Consolidated Financial Statements with Auditors' Report

Auditors' Report

To the Board of Directors
Eveready Industries India Limited

1. We have audited the attached consolidated balance sheet of Eveready Industries India Limited and its subsidiary (the Group) as at 31st March, 2007, the consolidated profit and loss account for the year ended on that date and the consolidated cash flow statement for the year ended on that date, both annexed thereto. These consolidated financial statements are the responsibility of the company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We report that the consolidated financial statements have been prepared by the company's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

4. Attention is invited to Note 3 of Schedule 18 regarding amortization of brand over a period of 40 years on the basis of an expert opinion.

5. *Attention is invited to Note 9 of Schedule 18 regarding payment of managerial remuneration to:*
   (i) two executive directors and in respect of which Central Government approval has been sought by the Company; and
   (ii) an executive director and in respect of which the Company proposes to seek the approval of the Central Government.

6. Based on our audit and other financial information of the subsidiary and *subject to para 5 above,* in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   i. in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31st March 2007;
   ii. in the case of the consolidated profit and loss account, of the loss for the year ended on that date, and
   iii. in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
K. Rajasekhar
Partner
Membership No. 23341

Kolkata, 11th May, 2007.

Consolidated Profit and Loss Account

For the year ended March 31, 2007

Rs. Lakhs

	Schedule	2006-07		2005-06	
Income					
Sales	1	95,352.50		84,899.70	
Less : Excise Duty		11,382.24	83,970.26	9,705.37	75,194.33
Other Sources					
Net Profit on Sale/Retirement of Real Estate/Assets			57.73		7,664.10
Other Operating Income	2		312.62		222.10
Provision no longer required written back			782.32		424.67
			85,122.93		**83,505.20**
Expenditure					
Operating Expenses	3		75,386.77		72,406.72
(Increase)/Decrease in inventories of Finished Goods and Work-in-progress			4,020.59		(6,343.52)
Provision - Others			643.57		400.00
Depreciation		4,209.79		3,767.32	
Less : Transferred from Revaluation Reserve		(1,787.97)	2,421.82	(1,791.63)	1,975.69
Interest and Finance Cost	4		4,380.07		5,085.54
			86,852.82		**73,524.43**
Net (Loss) / Profit Before Taxation			**(1,729.89)**		**9,980.77**
Provision for Taxation – Current including Wealth Tax		27.38		1360.01	
– Deferred		322.55	349.93	305.47	1,665.48
– Fringe Benefit Tax			174.79		296.21
Net (Loss) / Profit After Taxation			**(2,254.61)**		**8,019.08**
Balance brought forward from Previous Year			1,502.57		1,131.09
Amount Available for Appropriations			**(752.04)**		**9,150.17**
– Proposed Dividend			–		1,444.95
– Tax on Proposed Dividend			–		202.65
– Transferred to General Reserve			–		6,000.00
Balance carried forward to Balance Sheet			**(752.04)**		**1,502.57**
Earning Per Share (Face Value Rs. 5 each)					
– Basic			(3.11)		13.12
– Diluted			(3.11)		12.44
Notes	18				
The Schedules referred to above form an integral part of the Profit and Loss Account.					

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
K. Rajasekhar
Partner
Kolkata, 11th May, 2007

For and on behalf of the Board of Directors

D. Khaitan
Executive Vice-Chairman & Managing Director

S. Saha
Wholetime Director

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

Consolidated Balance Sheet

As at March 31, 2007

Rs. Lakhs

	Schedule	31.03.2007		31.03.2006	
Funds Employed					
Fixed Assets					
Fixed Assets	5	86,032.79		89,909.19	
Capital Expenditure in Progress		7,888.62	93,921.41	2,140.32	92,049.51
Goodwill on Consolidation			2,071.79		2,071.79
Investments	6		147.52		147.52
Current Assets					
Inventories	7	18,887.17		21,633.71	
Sundry Debtors	8	4,808.74		4,289.43	
Cash & Bank Balances	9	2,011.91		973.93	
Loans and Advances	10	7,905.40		6,791.56	
		33,613.22		33,688.63	
Less : Current Liabilities	11	16,314.23		17,264.68	
Provisions	12	5,061.69		6,809.46	
		21,375.92		24,074.14	
Net Current Assets			12,237.30		9,614.49
Miscellaneous Expenditure (To the extent not written off or adjusted)	13		102.57		136.36
Profit and Loss Account			752.04		–
			1,09,232.63		**1,04,019.67**
Financed by					
Share Capital and Reserves					
Share Capital	14	3,634.36		3,587.36	
Reserves and Surplus	15	57,381.97	61,016.33	59,885.66	63,473.02
Share Warrants			551.95		641.25
Loan Funds					
Secured Loans	16	41,357.29		36,591.01	
Unsecured Loans	17	5,882.54	47,239.83	3,201.07	39,792.08
Deferred Tax Liability (Net)			424.52		113.32
			1,09,232.63		**1,04,019.67**
Notes	18				
The Schedules referred to above form an integral part of the Balance Sheet.					

