after the decline faced by the category over 3 years prior to last year. Flashlights actually showed a slight decline after a period of 3 years when it had shown robust growth. The other products – lamps and packet tea - had their usual contribution to the Company's turnover. Overall, the Company's turnover remained stagnant.

This flat turnover with the adverse cost impacts resulted in the operating profits being lower than last year.

However, every dark cloud has a silver lining. These operational challenges gave us an opportunity to look within ourselves and see what it was that we could do better. It provided us with an opportunity to question ourselves and every facet of our operations. This introspection and critique helped us set a path to improve ourselves. The current trends already indicate a superior level of operations. I am certain that this early indication will translate into tangible results in not too distant a future.

As for the various functions of the Company, new initiatives were taken in the areas of branding and distribution. Some of our current branding visibility is an outcome of this work. Manufacturing and outsourcing groups played meaningful roles for an efficient supply chain. IT got significant focus to keep up with the changing business requirements. Finance and Accounts functions contributed in enhancing business value. HR continued to play a business enabling role.

I wish to end this note by mentioning a few groups of people who provide the foundation to this Company. I would like to mention the Company's employees who are continuously endeavouring to make it a more valuable one. I also wish to thank all our customers and vendors who have stood by us. Lastly, very special thanks to all shareholders for their faith and spirit.

With warm regards

B.M.Khaitan
Chairman

# Corporate Information

**Board of Directors**

Mr. B. M. Khaitan
Chairman (Non-Executive)

Mr. D. Khaitan
Executive Vice Chairman & Managing Director (upto August 10, 2011)
Vice Chairman (Non-Executive) (effective August 10, 2011)

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
Mr. Amritanshu Khaitan
Wholetime Directors

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

Auditors
Deloitte Haskins & Sells

Registered Office
1, Middleton Street
Kolkata - 700 071
West Bengal, India
Phone : 91-33-22883950
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# Report of the Directors

**For the financial year ended March 31, 2011**

Your Directors are pleased to present the Annual Report, together with the audited Accounts of your Company for the financial year ended March 31, 2011.

## Review of Performance

Financial results are summarized below : (₹ in Crores)

| | 2010-11 | 2009-10 |
|---|---|---|
| Net Sales | **950.42** | 968.73 |
| Other Operating Income | **8.58** | 1.42 |
| Profit / (Loss) from sale of real estate | **–** | 7.03 |
| **Total Income** | **959.00** | 977.18 |
| Total Expenditure adjusted for increase/decrease of stocks | **858.72** | 853.41 |
| Provision no longer required | **(1.91)** | (1.25) |
| Total Expenditure | **856.81** | 852.16 |
| **Profit/(Loss) before Depreciation, Interest, Exceptional Items and Taxation** | **102.19** | 125.02 |
| Depreciation | **24.53** | 24.13 |
| Interest and Finance Cost | **31.28** | 34.38 |
| **Profit/(Loss) before Exceptional Items and Taxation** | **46.38** | 66.51 |
| Exceptional Items | **0.29** | (97.37) |
| **Profit/(Loss) before Taxation** | **46.09** | 163.88 |
| Provision for Taxation | **6.72** | 21.67 |
| **Profit/(Loss) after Taxation** | **39.37** | 142.21 |
| **Balance of Profit/ (Loss)brought forward from previous year** | **38.06** | 0.08 |
| **Amount available for Appropriation** | **77.43** | 142.29 |
| **Which the Directors recommend for appropriation as under :** | | |
| **- Proposed Dividend** | **3.63** | 3.63 |
| **- Tax on Proposed Dividend** | **0.59** | 0.60 |
| **- General Reserve** | **40.00** | 100.00 |
| **Balance carried forward to Balance Sheet** | **33.21** | 38.06 |

Net sales for the year were lower by 2 % over the previous financial year. Profit before Depreciation, Interest and Taxation (PBDIT) before exceptional items was accordingly lower by 18 % at ₹ 102.19 crores as compared to ₹ 125.02 crores in the previous year. With depreciation of ₹ 24.53 crores (previous year ₹ 24.13 crores) and a lower interest charges of ₹ 31.28 crores (previous year ₹ 34.38 crores), Profit before Exceptional Items and Taxation came to ₹ 46.38 crores (previous year ₹ 66.51 crores). There being a minor charge of ₹ 0.29 crores in exceptional items this year - against a net gain of ₹ 97.37 crores in such items in the previous year, Profit after Taxation stood at ₹ 39.37 crores for the year against the corresponding figure of ₹ 142.21 crores in the previous year.

The year was a challenging one for operations - in terms of market being sluggish and incidence of adverse costs from both input materials and overheads. The operating results are indicative of these adversities.

