EVEREADY
GIVE ME RED

ANNUAL REPORT
2012 - 2013

Dear Shareholders,

Worldwide macro-economic conditions remain unstable. The developed economies – especially a few Western Europe countries are still showing signs of deep economic stress. The difficulties faced by these advanced economies are pulling other countries towards recessionary conditions. This has already impacted India's economic progress over the past one year. Slow-down in certain key sectors is now established – which led to the slowest growth for our country in several years. Inflationary tendencies in the economy and the measures to control it both seem to be putting pressure on the economy. Hopefully, our country's strong internal demand will eventually pull India out of this trend at a faster pace than what the current gloomy outlook predicts.

Given this overall situation, your Company faced obvious challenges in its operations in the year under review. Consequently, it ended up with just about a near break-even performance. However, it has to be mentioned that this was a significant improvement over the loss situation of the previous year. The steadily depreciating Indian Rupee continues to put pressure on margins. Similar impact is also on account of inflationary trends in input materials and other costs. Your Company has been steadily persevering in passing on these adverse impacts to a reluctant market.

Dry batteries and flashlights – the key product segments of your Company – traditionally show high degree of demand elasticity against price movements. Thus, in a scenario where prices needed to be pulled up, volumes remained stagnant. This lack of growth coupled with the cost impacts already described, resulted in the operations being break-even.

On the brighter side, your Company launched a slew of products during the year, which are complementary to its brand promise of portable power and lighting. Rechargeable fans and lanterns, wall mounted rechargeable lights, tube lights, radio, power bank for mobile phones are a few I name. These products will add scale and profitability in the years to come. The Company is also working on its distribution network to make it more amenable to the electrical trade in line with its focus on making the lighting segment count.

I believe that operations have settled down to the challenges being faced for quite some time. Price increases have been effected in a slow and sustainable manner and much of the lost margins have been recovered – though the depreciating rupee continues to inflict new losses. I am certain that the hard work being put in by the management will soon result in happier results.

On behalf of the Board, I would like to express my sincere appreciation to our shareholders, business partners and customers for their continued support. I would also like to thank our employees for their contribution and dedication during these turbulent times.

With warm regards

B.M.Khaitan
Chairman

Corporate Information

Board of Directors

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

Mr. D. Khaitan
Vice Chairman (Non-Executive)

Mr. S. R. Dasgupta
Mr. S. Goenka
Mr. A. Khaitan
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. Tehnaz Punwani

Auditors
Deloitte Haskins & Sells

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Report of the Directors

For the financial year ended March 31, 2013

Your Directors are pleased to present the Annual Report, together with the audited Accounts of your Company for the financial year ended March 31, 2013.

Review of Performance

Financial results are summarized below : ₹ Crores

	2012-13	2011-12
Net Sales	**1,034.30**	976.20
Other Income from Operations	**1.03**	4.10
Total Income from Operations	**1,035.33**	980.30
Total Expenditure adjusted for increase/decrease of stocks	**969.95**	929.77
Profit/(Loss) from Operations before Other Income, Depreciation, Finance Costs, Exceptonal Items and Taxation	**65.38**	50.53
Other Income	**9.42**	7.54
Profit/(Loss) from Operations before Depreciation, Finance Costs, Exceptional Items and Taxation	**74.80**	58.07
Depreciation	**35.07**	24.18
Interest and Exchange Fluctuation	**40.49**	36.09
(Loss)/Profit before Exceptional Items and Taxation	**(0.76)**	(2.20)
Exceptional Items	**–**	76.84
(Loss)/Profit before Taxation	**(0.76)**	(79.04)
Provision for Taxation	**(5.84)**	0.81
Profit/(Loss) after Taxation	**5.08**	(79.85)
Balance of Profit/(Loss) brought forward from previous year	**(46.64)**	33.21
Amount available for Appropriation	**–**	–
Which the Directors recommend for appropriation as under :		
- Proposed Dividend	**–**	–
- Tax on Proposed Dividend	**–**	–
- General Reserve	**–**	–
Balance carried forward to Balance Sheet	**(41.56)**	(46.64)