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
K. Rajasekhar
Partner
Kolkata, 11th May, 2007

For and on behalf of the Board of Directors

D. Khaitan
Executive Vice-Chairman & Managing Director

S. Saha
Wholetime Director

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

Consolidated Cash Flow Statement For the year ended 31st March, 2007

Rs. Lakhs

		2006-07	2005-06
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit before tax	(1,729.89)	9,980.77
	Adjustments for :		
	Doubtful Debts & Advances (Net)	30.24	14.93
	Provision for Contingencies written back	(782.32)	(424.67)
	Provision - Others	643.57	400.00
	Depreciation	2,421.82	1,975.70
	Net Exchange (Gain)/Loss on Translation of Loans	84.22	534.58
	Investment Income	(74.74)	(12.23)
	Interest(Net)	4,284.28	4,446.81
	Profit on Sale/Disposal of Real Estate/Fixed Assets	57.73	(7,664.10)
	Liabilities written back	–	(356.00)
		4,934.91	**8,895.79**
	Misc expenditure charged to P&L	109.39	94.81
	Operating Profit Before Working Capital Changes	**5,044.30**	**8,990.60**
	Adjustments for :		
	Trade and Other Receivables	(1,766.93)	(986.59)
	Inventories	2,746.55	(6,186.40)
	Trade Payables and Other Liabilities	(1,025.05)	1,387.61
	Cash Generated from Operations	**4,998.87**	**3,205.22**
	Direct Taxes paid	(413.68)	(1,727.00)
	Employee Separation Compensation paid	(75.59)	(150.56)
	Net Cash from Operating Activities	**4,509.60**	**1,327.66**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	(6,176.20)	(2,264.31)
	Sale of Real Estate/Fixed Assets	103.54	8,053.31
	Investment in subsidiary	–	(4,459.58)
	Interest Received	86.30	59.65
	Net Cash Flow from Investing Activities	**(5,986.36)**	**1,389.07**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from Issue of GDRs/Preference Shares	47.00	798.41
	Share Premium (net of expenses) received	846.00	14,177.76
	Share Warrants	–	641.25
	Proceeds from Long-Term Borrowings	22,072.97	3,076.54
	Proceeds from Short-Term Borrowings	3,015.60	2,295.00
	Repayment of Long-Term Borrowings	(16,303.27)	(18,338.71)
	Repayment of Short-Term Borrowings	(1,337.55)	(470.13)
	Interest Paid	(4,380.06)	(5,028.80)
	Dividend Paid	(1,445.95)	–
	Net Cash Flow from Financing Activities	**2,514.74**	**(2,848.68)**
	Net (Decrease)/Increase in Cash and Cash-Equivalents (A+B+C)	**1,037.98**	**(131.95)**
	Cash and Cash-Equivalents on Opening Date	973.93	1,105.88
	Cash and Cash-Equivalents on Closing Date * (See Schedule 9)	2,011.91	973.93
		1,037.98	**(131.95)**

Notes: i) Figures in brackets represent outflows.
ii) Previous year figures have been recast/restated wherever necessary.
* Includes restricted balance Rs. 64.67 Lakhs.[31.03.2006 : Rs. 176.79 Lakhs]

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
K. Rajasekhar
Partner
Kolkata, 11th May, 2007

For and on behalf of the Board of Directors

D. Khaitan
Executive Vice-Chairman & Managing Director

S. Saha
Wholetime Director

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

Consolidated Schedules to Accounts

	Unit	2006-07 Qty.	2006-07 Rs. Lakhs	2005-06 Qty.	2005-06 Rs. Lakhs
1. Sales					
Class of Goods					
Batteries	Million Pcs.	1,305.69	75,583.91	1,246.51	64,150.47
Flashlights	Million Pcs.	12.26	10,853.74	16.00	13,564.93
Packet Tea	Tonne	7,123.97	7,694.33	6,547.15	6,562.40
Castings, Hard Facing Alloy & Tube Rods	Tonne	–	–	1.41	47.51
Electrolytic Manganese Dioxide	Tonne	1.20	1.24	277.00	177.87
Others			50.26		94.05
Purchased Products (excludes Batteries and Flashlights)			1,169.02		302.47
			95,352.50		**84,899.70**
2. Income from Other Sources					
Interest Income :					
Interest on Long Term tax free Investments			7.68		9.33
Interest on bank and other accounts (Tax deducted at source Rs. 7.28 Lakhs, 2005-06 - Rs. 5.04 Lakhs)			78.63		47.41
Miscellaneous Income			226.31		165.36
			312.62		**222.10**
3. Operating Expenses					
Salaries, Wages and Bonus (includes Long Term Employee Benefits Rs. 41.49 Lakhs, 2005-06 - Rs. 59.69 Lakhs)			6,203.78		5,453.65
Contribution to Provident Fund, Gratuity Fund, Pension Fund and State Insurance			561.36		347.41
Workmen and Staff Welfare Expenses (includes Long Term Employee Benefits Rs. 50.03 Lakhs, 2005-06 - Rs. 49.00 Lakhs)			1,099.45		1,071.46
Raw Materials consumed			46,567.60		46,815.82
Stores and Spares consumed			398.66		591.48
Purchase of Finished Goods for resale			4,855.32		3,913.05
Power and Fuel			1,356.61		1,845.89
Travelling and Conveyance			1,486.73		1,273.28
Advertisement, Sales Promotion and Market Research			4,802.83		3,895.16
Freight, Shipping and Selling Expenses			3,938.59		3,726.13
Repairs – Machinery			975.62		972.20
– Buildings			136.62		179.46
Rent			348.53		336.44
Rates and Taxes			573.55		728.16
Insurance			164.07		148.03
Postage, Stationery & Communication			324.57		349.09
Bank Charges			185.68		110.76
Doubtful Debts/Advances (net)			147.30		14.93
Donations			1.13		2.00
Deferred Revenue Expenditure written off			109.39		94.12
Miscellaneous Expenses			1,337.82		1,099.00
Less : Amount transferred to Capital & Other Accounts *			(188.44)		(560.80)
			75,386.77		**72,406.72**

* includes credit of Rs. 669.33 (2005-06 debit of Rs. 580.05) on account of Excise duty pertaining to change in Inventory.