## Dividend

Despite the operating results being lower than the previous years, your Directors recommend a dividend of ₹ 0.50 per equity share on 7,26,87,260 fully paid up equity shares of ₹ 5/-each being 10% on the paid up value of the equity shares of the Company for the year ended 31st March, 2011 (same as in previous year), which if approved at the ensuing Annual General Meeting will be paid to all eligible members whose names appear in the register of members on September 23, 2011 or appear as beneficial owners as per particulars furnished by the Depositories on September 12, 2011.

## Operational Review

### Batteries and Flashlights

Batteries went through a chequered history over the last 5 years, triggered by significant price increases to offset material cost push. There was stiff consumer resistance to these increases and demand became erratic with a tendency of slow down. The sluggishness in the general economy did not help matters.

The segment which suffered the maximum brunt from this impact was the 'D' size segment, which was then the major product segment in batteries and was relatively more expensive than other cylindrical batteries. In fact, the consumer resistance manifested itself in, them refraining from use of appliances powered by 'D' size batteries. This virtually obliterated 'D' size incandescent flashlights, which were hitherto very popular. Consumers changed over to flashlights with LED bulbs using 'AA' batteries (more fully covered subsequently).

This trend of de-growth in 'D' batteries continued in the current year at a rate of 16%. Despite this, batteries grew in the overall - albeit at a modest rate of 2.3%. This was due to growth in other battery segments - led by 'AA' and 'AAA'.

The market share positions of the major players remained unaltered during the year under review despite the various market changes taking place with your Company being at 50% (Company estimate).

The last 5 years had also seen rapid changes in the flashlights market. This segment also experienced major price impacts being passed on due to cost push. Combined with higher battery prices (as explained earlier), this led to strong consumer reaction. In addressing that, your Company started introducing a range of value-for-money, smart and efficient flashlights using 'LED' as the light source option (as opposed to the then prevalent incandescent bulbs). These flashlights mostly used 'AA' batteries (as opposed to 'D' batteries earlier).

Initially introduced as a value offer, this segment eventually became the standard and thereafter evolved as life-style products - in multifarious styling & colour, across the aesthetic range and at several price points - both premium and popular.

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 about 3 years back. The first 2 years saw significant growth in flashlights sales jumping from a level of 12.82 million units in 2007-08 to 27.03 million units in 2009-10, a growth of more than 110 % in 2 years.

However this trend could not be sustained during the current year and sales volumes suffered a decline of 6.6% - albeit on a much broader base. This somewhat unexpected reversal took place mainly on account of sudden influx of look-alike gray market products in the market. Counter measures have been put in place to reverse this trend.

Your Company's share of the organized flashlights market remained at 76% (Company estimate).

It is also worthwhile to mention that input costs rose during the current year as compared to the previous year. The adverse impact came not only from zinc, but also other major materials used for manufacture. The adverse impact was to some extent neutralized by an overall stronger Rupee. Part of the net adverse impact was recovered from the market, yet it left a dent in the margin of about 1.5% of net sales value.

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 facilities at Cossipore - Kolkata and Hyderabad continued to remain suspended. This had no impact on the operations of the Company, as supplies to the market were met by other units. Separations with workmen were fully completed at both these facilities subsequent to completion of the year under review. Hence, both these facilities are now closed.

### Lighting Products

The Company started marketing of compact fluorescent lamps (CFL) and General Lighting Service (GLS) lamps in the recent past. These products have found excellent fit to the brand 'Eveready' and 'Powercell'. The Company is distributing these products through its existing distribution channel, primarily comprising of groceries and general merchants. This is tangibly different from the usual electrical trade. This has given the advantage of a quick entry to this market - but has the obvious disadvantage of not being amenable to the scale of the electrical trade.

Net sales for the current year stood at ₹ 91.38 crores - at the same level as the previous year at ₹ 91.54 crores.

This can be ascribed to the fact that the Company consciously restricted sales of CFL bulbs to a few geographies (UP and Bihar) where the phenomenon of returned products was found to be on the rise - and beyond accepted levels. This market traditionally works on warranties and if returns are higher than the accepted norm, it is essentially due to the poor quality of power, on which the Company has little control.

This step was necessary to avoid impairment to profitability. However, sales

have now stabilized on this revised orientation and the position is expected to improve hereafter.

**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 - 5 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 was sacrificed. Sales turnover for the current year stood at ₹ 73.34 crores - at a marginal decline against that of the previous year at ₹ 75.94 crores.

**Subsidiaries & Consolidated Financial Statements**

Your Company has 80% of the controlling stake in Novener SAS, France which in turn controls Uniross SA, a French Company, which along with its subsidiaries, is engaged in the manufacturing and marketing of rechargeable batteries and allied products, having presence in various parts of the world and particularly strong in Europe. The above subsidiary was acquired 2 years back with a view to gain access to other geographies, where the Company has no presence – in particular, Europe, South East Asia and parts of Africa. Uniross was facing serious financial difficulties at that time and it was thought that it could be quickly nursed back to sustainable profitability.