Net sales for the year were higher by 6% over the previous financial year. Profit before Depreciation, Interest and Taxation (PBDIT) before exceptional items was higher by 29% at ₹ 74.80 crores as compared to ₹ 58.07 crores in the previous year. With depreciation of ₹ 35.07 crores (previous year ₹ 24.18 crores), a higher interest / exchange fluctuation charges of ₹ 40.49 crores (previous year ₹ 36.09 crores) and there being no exceptional items (previous year ₹ 76.84 crores), Profit after Taxation stood at ₹ 5.08 crores for the year against a corresponding loss of ₹ 79.85 crores in the previous year.

The year was a challenging one for operations - in terms of market being sluggish and unprecedented depreciation of the rupee. The operating results are indicative of these adversities - albeit with a reasonable improvement over the previous year.

Dividend

Your Directors considered it prudent not to recommend any dividend for the year under review as a measure of conservation.

Operational Review

Batteries and Flashlights

The battery market went through some significant volatility over the last 5 years. Unprecedented cost push necessitated significant price increases. Battery being a functional product, demand bears a very strong elasticity to price. The stiff consumer resistance to the price resulted in significant slow-down in the market. The consumer resistance manifested itself in their lowering usage of appliances powered by 'D' size batteries (the most expensive of all batteries). This virtually obliterated usage of 'D' size incandescent flashlights, which were hitherto very popular. Consumers changed over to flashlights with 'LED' bulbs using 'AA' batteries. The sluggishness in the general economy did not help matters.

This trend of de-growth in 'D' batteries continued in the current year at a rate of 4%. Despite this, battery volume remained flat in overall, thanks to the growth in other segments - led by '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's share being at 50%.

As mentioned above, the flashlights market also saw significant product mix changes. Usage of flashlights using incandescent bulb and 'D' size batteries came down very significantly. In addressing this, your Company started introducing a range of value-for-money, smart and efficient flashlights with 'LED' as the light source option - mostly using 'AA' batteries. Initially introduced as a value offer, this segment eventually became the standard and thereafter evolved as life-style products - in multifarious styling & colour, at several price points - both premium and popular.

On a retrospect, the above changes did pose challenges - but the outcome 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 in-use with consumers. The new LED torches are equally profitable and displays much lower in-use period and is also good for battery consumption (mainly 'AA').

These new generation flashlights took the consumers' fancy as these were introduced about 5 years back. The first 2 years saw significant growth of 110 % - taking the user base to a very high level. Thereafter, the market settled down to traditional growth rates. During the year under review flashlights turnover grew by 12.6%.

Your Company's share of the organized flashlights market remained at 76%. However, if the unorganized grey market is considered (which is estimated to be about half the size of the organized market), then market share stands at a little over 50%.

It is also worthwhile to mention that both batteries & flashlights margins continued to be under pressure - due to the depreciating Rupee and also due to overall inflationary trends. Though the demand of these product categories bear strong elasticity to price, your Company persisted with passing on the adverse impacts to the market - which resulted in operating results being better during the year under review as compared to the previous year.

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.

Lighting Products

The Company started marketing of compact fluorescent lamps (CFL) and General Lighting Service (GLS) lamps some time back. These products found excellent fit to the Company's brands 'Eveready' and 'Powercell', which are synonymous with portable power and lighting. Your Company is focused on being a serious player in the lighting category. Towards this and to offer a fuller range, your Company launched a few other products during the year - tube lights, wall mounted rechargeable battens and luminaires among others.

The Company has been distributing these products through its existing distribution channel, primarily comprising of groceries and general merchants. This network needs to be enhanced to be made amenable to the electrical trade. Work on this was initiated during the year.

Net sales from this category for the current year stood at ₹ 101.93 crores and it is expected that this category will provide significant turnover growth in the years to come.

New Devices

In keeping with its brand promise of portable energy, the Company launched a few devices during the current year. These are in 3 product segments - rechargeable fan, radio and power bank for mobile phones. These products fall within the existing competencies of your Company.

However, operations are still at a nascent stage and in the process of exploring a viable steady-state business. The size is still too small to attract any risk at this stage. However, if successful, rewards can be lasting.