Consolidated Schedules to Accounts

Rs. Lakhs

	2006-07	2005-06
4. Interest and Exchange Fluctuation		
Interest Charge :		
On Fixed Loans	3,146.45	3,408.08
Others	1,149.40	1,142.88
Net Exchange Loss in Foreign Currency	84.22	534.58
Interest and Finance Cost	**4,380.07**	**5,085.54**

5. Fixed Assets

	GROSS BLOCK AT COST OR REVALUATION				DEPRECIATION				NET BLOCK
ASSETS	**Cost/ Valuation as at 1st April, 2006**	**Additions/ Adjustments during the year**	**Sales/ Retirements/ Adjustments during the year**	**Cost/ Valuation as at 31st March, 2007**	**As at 1st April, 2006**	**For the year**	**On assets Sold/Retired/ Adjusted during the year**	**Total as at 31st March, 2007**	**Written down value as at 31st March, 2007**
Intangibles :									
Software & License	139.25	-	-	139.25	11.62	23.20	-	34.82	104.43
Brand	67,600.00	-	-	67,600.00	3,620.00	1,810.00	-	5,430.00	62,170.00
Patent/Trade Mark	15.00	-	-	15.00	15.00	-	-	15.00	-
Tangibles :									
Land-freehold	7,933.26	-	-	7,933.26	284.85	18.39	-	303.24	7,630.02
Leasehold Land	1,547.80	-	-	1,547.80	173.60	20.02	-	193.62	1,354.18
Buildings	13,277.04	14.08	113.86	13,177.26	5,085.13	445.77	40.57	5,490.33	7,686.93
Plant & Machinery, Equipment etc.	32,807.12	348.95	88.28	33,067.79	25,187.03	1,404.74	78.10	26,513.67	6,554.12
Furniture & Fixture and Office Appliances	2,764.03	42.57	44.52	2,762.08	1,880.99	432.49	39.18	2,274.30	487.78
Motor Vehicles	427.17	21.93	69.72	379.38	343.26	55.18	64.39	334.05	45.33
Total	**1,26,510.67**	**427.53**	**316.38**	**1,26,621.82**	**36,601.48**	**4,209.79**	**222.24**	**40,589.03**	**86,032.79**
31st March, 2006	1,27,525.73	1,154.72	2,169.78	1,26,510.67	34,164.95	3,767.32	1,330.79	36,601.48	89,909.19

Notes :

1. Revaluation of Freehold Land, Leasehold Land (other than those on short lease) owned Buildings, Plant and Machinery and Equipment was carried out as on 31st March,1995 by an approved valuer on current cost basis. The resultant increase in the net book value of Rs. 19,596.92 Lakhs was credited to Revaluation Reserve in that year.
2. Revaluation of Freehold Land, Leasehold Land (other than those on short lease) and owned Buildings was carried out as on 31st March, 2004 by an approved valuer on current cost basis and adjusted for depreciation element as applicable. The resultant increase in the net book value on revaluation amounting to Rs. 10,968.72 Lakhs was transferred to Revaluation Reserve in that year.
3. Building, Plant & Machinery, Equipment etc includes Gross Block of Rs. 56.65 Lakhs (31.03.06 - Rs. 56.65 Lakhs) and Rs. 1,481.03 Lakhs (31.03.06 - Rs. 1,481.03 Lakhs) respectively. Net Block Rs. 3.53 Lakhs (31.03.06 - Rs. 4.37 Lakhs) and Rs. 225.78 Lakhs (31.03.06 - Rs. 289.82 Lakhs) respectively in respect of assets retired from active use.

Consolidated Schedules to Accounts

Rs. Lakhs

		31.03.2007		31.03.2006
6. Investments				
Long Term				
A. Trade Investments				
Quoted				
Mcleod Russel India Limited		*		*
40 Shares of Rs. 5/- each *(Rs. 200/-)				
B. Other Investments				
Quoted				
Unit Trust of India #				
1,13,714 - 6.75% Tax Free US 64 Bonds of Rs. 100 each		147.29		147.29
Unquoted				
National Saving Certificate		0.23		0.23
		147.52		**147.52**
Aggregate book Value of : Quoted Investments		147.29		147.29
Unquoted Investments		0.23		0.23
		147.52		**147.52**
# Market Value of Quoted Investments		113.21		115.69
7. Inventories				
Stores & Spares		632.29		596.38
Raw Materials		6,693.89		5,182.80
Work-in-progress		4,221.43		4,820.99
Finished Goods		7,339.56		11,033.54
		18,887.17		**21,633.71**
8. Sundry Debtors				
Unsecured				
Over six months :				
Considered good		444.32		157.63
Considered doubtful	197.84		209.28	
Less : Provision for doubtful debts	197.84	–	209.28	–
Others - Considered good		4,364.42		4,131.80
		4,808.74		**4,289.43**
9. Cash and Bank Balances				
Cash in Hand		45.45		54.49
With Scheduled Banks :				
in Current Accounts (includes cheques in hand)		1,735.52		594.30
in Deposit Accounts *		195.16		248.66
in Dividend Accounts		35.78		36.79
Cheques in hand/in transit		–		39.69
		2,011.91		**973.93**