During the year under review, Uniross SA continued to fare poorly. Unfortunately, the continuing dim economic situation prevailing in Europe and overall sluggish demand of the rechargeable category world over, has not allowed the quick turn around that was expected. It currently continues to be loss making. However, through a major restructuring exercise, significant elements of costs have now been pared. It is now expected that with the revised cost structure, Uniross should be able to return to modest profitability during the next 1 – 2 years. Original aspiration of growth can be pursued only after that is achieved.

Uniross' operations to your Company meant an addition of ₹ 129.45 crores in net sales (previous year ₹ 135.43 crores) and adding a net loss of ₹ 52.36 crores (previous year ₹ 14.98 crores), including exceptional costs of ₹ 18.05 crores (previous year – nil). The effect of this is available in the Consolidated Accounts attached to this Report.

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 Auditor's Report thereon are annexed and form part of this Annual Report.

The consolidated accounts presented under this Annual Report include the financial numbers of your Company's subsidiaries, for the year under review.

A Statement containing the details of the Subsidiary Companies are attached in the Annual Report.

In accordance with the General Circular issued by the Ministry of Corporate Affairs, Government of India, the accounts of the applicable subsidiary companies and the related detailed information, as required under section 212 (1) of the Companies Act, 1956 are not attached. Hard copy of the Annual Accounts of the applicable subsidiary companies and the 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 and of the subsidiaries concerned during working hours, upto the date of the Annual General Meeting.

**Prospects**

As mentioned at the outset, the year was a challenging one for operations.

Both batteries and flashlights went through some major changes in the recent past. In case of batteries, it was an unprecedented de-growth of an important segment ('D') and a major shift in product mix. For flashlights, on the other hand, it was a case of very significant growth fuelled by new generation products and then a quiet period during the current year.

Batteries have now settled down to a stable level which seem sustainable and supported by historical statistics. In fact the major segments in batteries – viz. 'AA' and 'AAA' – together comprising more than 70 % of the market in terms of volume, are growing at a rate higher than historical trends. This is being brought down by the continuing de-growth of the 'D' segment. However, this latter segment is now gone down to such low level that it should now stop having much impact on the overall market. The outlook – even in the near-term thus appears to be brighter than what was seen in the current year.

For the long term, battery business is linked to fundamental demand driven by device population. As India gets economically more developed, device penetration into households will increase in line with the rest of the world, boosting battery growth. It needs to be borne in mind that India remains one of the lowest per capita battery consuming nations – and hence with a potential for major improvement.

Flashlights recorded very significant growth in the previous 2 years – but cooled down during the current year with a moderate slow-down, albeit on a significantly larger base. The market is susceptible to gray operations of unorganized players bringing copy-cat models to the market – usually without payment of taxes and duties. The current year saw significant impact from this phenomenon. The only way to sidestep this problem is to keep bringing new models which are creative and innovative. This is a continuous process and hopefully efforts in this regard will mitigate this undesirable market phenomenon.

Prospects are promising in the Lighting Products business – both in the CFL and GLS segments. Challenges remain with regard to handling of warranties and competitive pricing – but these are being met. This business remains a key focus area for the Company and an avenue for growth.

Packet tea will add to the turnover. Focus is currently on to improve profitability of this business.

As explained earlier, the Company's cost structure is sensitive to zinc and

exchange rate of the Indian Rupee and overall inflationary trends. At the present moment, zinc remains stable at current levels – barring some very recent softness. Predictions on Rupee seem to indicate that it will appreciate against the dollar. So it appears that the impact of these 2 factors may off-set each other on the cost of the Company. There is no sign yet of the inflationary trend decelerating. Also, other commodities used as input materials are also showing increasing trends. These may continue to impact margins negatively. Efforts are being made to recover a part of the adverse impact from the market - to the extent practicable.

## 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 ₹ 40 crores was made to the General Reserves out of the amount available for appropriation. After providing for the proposed dividend and Dividend Distribution Tax, profits left to be carried forward was at ₹ 33.21 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.

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, till the date of the Annual General Meeting.