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. The business continues to be steady and profitable. While relatively small in the overall turnover, it provides an important option to distribution in many areas. Sales turnover for the current year stood at ₹ 74.50 crores - at a modest growth over the previous year.

The packet tea operations currently utilize the Company's tea blending and packaging unit at Chuapara, West Bengal. However, with outsourcing possibilities being available at very competitive prices, it is appearing that the unit may have outlived its utility to this business. In view of this, your Board, vide Resolution passed by Circulation on May 10, 2013, has, subject to the approval of Members of the Company and other approvals as may be necessary, resolved to sell, transfer and dispose of the building and other assets at this unit to any person or entity as the Board may consider appropriate. In terms of Section 293(1)(a) and Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, the process for consent / approval of the Members to be obtained by way of Postal Ballot has been initiated to enable your Board to sell and transfer the said undertaking.

Subsidiaries & Consolidated Financial Statements

Your Company had set up a special purpose vehicle, Novener SAS in France (shareholding interest - 82%), for the purpose of acquiring a controlling interest in Uniross SA, a French Company which along with its subsidiaries (the Uniross Group) was 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. At the time of the acquisition, the financial condition of the Uniross Group was already weak, but there was a compelling investment rationale that the situation could be turned around quickly and that the acquisition would provide effective access to markets hitherto not available to your Company.

Unfortunately, the dim economic situation in Europe and onset of sluggish demand of the rechargeable category world-over subsequent to the acquisition, did not allow a turn around and the Uniross Group operations continued to incur losses. With the view that the Company may not be able to recover its investments pertaining to the Uniross operations, the management had, as a measure of prudent accounting and governance, created a provision of ₹ 75 crores covering this investment in the previous financial year. As at March 31, 2013, the Company's exposure towards investments, advances and other obligatory commitments of ₹ 76.19 crores stood fully provided for (inclusive of the provision made in the previous financial year as mentioned above).

During the year under review, the liquidation of the key entities of the Uniross Group was ordered by a French Court judgment and the relevant companies were put under external administration. Consequently, your Company is not in a position to consolidate the accounts of Novener SAS (including its subsidiaries and step down subsidiaries), pertaining to the Uniross Group and is also not in a position to attach the accounts of the said subsidiaries in terms of Section 212 of the Companies Act, 1956. Necessary application has been made and relevant information provided to the Ministry of Corporate Affairs, Government of India (MCA) by your Company in this regard.

In accordance with the General Circular issued by MCA, the accounts and other related detailed information of the other subsidiaries being Everspark Hong Kong Private Limited and Litez India Limited, 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.

As required under the Listing Agreement with the Stock Exchanges, the Annual Report includes the audited Consolidated Financial Statements, prepared in compliance with the applicable Accounting Standards of the applicable subsidiaries.

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

Prospects

Both batteries and flashlights went through some major changes in the recent past as mentioned earlier.

Batteries have now settled down to a stable level which seem sustainable. The market is in a mood to accept adverse impacts of an inflationary economy. This hurdle being over, the outlook appears to be bright.

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 market is susceptible to grey operations of unorganized players bringing copy-cat models to the market - usually without payment of taxes and duties. The only way to sidestep this problem is to keep bringing new models which are creative and innovative. This is a competency that EIIL possesses. Barring this negative - which can be and will be overcome - the outlook for this segment is upbeat.

Prospects are promising in the Lighting Products business. This business has become a key focus area for the Company and an avenue for growth. Fine tuning of distribution systems and a full range of products in the lighting portfolio will fulfill growth aspirations.

Packet tea will continue to be a stable business - both in turnover and profits.

Finance

Tight control was kept over the finances of your Company, with emphasis on reduction of debt. However, due to requirement of additional working capital consequent to introduction of new products as well as hardening of interest rates, the Company incurred higher interest charges.

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

In view of inadequacy of profits during the year under review, there was no transfer to General Reserves.

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 signed for factories at Kolkata, Chennai and Noida.

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.