* pledged with banks as LC margin money

Consolidated Schedules to Accounts

Rs. Lakhs

		31.03.2007		31.03.2006
10. Loans and Advances				
Unsecured, Considered good				
Interest accrued on Investments		–		10.51
Advances recoverable in cash or in kind or for value to be received		3,358.85		2,471.25
Balance with Excise Authorities, Customs and Port Trust		178.19		205.31
Deposits - Others		530.50		482.38
Advance Income Tax		3,255.33		3,218.33
Advance Fringe Benefit Tax		582.53		403.78
		7,905.40		**6,791.56**
11. Current Liabilities				
Sundry Creditors and Accrued Expenses				
– Dues to Small Scale Industrial Undertaking (including interest Rs. 1.07 Lakhs, 2005-06 Rs. 1.51 Lakhs)	119.87		184.29	
– Others	13,298.04	13,417.91	13,381.31	13,565.60
Interest Accrued but not due on loans		239.03		325.70
Advances Received		1,060.27		1,795.79
BPL Escrow Liability		28.88		140.00
Other Liabilities		1,495.88		1,358.46
Liability towards Investor Education and Protection Fund under Section 205C of the Companies Act,1956				
Due				
Unpaid Dividends		3.02		3.02
Not Due				
Unpaid Dividends		65.83		66.83
Unclaimed Matured Deposits		3.41		9.28
		16,314.23		**17,264.68**

No amounts are due for deposit at the Balance Sheet date to the Investor Education and Protection Fund except for Rs. 3.02 Lakhs in respect of unpaid dividend which is subject to a restraint order from a competent court.

	31.03.2007	31.03.2006
12. Provisions		
Proposed Dividend	–	1,444.95
Tax on Proposed Dividend	–	202.65
Income Tax	1,764.08	1,736.70
Fringe Benefit Tax	453.29	288.86
Long Term Employee Benefits	911.85	681.00
Excise	1,257.11	1,025.42
Sales Tax	244.11	880.18
Others (Refer Note 13 of Schedule 18)	431.25	549.70
	5,061.69	**6,809.46**
13. Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
Voluntary Retirement cost	102.57	134.15
Preliminary Expenses	–	2.21
	102.57	**136.36**

Consolidated Schedules to Accounts

Rs. Lakhs

		31.03.2007		31.03.2006
14. Share Capital				
Authorised				
11,15,60,000 Equity Shares of Rs. 5 each		5,578.00		5,578.00
(31.03.06 - 11,15,60,000 Equity Shares of Rs. 5 each)				
Issued and Subscribed				
7,26,87,260 Equity Shares of Rs. 5 each, fully paid		3,634.36		3,587.36
(31.03.06 - 7,17,47,260 Equity Shares of Rs. 5 each, fully paid)				
Of the above				
(i) 5,76,514 Shares were allotted as fully paid up pursuant to a contract without payment being received in cash.				
(ii) 2,13,29,782 Shares were allotted as fully paid up Bonus Shares by Capitalisation of General Reserve and 28,92,700 Shares were issued out of Share Premium Account.				
(iii) 2,31,96,002 Shares were allotted as fully paid up other than in cash pursuant to Scheme of Amalgamation.				
(iv) 1,59,68,258 shares represent 1,59,68,258 Global Depository Receipts.				
(v) 9,40,000 shares represent warrants converted into equity shares.				

15. Reserves & Surplus				
General Reserve				
At the commencement of the year	18,981.01		12,981.01	
Profit and Loss Account	–		6,000.00	
Less : Adjustments relating to change in Employee Benefits Liability as at the commencement of the year in accordance with the transitional provisions of Accounting Standard (AS) - 15 [revised 2005] - Employee Benefits issued by the Institute of Chartered Accountants of India, - net of Deferred Tax Asset Rs. 11.36 Lakhs.	(22.38)	18,958.63	–	18,981.01
Securities Premium				
At the commencement of the year	15,566.10		1,388.34	
Add : Received during the year	846.00		14,371.43	
Less : Expenses relating to issue of GDR	–	16,412.10	(193.67)	15,566.10
Revaluation Reserve				
Balance at the commencement of the year	12,288.83		14,523.24	
Less : Adjustment related to Fixed Assets sold/retired during the year	(36.77)		(442.78)	
Less : Depreciation/Amortisation on revalued portion of Fixed Assets	(1,787.97)	10,464.09	(1,791.63)	12,288.83
Development Allowance Reserve		3.50		3.50
Capital Reserve		11,543.65		11,543.65
Profit and Loss Account				
Balance Carried Forward		–		1,502.57
		57,381.97		**59,885.66**

