

Auditors' Report

To the Members of

Eveready Industries India Limited

1. We have audited the attached balance sheet of Eveready Industries India Limited as at 31st March, 2008, the profit and loss account for the year ended on that date and the cash flow statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these 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 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. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section 4A of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Attention is invited to :
 - (a) Note 5 of Schedule 18 forming part of the financial statements regarding amortization of brand over a period of 40 years on the basis of an expert opinion.
 - (b) Note 10(b) of Schedule 18 forming part of the financial statements regarding remuneration to a director and in respect of which Central Government approval is awaited.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books;
 - (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report are in compliance with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2008;
 - (b) in the case of the profit and loss account, of the loss for the year ended on that date;
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.
6. On the basis of written representations received from the directors as on 31st March, 2008 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.

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

Kolkata, 6th May, 2008

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

The nature of Company's business/activities during the year was such that paragraphs 4(xii), (xiii), (xiv), (xviii) and (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable.

- (i) In respect of its fixed assets :
 - (a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) As explained to us, some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial portion of the fixed assets of the company and such disposal has, in our opinion, not affected the going concern status of the company.

- (ii) In respect of its inventories :
- (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material having regard to the size of the operations of the company.
- (iii) (a) The company had granted loans to two parties covered in the register maintained under section 301 of the Companies Act, 1956. At the year-end, the outstanding balance of loans granted aggregated to Rs. 26.29 lakhs and the maximum amount involved during the year was Rs. 54.60 lakhs.
- (b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.
 - (c) The parties have repaid the principal amounts as stipulated and have also been regular in the payment of interest to the company.
 - (d) The company had not taken loans from any parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and we have not observed any continuing failure to correct major weaknesses in the internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions (excluding loans reported in paragraph (iii) above) exceeding the value of Rupees five lakhs in respect of any party made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are prima facie reasonable having regard to the prevalent market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits Rules, 1975) with regard to the deposits accepted from the public.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the books of account and records maintained by the company relating to the manufacture of dry cell batteries, pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. According to the information given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the company.
- (ix) In respect of statutory dues :
- (a) According to the information and explanations given to us, the company has been generally regular in depositing with the appropriate authorities, undisputed statutory dues including provident fund, investor education and protection fund, employee state insurance, income tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and any other material statutory dues applicable to it.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employee state insurance, income tax, sales-tax, wealth tax, service tax, custom duty, excise duty, and cess and any other material statutory dues applicable to it were in arrears as at 31st March, 2008 for a period of more than six months from the date they became payable.
 - (c) According to the information and explanations given to us, details of dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited as on 31st March, 2008 on account of any dispute are given below :

Name of Statute	Nature of dues	Amount Rs. Lakhs	Period to which the amount relates	Forum where dispute is pending
Sales Tax Act	Sales Tax	41.99	1999-2000 & 2001-03	Asst. Commissioner of Sales Tax
		3.51	2006-07	Trade Tax Tribunal
		1.17	1998-99 & 2003-04	Addl. Commissioner of Sales Tax
		1.30	1995-1996	Commissioner of Sales Tax
		62.70	2000-01, 2001-02 & 2003-04	Joint Commissioner of Commercial Tax (Appeals)
Central Excise Act	Central Excise	156.15	1985-86 to 1998-99 & 2001-06	Commissioner of Central Excise
		851.53	1991-92 to 2006-07	Central Excise & Service Tax Appellate Tribunal
		71.83	1996-97 & 1997-98	Additional Commissioner of Central Excise
		908.68	1997-98 to 2002-03	High Court
		73.40	1995-96 to 1998-99 & 2002-03 to 2006-07	Asst. Commissioner of Central Excise
		147.43	2003-04 to 2006-07	Joint Commissioner of Central Excise
		171.91	2002-03 to 2004-05	Commissioner of Central Excise
		132.40	2001-02 to 2004-05	Deputy Commissioner of Central Excise
Central Excise Act	Service Tax	14.97	2006-07	Commissioner of Central Excise & Service Tax (Appeals)

- (x) The company has accumulated losses of Rs. 1,931.85 lakhs as at 31st March, 2008 and has not incurred cash losses during the financial year covered by our audit or the immediately preceding year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions or banks.
- (xii) In our opinion and according to the information and explanations given to us, the terms and conditions on which the company has given guarantees for loans taken by others from banks are not prima facie prejudicial to the interests of the company.
- (xiii) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the company were prima facie, applied by the company during the year for the purposes for which the loans were obtained except for Rs.3,201.19 lakhs which, pending application, has been credited to the Company's cash credit account with the banks.
- (xiv) According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, in our

opinion, funds raised on short term basis have not been used for long term investment.

- (xv) According to the information and explanations given to us, no money was raised by public issue during the year.
- (xvi) According to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

K. Rajasekhar
Partner

Kolkata, 6th May, 2008

Membership No.: 23341