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 March 31, 2012 was February 28, 2013 and the same was filed on January 30, 2013. The Board, has upon the recommendation of the Audit Committee re-appointed M/s.Mani & Co., Cost Accountants, Registration No. 00004, Ashoka, 111 Southern Avenue, Kolkata 700 029, (being eligible for the re-appointment), to audit the cost accounts of the Company relating to dry cell batteries, as well as other products as recently included for the purpose of cost audit for the financial year ending March 31, 2013, 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. ₹ 0.005 crores as claimed and paid, however, remain un-encashed by the depositors as on March 31, 2013.

Exports and Foreign Exchange Earnings and Outgo

During the year under review, your Company exported batteries totaling to a value of ₹ 30.68 crores (2011-12 : ₹ 23.61 crores) and flashlights totaling to a value of ₹ 8.32 crores (2011-12 : ₹ 7.74 crores).

₹ Crores

	31.03.2013	31.03.2012
Foreign Exchange Earnings	24.56	14.83
Foreign Exchange Outgo	157.08	161.65

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, 2013, 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, Mr. S. Saha, Mr. S. Goenka and Mr. Amritanshu Khaitan will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

Mr. B.Mitter, Mr. D.A. Nanda and Mr. V. Bhandari resigned from the Board of Directors of the Company, effective August 1, 2012, December 4, 2012 and December 19, 2012 respectively. The Board records its appreciation of the valuable services rendered by Mr. B. Mitter, Mr. D. A. Nanda and Mr. V. Bhandari during their respective tenures as Directors.

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.

Auditors Report

The Auditors have made an observation in their Report relating to the financial information and consolidation of Novener and its subsidiaries. This matter has already been explained earlier in the Section titled "Subsidiaries & Consolidated Financial Statements".

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**

May 29, 2013 *Chairman*

Management Discussion & Analysis

The Business

Eveready Industries India Limited (EIIL) is one of India's leading consumer goods companies, with its products and brand being household names for the past century. Over the decades, it has been 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 & lanterns under the brands 'Eveready' and 'Powercell'.
- Packet tea under brands 'Tez', 'Jaago', 'Premium Gold' and 'Classic'.
- Lamps & luminaires under the brands 'Eveready' and 'Powercell'
- Devices like mobile power bank, rechargeable fan and radio under the brand 'Eveready'.

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 covering the entire country. Subsequently, this manufacturing presence was integrated forward into the manufacture and marketing of flashlights - a leading device category consuming batteries.

The Company is the largest player in India in both dry batteries and flashlights holding market share exceeding 50 percent in both categories. It has competencies in these product categories equal to the best in the world.

The availability of this wide distribution network led the Company to explore opportunities in extending its product portfolio to newer items like packet tea, lighting products, luminaires and devices over the last few years.

These category extension initiatives led to the conclusions that there is a good fit of the Company's brands with electrical products and devices. The Company's competencies also are complementary to the new product categories. EIIL, thus, plans to persist in its efforts to be a significant player in these products. Some additional efforts will be required to align distribution to the needs of this trade, work on which is already underway.

The platform of the Company today is to provide portable power and lighting - and the products as mentioned above are aligned to that platform.

The Company has been in the packet tea business historically. Its share of the packet tea market is limited - but the product has traditionally played an important role to sustain distribution in certain areas. This product will continue to provide a sustainable turnover thereby adding scale to the Company's operations and profitability.

The above make a robust product portfolio. 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 4.8 percent during the year under review. This was inferior to the recent trend. The year was also marked by high inflationary condition - led by a gradually weakening Rupee. This led to a squeeze on people's spending abilities.

The country faced the challenges of down turn like the rest of the world and recovery is yet to gather speed. Many sectoral deficiencies are weighing heavily on the overall economy. Despite obvious advantages in India's favour like a large consuming young population and a relatively lower dependence on exports, overall economic parameters still look uncertain.

Though the overall sentiment appears gloomy, India's economic engine will perhaps keep going at a pace higher than most of the world powered by a large youthful population. India continues to stand on the anvil of becoming a 'middle income' economy. Its people will continue to experience higher income levels - and a large percentage of its absolute poor will get lifted out of the abyss of poverty. This transition will certainly ignite consumerism. The consumer goods sector in which the Company operates will be able to take full advantage of this.