Consolidated Schedules to Accounts

Rs. Lakhs

	31.03.2007	31.03.2006
16. Secured Loans		
Banks –		
Cash Credits and Working Capital Demand Loans	8,524.10	7,450.65
Secured by hypothecation of stocks, stores and book debts relating to businesses of the Company and ranking pari passu with the charges created and/or to be created in favour of other banks in the consortium and first/second charge on the fixed assets of the company.		
Working Capital Loan from Foreign Currency Non-Resident (Bank) Funds - NIL [31.03.06 - US$ 5.33 million]	–	2,411.00
Term Loans from ICICI Bank		
– Loan denominated in Foreign Currency (NIL, 31.03.06 - US$ 3.46 million)	–	1,485.53
– External Commercial Borrowing denominated in Foreign Currency (US$ 16 million, 31.03.06 - NIL)	7,404.00	–
Secured/to be secured by exclusive mortgage on movable and immovable properties and by deposit of title deed of the plant located at Haridwar, Uttaranchal.		
– Rupee Loan	1,975.80	14,169.58
Secured/to be secured by a pari passu first charge by way of equitable mortgage over certain movable & immovable properties of the Company and exclusive charge on certain brand belonging to the Company.		
Term Loans from UCO Bank	4,856.99	5,000.00
Secured/to be secured by a pari passu first charge by way of equitable mortgage over certain movable & immovable properties of the company and by pari passu first/second charge by way of equitable mortgage over certain tea estates belonging to MRIL.		
Term Loan from UTI Bank	–	1,000.00
Term Loan from IDBI Ltd.	12,555.63	1,740.00
Secured/to be secured by a pari passu first charge by way of equitable mortgage over certain movable & immovable properties of the company and exclusive charge on certain brand belonging to the Company.		
Bank Borrowings	246.95	134.45
(Secured by way of a first charge on inventories and book debts and a second charge on fixed assets).		
Vehicle Loan from ICICI Bank Limited	13.82	–
(secured by charge on assets financed)		
Others :–		
Housing Development Finance Corporation Limited	5,780.00	3,199.80
Secured/to be secured by equitable mortgage by way of deposit of Title Deeds of Noida Battery Plant and Windmill Lands of the Company and certain residential properties located at Mumbai & Kolkata and by pari passu first charge by way of equitable mortgage over a tea estate belonging to MRIL.		
	41,357.29	**36,591.01**
17. Unsecured Loans		
Fixed Deposits	74.26	456.07
Inter Corporate Loans	294.70	245.00
Short Term Loans from Banks	5,500.46	2,500.00
ICICI Bank - Car Loan	13.12	–
	5,882.54	**3,201.07**
Repayable within one year	5,860.05	3,119.00

Schedules to Accounts

18. Notes to Accounts

1. **Significant Accounting Policies**

1.1 **Basis of preparation of financial statements**
The financial statements are prepared under the historical cost convention, on accrual basis of accounting in accordance with the provisions of the Companies Act, 1956 and the accounting standards issued by the Institute of Chartered Accountants of India (Indian GAAP) as adopted consistently by the Company.

1.2 **Use of Estimates**
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates and any revision to such accounting estimates is recognised prospectively in the period in which the results are ascertained.

1.3 **Fixed Assets**
Tangible Fixed Assets stated at cost / revalued amount less depreciation. Cost comprises purchase price and attributable cost (including financing cost wherever applicable).

Machinery spares of irregular usage in respect of the subsidiary are stated at their original cost of acquisiton and amortised within the useful lives of the plant and machinery to which they relate.

1.4 **Depreciation / Amortisation**
Depreciation is provided on straight line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956 as below :
- Plant and machinery at rates prescribed in Schedule XIV to the Companies Act, 1956.
- Buildings, furniture and fixtures and office appliances (excluding computers), motor vehicles and computers, at 4%, 10%, 33.33% and 16.66% p.a. respectively.
- The revalued assets have been depreciated on straight line basis over the balance useful lives estimated by the valuer.
- Freehold land is not depreciated except for improvements to land included therein.
- Patents, trademarks and brands are amortised over their legal term or working life whichever is shorter.
- Brand ‘Eveready’ is amortised over a working life of 40 years and Brand ‘Premium Gold’ is amortised over a working life of 10 years.

1.5 **Investments**
Long Term investments are carried at cost less provision for permanent diminution if any, in value of such investments. Current investments are carried at lower of cost and fair value.

1.6 **Inventories**
Inventories are valued as under :
- Raw Materials and Stores and Spares Parts at lower of weighted average cost and net realisable value.
- Work-in-progress and Finished Goods are valued at lower of cost and net realisable value where cost is worked out on weighted average basis. Cost includes all charges incurred for bringing the goods to the point of sale including excise duty.

1.7 **Miscellaneous Expenditure**
Preliminary Expenses are amortised over a period of ten years.

1.8 **Sales**
Sales comprise, Sale of goods less discounts as applicable and include Excise duty but exclude Sales Tax / VAT.

1.9 **Foreign Exchange Transactions**
- Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates.
- The difference in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognised in the Profit and Loss Account.
- Exchange differences in respect of liabilities incurred to acquire fixed assets from outside India are adjusted to the carrying amount of such fixed assets.

1.10 **Employee Benefits**
The estimated liability for all employee benefits, both short and long term, for present and past services which are due as per the terms of employment are determined in accordance with the requirements of Accounting Standard (AS) 15 (Revised) issued by the Institute of Chartered Accountants of India. A brief description of the various employee benefits is as follows :

1.10.1 **Pension** – A defined benefit plan, the liability for which is determined on the basis of an actuarial valuation on the frozen corpus as at 31 March 2003 and thereafter on the basis of the Company’s defined contribution scheme.

1.10.2 **Gratuity** – The Company has an obligation towards gratuity, a defined benefit retiring plan covering eligible employees. The plan provides for lump sum payment to vested employees on retirement, death while in employment or on separation. Vesting occurs upon completion of five years of service. The liability, which is determined by means of an independent actuarial valuation, is funded with trusts sponsored by the Company.

Schedules to Accounts

18. Notes to Accounts *(Contd.)*

1.10.3 **Provident Fund** – This is a defined contribution plan framed in accordance with Indian Laws, in accordance with which eligible employees participate. Under the plan, both the employee and employer contribute monthly at a determined rate (currently upto 12% of employee's salary). Contributions under the plan are made to the trust sponsored by the Company and the Pension Scheme framed by the Central Government.

1.10.4 Other employee benefits include Post retirement Medical benefits and encashment of leave on separation which are Long Term in nature. Both the benefits are unfunded and the liability for the same is determined by an independent actuarial valuation.

1.11 **Borrowing Cost**

Interest and other costs in connection with the borrowing of funds by the company are recognised as an expense in the period in which they are incurred unless activities that are necessary to prepare the qualifying assets for its intended use are in progress.