## Update

Consequent to the trial proceedings before the Chief Judicial Magistrate, Bhopal, on the modified criminal charges framed under the directions of the Supreme Court that commenced in September 1997, having been concluded, a curative petition filed by the Union of India, against the said directions of the Supreme Court had been filed and been dismissed. The State of Madhya Pradesh and the Union of India have filed necessary revisions of the criminal charges framed and have also filed appeals against the order of the Chief Judicial Magistrate, Bhopal, in the Sessions Court, Bhopal. The Company has also filed its appeal. As per the views and advice of the legal counsel, it is believed that the findings against the Company are likely to fail ultimately. The Union of India has also filed a curative petition against the Company amongst others including the erstwhile foreign holding company, with regard to enhancement of compensation, claimed earlier by the Union of India from the foreign holding company as well as certain rehabilitation costs. As per the views and advice of the legal counsel it is believed that the said petition is devoid of any merit.

## Cost Auditors

As per the Order of the Central Government and in pursuance of Section 233B of the Companies Act, 1956, your Company carries out an audit of the cost accounts of the Company relating to dry cell batteries. The due date for filing of the Cost Audit Report with the Ministry of Corporate Affairs for the financial year ended 31st March, 2010 was September 27, 2010 and the same was filed on the said due date. The Board, has upon the recommendation of the Audit Committee reappointed M/s.Mani & Co., Cost Accountants, Registration No. 00004, Ashoka, 111 Southern Avenue, Kolkata - 700 029, (being eligible for the reappointment), to audit the cost accounts of the Company relating to dry cell batteries, for the financial year ending 31st March, 2012, subject to the approval of the Central Government.

## 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. ₹ 0.72 Lakhs as claimed and paid, however, remain un-encashed by the depositors as on March 31, 2011.

## Exports and Foreign Exchange Earnings and Outgo

During the year under review, your Company exported batteries totaling to a value of ₹ 2,494.07 Lakhs (2009-10 : ₹ 2553.54 Lakhs) and flashlights totaling to a value of ₹ 643.10 Lakhs (2009-10 : ₹ 471.81 Lakhs).

₹ Lakhs

| | 31.03.2011 | 31.03.2010 |
|---|---|---|
| Foreign Exchange Earnings | 1,728.18 | 1792.56 |
| Foreign Exchange Outgo | 13,918.81 | 13,836.18 |

## 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, 2011, 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

Mr. D. Khaitan, stepped down as Executive Vice Chairman and Managing Director of the Company effective from the close of working hours of August 10, 2011. Mr. Khaitan, however, will continue as the Vice Chairman of the Board.

Mr. D. Khaitan had been re-appointed as Executive Vice Chairman & Managing Director for a further period of three years effective June 1, 2011. Consequent to his stepping down and acceptance of the same by the Board, Mr. D. Khaitan's re-appointment for the period June 1, 2011 to August 10, 2011, only, is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Mr. Amritanshu Khaitan was appointed as Additional Director by the Board effective August 10, 2011. In terms of Article 116(1) of the Articles of Association of the Company, Mr. Amritanshu Khaitan 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. Amritanshu Khaitan for election to the office of Director. The above re-appointment of Mr. Amritanshu Khaitan is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Mr. S. Saha has been re-appointed as Wholetime Director for a further period of three years effective March 22, 2011.

Mr. Amritanshu Khaitan has been appointed as Wholetime Director for a period of three years effective August 10, 2011.

The above appointment and re-appointments of the executive directors are subject to the approval of the shareholders at the forthcoming Annual General Meeting.

In accordance with the Articles of Association, Mr.B. M. Khaitan, Mr. B. Mitter, Mr. D. Khaitan and Mr. V. Bhandari will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

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 **B. M. Khaitan**

August 10, 2011 *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 in the domestic market comprises the following :

- Dry cell and rechargeable batteries under brands 'Eveready', 'Powercell' and 'Uniross'.
- Flashlights under the brands 'Eveready' and 'Powercell'.
- Packet tea under brands 'Tez', 'Jaago', 'Premium Gold', 'Classic'.
- 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 50 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 and lighting products.

The Company entered the lighting products market with CFLs during 2007 and then GLS lamps in 2009. The Company plans to be a significant player in these categories 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 and profitability.

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 8.5 percent during the year under review. This was better than growth recorded in the previous year. However, the year was also marked by high inflationary trends - especially in food prices, leading to a squeeze on people's spending abilities.

The country faced the challenges of down turn like the rest of the world. However, the process of recovery is not yet over. Moreover, the possibility of a double-dip recession in advanced economies can have long-term adverse impact on India. The obvious advantages in India's favor area strong domestic demand and a relatively lower dependence on exports. Given the usual positives and negatives - in the overall -the economy may prove itself to be resilient - as seen during the recent recessionary years.

Given the country's status as an emerging economy, 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 these, 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 lifestyle 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 2.5 billion pieces by volume and over ₹ 1250 crores by value. The battery market has only a few players, out of which EIIL has a market share of 50 per cent between Eveready and Powercell brands *(Source : Company estimate)*, and the next player lags by more than 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