Consumer Goods Industry in India

The consumer goods sector had mixed experience in the recent past. Advent of an aspirational lifestyle with a bias to luxury or semi-luxury goods has pushed routine and day to day functional products to a back seat. Increased competition - sometimes from lower cost manufacturing geographies - also complicated the market scenario. These are just to name a few - others exist.

However, these are changes that all companies and sectors face and overcome. The consumer goods sector is no exception. With the world's second largest population as the consumer base - a significant part of which comprises of the youth, the sector has an inherent advantage.

It is also believed that the economy will finally turn around - may be sooner than what is indicated by the current data. This turn around should improve income levels and consequentially improve consumption pattern. Given the fundamental strengths, the sector's outlook appears robust 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 percent between Eveready and Powercell brands, 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. 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 and also due to the depreciating Rupee.

The market has stabilized over the last 2 years - but with minimal growth. Latest trends indicate that the market will continue to be stable. Growth in volumes will be small as the sector is likely to be compelled to increase prices further. Consequently, the sector is likely to record higher growth in sales turnover.

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.

Battery category	% of market
D	15.4
C	0.3
AA	74.8
AAA	9.5
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 97 per cent share. The alkaline batteries have minimal share of the market at less than 2 percent. Rechargeable batteries, which have the balance 1 percent 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 price increases in the recent past is somewhat unique - perhaps determined by the significant extent involved. However, latest trends seem to indicate that the market is stable and consolidating.

Performance review

Volume in the battery market in India was stagnant during the current year. Sales volume of EIIL also remained flat during the year. 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 18 percent, and 'AA' at 72 percent, 'AAA' at 9 percent and 'C' at 1 percent.

Marketing and Distribution

The Company continued to put emphasis in strengthening its distribution network. Of the total FMCG universe of about 7 million outlets, penetration of batteries stocking universe was at 65 percent. Eveready batteries were stocked in 66 percent of such outlets, higher than any other battery brand by a wide margin.

Eveready's brand campaign featuring batteries and flashlights 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 flashlights and radio (in rural India). The proven durability and quality assurance of the Company's products will continue to address this segment. Growth in the 'AA' segment will be fuelled by proliferation of remote control devices, toys, clock 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, toys) 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 for future revenues and profitability.

Batteries do not face any serious threat because these 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 inherent poor quality. Initially - about 12 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. Also, the cause of the domestic industry was supported by an anti-dumping duty against Chinese dumped imports in the ‘AA’ segment.

Alkaline batteries, popular in the West, yet do not pose as a serious alternative to carbon zinc batteries due to the price-sensitive nature of the Indian consumer leading to a mere 2 percent 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 seen in the recent past.

Risks and concerns

Weakening of the rupee continues to put pressure on raw material prices. Also, some of the raw material prices are showing signs of hardening. Apart from that, the overall inflationary trends have also been putting pressure on operating costs. These represent areas of concern.

The market is now used to an inflationary environment, where all producers are having to pass on adverse impacts faced by them. The battery market is no exception. Thus, inflationary impacts will continue to be passed on.

The anti-dumping duty on ‘AA’ batteries has now expired. While the domestic producers have applied for an extension - it is uncertain whether the same will be available. In the event, the duty does not get extended, the market may see some dumped cheap quality imports from China. It is hoped that consumers will not fall prey to these cheap quality offerings.

Flashlights

The flashlight market is shaped by EIIL because of its dominant market share position at over 76 percent in the organized segment. However, it needs to be mentioned that there exists an unorganized segment in this market, which is estimated to be about half the size of the organized one. Thus, if that is taken into account EIIL has a market share of a little over 50 percent.

The segments in the flashlights market were traditionally determined by the material used for the housing, 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 5 years.

As a mitigation measure and with a view to giving consumers a value-for-money option, the Company introduced the new generation 'LED' flashlights, so named popularly due to usage of ‘LED’ bulbs being used as the light source. EIIL was at the forefront of introduction of this new segment and 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 and in turn led to