1.12 **Voluntary Retirement Schemes**

The cost of Voluntary Retirement Schemes is charged to the Profit and Loss Account over a period of 36 months starting from the month of settlement. The unamortised amount is carried forward as Deferred Revenue Expenditure.

1.13 **Deferred Tax**

Deferred Tax is the tax effect of timing differences i.e. the differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods.

2. 2.1 **Principles of Consolidation**

The Consolidated Financial Statements of Eveready Industries India Limited and its subsidiary Powercell Battery India Limited have been prepared in accordance with the AS - 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India. The basis of preparation of Consolidated Financial Statements is as follows :-

The Financial Statements (the Balance sheet and the Profit & Loss Account) of the Company and its subsidiary have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra group balances and transactions.

2.2 The subsidiary (which alongwith Eveready Industries India Limited constitutes the Group) considered in the preparation of these Consolidated Financial Statements is Powercell Battery India Limited which became a wholly owned subsidiary effective 23 November, 2005. The Financial Statements of the subsidiary used in the consolidation are drawn up at the same reporting date as that of the Company i.e. 31 March, 2007.

3. Expert opinion was received whereby the working life of brand 'Eveready' was estimated at more than 100 years. However, as a measure of prudence the amortisation period of the brand has been kept at 40 years only.

4. **Contingent Liabilities**

a. Claims against the Company not acknowledged as debts :

- Excise - Rs. 1,197.74 Lakhs net of tax, Rs. 794.58 (31.03.06 - Rs. 910.66 Lakhs net of tax, Rs. 604.14 Lakhs)
- Sales Tax - Rs. 60.70 Lakhs net of tax, Rs. 40.27 Lakhs (31.03.06 - Rs.12.27 Lakhs net of tax, Rs. 8.14 Lakhs)
- Others Rs. NIL (31.03.06 - Rs. 113.74 Lakhs).
- Income Tax :
  - The Department is in appeal in regard to matters decided in favour of the Company, the tax effect whereof is Rs. 72.05 Lakhs (31.03.06 - Rs. 72.05 Lakhs).
  - The Company is in appeal in regard to assessment made the tax effect whereof Rs. 599.70 Lakhs, (31.03.06 - Rs. 599.70 Lakhs)
  - In respect of matters relating to erstwhile The Bishnauth Tea Company Ltd. (BTCL) (amalgamated with the Company effective 1st April, 2000), Rs. 125.48 Lakhs (31.03.06 - Rs. 125.48 Lakhs).

Based on professional advice, the Company is of the view that the provisions made for taxation are adequate and no further provision is needed.

b. Others - Rs. 191.39 Lakhs net of tax, Rs. 126.97 Lakhs (31.03.06 - Rs. 205.80 Lakhs net of tax, Rs. 125.95 Lakhs).

5. 5.1 Bank guarantees Rs. 118.78 Lakhs (31.03.06 - Rs. 222.03 Lakhs).

5.2 The Company has given guarantees aggregating to Rs. 589.00 Lakhs (31.03.06 - Rs. 589.00 Lakhs) to financial institutions, banks and others on behalf of other companies. The amount of guarantees outstanding as on 31.03.07 was Rs. 57.93 Lakhs (31.03.06 - Rs. 457.74 Lakhs).

Schedules to Accounts

18. Notes to Accounts *(Contd.)*

6. Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs. 221.68 Lakhs (31.03.06 - Rs. 50.60 Lakhs).

7. **Taxation**
Deferred Tax Liability (Net)
The major components of deferred tax liabilities and assets are as follows :–

Rs. Lakhs

Particulars	As at 31 March, 2007	As at 31 March, 2006
Deferred Tax Liability		
Difference between book and tax Depreciation	**(644.79)**	**(1,890.64)**
Deferred Tax Assets		
Disallowances under Section 43B	50.55	71.90
Provision for Doubtful debts	64.83	68.16
Employee Benefits and Others	104.89	268.45
Past Losses and Unabsorbed Depreciation	-	1,368.81
	424.52	**113.32**
Adjustments towards increase in Employee Benefit Liability as at 1 April, 2006 in accordance with the transitional provisions of AS - 15 (Revised)		(11.36)
Revised Opening Liability		**101.96**

8. The Subsidiary has Deferred Tax Assets aggregating to Rs. 491.26 Lakhs mainly comprising of unabsorbed depreciation and carried forward losses which has not been recognised in the Financial Statements in accordance with the reference of AS - 22.

9. **Director's Remuneration**

Rs.Lakhs

	2006-2007	2005-2006
I. **Wholetime Directors :**		
(a) Salary	292.54	205.27
(b) Contribution to Provident Fund and Pension/Superannuation Funds	42.77	28.90
(c) Monetary Value of Perquisites and Allowances	106.93	50.01
	442.24	**284.18**
The above excludes contribution to Gratuity Fund and provision for Leave liability as separate figures are not available. The above excludes contribution to Superannuation Fund for the Subsidiary as separate figures are not available.		
II. **Non - Wholetime Directors :**		
(a) Sitting Fees	7.82	11.80

10. The Profit and Loss account includes Managerial remuneration amounting to Rs. 318.82 Lakhs in respect of two executive directors of the Company. In the absence of profits for the financial year, the Company has made application to the Central Government for treating the above as minimum remuneration and approval is awaited.

With regard to another executive director, Rs. 37.13 Lakhs was paid as managerial remuneration upto his tenure. In the absence of profits at the end of the financial year, the Company is seeking the approval of Central Government for treating the above as minimum remuneration.

An executive director was appointed by the Board of Directors for a period of 2 years from 9th December 2006, subject to shareholders' approval. His appointment and the remuneration of Rs. 10.02 Lakhs charged to the Profit and Loss Account is subject to shareholders' approval as aforesaid.

11. The Profit & Loss Account includes net exchange loss of Rs. 73.17 Lakhs (2005-06 - loss of Rs. 420.60 Lakhs).

12. Capital Expenditure-in-Progress is inclusive of Capital Advances of Rs. 278.85 Lakhs (31.03.06 - Rs. 89.45 Lakhs).

Schedules to Accounts

18. Notes to Accounts *(Contd.)*

13. The Electrolytic Manganese Dioxide manufacturing facility has been discontinued from the close of business of March 31, 2007. The amounts carried in Provision - Others [Schedule 12] includes Rs. 127.71 Lakhs (31.03.2006 - Rs. 400 Lakhs) towards expenses to be incurred in connection therewith.

14. **Miscellaneous Expenses include Auditors' Remuneration in respect of** Rs. Lakhs

	2006-2007	2005-2006
Audit Fees	13.14	11.44
Tax Audit	0.76	4.77
Limited Reviews Fee	7.80	6.00
Other Services	1.54	1.23
Out of Pocket Expenses	1.15	1.40
	24.39	**24.84**

The above excludes Rs. 4.50 Lakhs paid as Tax Audit services to previous auditors, a firm of Chartered Accountants in which some of the partners of the audit firm are partners. The above excludes Rs. 0.76 Lakhs paid to previous auditors of Subsidiary for Tax Audit.

15. **Related Party Disclosures**

List of Related Parties

a) Key Management Personnel

Executive Vice-Chairman & Managing Director - Mr. D. Khaitan
Wholetime Directors - Mr. A. Roy*
- Mr. S. Saha*
- Mr. A. Khaitan#

From 01.03.2006

b) Relatives of Key Management Personnel with whom the Company had transactions during the year –

Mrs. Krishna Roy - Wife of Mr. A. Roy
Mrs. Neena Saha - Wife of Mr. S. Saha

*Related Parties with whom transactions have taken place during the year.

Rs. Lakhs

Transactions	Key Management Personnel		Relatives	
	2006-2007	2005-2006	2006-2007	2005-2006
Rent Paid	14.07	9.12	-	-
Car Hire Charges	-	-	3.75	2.25
Sale of Real Estate	73.00	-	-	-
Rendering of Services				
Mr. A. Khaitan	-	-	-	1.22
Loan	49.47	59.37	-	-

Schedules to Accounts

18. Notes to Accounts *(Contd.)*

16. **Earnings per Share**

Rs. Lakhs

	2006-2007	2005-2006
Basic EPS		
(Loss) / Profit after Tax - Rs. Lakhs	(2,254.61)	8,019.10
Weighted Average Number of Equity Shares outstanding	72,416,685	61,101,755
Nominal Value of Equity Share - Rs.	5/-	5/-
Basic Earnings per Share - Rs.	(3.11)	13.12
Diluted EPS		
(Loss) / Profit after Tax - Rs. Lakhs	(2,254.61)	8,019.10
Weighted Average Number of Equity Shares outstanding	72,416,685	64,476,755
Nominal Value of Equity Share - Rs.	5/-	5/-
* Diluted Earnings per Share - Rs.	(3.11)	12.44

Note : * Since the potential equity shares (i.e. convertible warrants) are anti-dilutive, effect of the same has been ignored for calculating Diluted Earnings Per Share.

17. The Group is engaged in the business of manufacture and sale of dry cell batteries, flashlights and packet tea as well as sale of insect repellents which constitutes a **single business segment known as Fast Moving Consumer Goods (FMCG)**.

18. Geographical Segment

Sales within India	Rs. 92,931.20 Lakhs (2005-06 Rs.83,046.85 Lakhs)
Sales outside India	Rs. 2,421.30 Lakhs (2005-06 Rs.1,852.85 Lakhs)

19. The Company had on October 5, 2005, issued and allotted 67,50,000 Convertible Warrants on a preferential basis, which were convertible at the sole option of the Warrant holder within a period of 18 months from the date of allotment. During the year under review, some of the allottees exercised part / full of their respective options so as to convert a total of 9,40,000 convertible warrants out of the convertible warrants held by them respectively and consequently 9,40,000 equity shares of Rs. 5/- each at a premium of Rs. 90/- per share i.e. at an aggregate price of Rs. 95/- per share has been allotted to the said allottees on May 11, 2006 and September 27, 2006. Accordingly, the share capital of the Company as at March 31, 2007 stands increased to Rs. 36,34,36,300/- represented by 7,26,87,260 equity shares of Rs. 5/- each. The holders of the balance of 58,10,000 Convertible Warrants had to exercise the option to convert into Equity Shares within 4th April, 2007. Such option had not been exercised by that date.

20. **Disclosure as required under Accounting Standard (AS) 15 (Revised)**

20.1 Consequent to the early adoption by the Company of Accounting Standard 15 (Revised) “Employee Benefits” issued by the Institute of Chartered Accountants of India, all employee benefits have been determined in accordance with the Standard. In accordance with the transitional provisions, the liability as at 1st April, 2006 has been recomputed and the difference with the liability existing as on 31st March, 2006 has been adjusted to the General Reserve. The impact of such changes in various employee benefits adjusted to General Reserve as at 1st April, 2006 (net of deferred tax of Rs. 11.36 Lakhs) is as follows :

Employee Benefit	Rs. Lakhs
Gratuity	10.34
Pension	(81.51)
Post Retiral Medical Benefits	74.55
Leave Encashment	19.01

Schedules to Accounts

18. Notes to Accounts *(Contd.)*

20.2 Disclosures in accordance with the requirements of AS - 15 (Revised)

Rs. Lakhs

	Pension	Gratuity	P R M B *	Leave Encashment
Components of Employer's Expense				
Current Service Cost	0.00	82.29	0.00	20.91
Interest Cost	87.54	117.72	31.44	21.59
Expected Return on Plan Assets	(102.98)	(133.46)	NA	NA
Actuarial Losses / (Gains)	(127.31)	49.89	(6.70)	16.21
Expense recognised in the Statement of Profit and Loss	(142.75)	116.44	24.44	58.71
Actual Contribution and Benefit Payments for the year ended 31 March, 2007				
Actual Benefit Payments	348.25	573.34	35.09	125.21
Actual Contributions	Nil	240.00	NA	NA
Net Asset / (Liability) recognised in the Balance Sheet as at 31 March, 2007				
Present Value of Defined Benefit Obligations	903.35	1,587.29	412.88	305.47
Fair Value of Plan Assets	1,128.12	1,608.16	NA	NA
Funded Status [Surplus / (Deficit)]	224.77	20.87	(412.88)	(305.47)
Net Asset / (Liability) recognised in the Balance Sheet	224.77	20.87	(412.88)	(305.47)
Change in Defined Benefit Obligations (DBO) during the year ended 31 March, 2007				
Present Value of DBO at the beginning of the year	1,303.66	1,805.61	423.23	341.19
Current Service Cost	0.00	82.29	0.00	20.91
Interest Cost	87.54	117.72	31.44	21.59
Actuarial Losses / (Gains)	(139.60)	38.79	(6.70)	16.21
Benefits Paid	(348.25)	(573.34)	(35.09)	(125.21)
Present Value of DBO at the end of the year	**903.35**	**1,471.07**	**412.88**	**274.69**
Change in Fair Value of Assets during the year ended 31 March, 2007				
Plan Assets at the beginning of the year	1,385.68	1,736.84	NA	NA
Actual Return on Plan Assets	90.69	122.36	NA	NA
Actual Company's Contribution	0.00	240.00	35.09	125.21
Benefits Paid	(348.25)	(573.34)	(35.09)	(125.21)
Plan Assets at the end of the year	**1,128.12**	**1,525.86**	**NA**	**NA**
Actuarial Assumptions				
Discount Rate %	8.25%	8.00% and 8.50%	8.00% and 8.25%	8.00% and 8.25%
Expected Return on Plan Assets %	8.00%	8.00%	NA	NA
Salary Escalation %	Nil	6.00% and 5.00%	NA	6.00% and 5.00%

Notes : 1. PRMB represents Post Retiral Medical Benefits.
2. Different Discount Rates and Salary Escalation used on account of separate plans and on account of differing tenures of working lives of employees.
3. Pension and Gratuity Plans are funded while Leave Encashment and PRMB are unfunded.

Schedules to Accounts

18. Notes to Accounts *(Contd.)*

21. **Disclosure as required under Accounting Standard (AS) 29**

The Company has made provisions towards Sales Tax, Excise and Others in view of the following and details of which are set out below :

(a) The Company has a present obligation as a result of past events;

(b) it is probable that an outflow of resources embodying economic benefits; and

(c) a reliable estimate can be made of the amount of obligation.

Rs. Lakhs

Particulars	Sales Tax	Excise	Others	Total
Carrying amount as at 1st April, 2006	880.18	1,025.42	149.70	2,055.30
Carrying amount as at 31st March, 2007	244.11	1,257.10	303.55	1,804.76
Provisions made in the year	34.91	343.02	265.64	643.57
Amount used during the year	–	–	111.79	111.79
Unused amount reversed during the year	670.98	111.34	Nil	782.32
Nature of obligation	Disputes with respective authorities at different forum.			
Expected timing of resulted outflow	One to Two years.			
Indication of uncertainty about those outflows	Management estimates the outcome of the disputes to be unfavourable.			
Major assumptions concerning future events	Demands / Disputes may not be settled in the higher appellate forum.			
Amount of any expected reimbursement, i.e. amount of any asset that has been recognised for that expected reimbursement.	NIL			

22. **Derivative Instruments**

The company has entered into Forward Exchange Contracts [being a derivative instrument], which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

Outstanding Forward Exchange Contracts entered into by the company as on 31st March, 2007 are as follows :

Currency	Amount (US$)	Buy / Sell	Cross Currency
US Dollar	496	Buy	Rupees

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

As at 31 March, 2007, amounts receivable in foreign currency on account of Export of Goods was Rs. 228.92 Lakhs (US$ 526,670.83) [31.03.06 - Rs. 63.55 Lakhs (US$ 142,435.16)] and amounts payable on account of Import of Goods and Services Rs. 552.30 Lakhs (US$ 1,270,382.72) [31.03.06 - Rs. 416.17 Lakhs (US$ 932,500)] and Loans payable Rs. NIL [31.03.06 - Rs. 1,485.53 Lakhs (US$ 3,456,229.46)].

The above disclosures have been made consequent to an announcement by the Institute of Chartered Accountants of India in December, 2005, which is applicable to the financial periods ending on or after 31st March, 2006.

For and on behalf of the Board of Directors

D. Khaitan
Executive Vice-Chairman & Managing Director

S. Saha
Wholetime Director

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

Kolkata, 11th May, 2007

Notes