Report of the Directors

For the financial year ended March 31, 2009

Your Directors are pleased to present the Annual Report, together with the audited Accounts of your Company for the financial year ended March 31, 2009.

Review of Performance

Financial results are summarized below :

(Rs. in Crores)

	2008-09	2007-08
Net Sales	**857.33**	847.18
Other Income from operations	**3.16**	4.48
Profit / (Loss) from sale of real estate	–	(1.10)
Total Income	**860.49**	850.56
Total Expenditure adjusted for increase/decrease of stocks	**778.83**	784.90
Provision no longer required	**(1.95)**	(9.64)
Profits before Depreciation, Interest and Taxation	**83.61**	75.30
Depreciation	**24.94**	27.63
Interest and Finance Cost	**40.70**	52.08
Profit/(Loss) before Taxation	**17.97**	(4.41)
Provision for Taxation including Fringe Benefit Tax	**(1.43)**	14.91
Profit/(Loss) after Taxation	**19.40**	(19.32)

Net sales for the year were marginally higher (by 1 %) over the previous financial year. However, Profit before Depreciation, Interest and Taxation (PBDIT) was higher by 11 % at Rs. 83.61 crores as compared to Rs.75.30 crores in the previous year. This progress coupled with your Company's improved financial position - entailing lower charges on account of interest - resulted in Profit after Taxation at Rs.19.40 crores for the year compared to the net loss of Rs.19.32 crores in the previous year – signifying a 200 % change to the positive.

This improved performance was contributed by overall improvement in operations, cost containment, a gradual decline in raw material prices, lower incidence of excise duty and lower financing charges due to reduction in the borrowing level.

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

Batteries went through significant price increases to offset material cost push in the recent past. Cumulative price increases for the various battery types ranged between 20 per cent and 50 per cent. This met with stiff consumer resistance and demand started slowing down. Unfortunately, the price increases had to be persisted with due to input costs continuing to prevail at high levels. This de-growth was most pronounced in 'D' size batteries, which is mostly consumed in the price sensitive rural segment.

This trend of de-growth continued to prevail during this financial year. Current year's volumes stood at 92 %. However, there are now signs of the market stabilizing without any further significant erosion.

This phenomenon of volumes being affected was not unique to the Company but was experienced by the market as a whole. The Company's market share remained by and large at the same position. 'Eveready' – 45.3 % : 'Powercell' – 5.8 % : Total – 51.1 % (AC Nielson : April 2008 - March 2009).

Similar pricing measures were also necessitated in the flashlights business and the phenomenon of consumer resistance to these was also very significant. Similar to the trend in batteries, flashlights business also experienced de-growth of volumes. The impact was most significant in the 'brass' segment of flashlights – predominantly used in the rural areas.

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

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

From the Company's perspective, this measure is positive. The brass flashlights were profitable and were good for consumption of D size batteries but remained for long period of in-use with consumers. The new LED torches are equally profitable and displays much lower in-use period and is good for battery consumption (mainly AA). Current trends indicate that these flashlights are increasing overall torch user-ship significantly. Being energy efficient these have longer replacement cycle – however once the cycle sets in it will be positive to overall battery consumption.

The LED flashlights were introduced at the beginning of the last financial year. The improvement caused by it is reflected in the growth of overall flashlights volumes at 84 % over the previous year.

In another significant product development, your Company has very recently launched a new line of utility products under the 'Homelite' range. These products will light up Indian homes in the absence of electricity. Initial consumer enthusiasm seems to indicate that this range of products should translate to a major business segment for your Company in the future.

Your Company believes that the difficulties experienced in batteries and flashlights businesses have been suitably tackled. There has not been any change in the basic fundamentals of these products. The demand drivers continue to be the same and the Indian market continues to offer major potential for growth being a consumer of perhaps the lowest number of batteries and flashlights in the world. The recent downturn related to a severe cost push and consequential price hikes, which the consumers were not able to absorb immediately. However, it now appears that after the initial difficulty in adjusting to the new high cost regime, the market is coming back to consumption levels as determined by fundamental demand.

It is also worthwhile to note that in the current year, material prices, most significantly that of zinc, gradually softened. This along with relief provided through lowering of excise duty, resulted in margin expansion.

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

The manufacturing operations of your Company continued to focus on total quality management, safety, energy conservation and cost control. This helped your Company in achieving efficiency in the manufacturing function.

Operations at the manufacturing facility at Cossipore, Kolkata were suspended from September 4, 2008, due to unjustified and illogical demands by a section of workers and in the face of a very aggressive stand taken by them. This however had no impact on the operations of the Company, as supplies to the market were met by other units.

Operations were also suspended at the manufacturing facility at Hyderabad, the facility being surplus to the Company's needs. A VRS scheme agreed with the Workmen's Union has been opened in April 2009 and workers have started opting for VRS.

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

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 2 – 8 per cent in the various markets of the country. Sales volumes were lower by 7 per cent as compared to that of the previous year in a very competitive market scenario and also on account of your Company's decision not to push marginal sales. The year's turnover was however higher by 5 per cent at Rs.81.67 crores against Rs.78.03 crores last year.

Lighting Products

The Company started distributing compact fluorescent lamps (CFL) through the Company's distribution network during the previous year. The launch of the products took place in June 2007. The products were received quite enthusiastically by the market.

The Company's distribution which is at a tangible differentiation from usual electrical trade, and brand 'Eveready' creates a long term value-enhancing proposition in this business. However, the results of the current year did not show improvement from the previous year mainly due to supply problems faced as supply sources got finalized and stabilized during the year. Overall market conditions were also disturbed during the last part of the current year due to anti-dumping being imposed against Chinese & Vietnamese products and due to certain proposed changes in mandatory specifications. The market is however now returning to normalcy.

It is expected that in the next financial year the full potential offered by this business will be optimally harnessed. The Company will now focus in increasing level of this business segment. As a measure of expansion of range, the ordinary GLS bulbs will be launched in the next financial year.

The current year's turnover was at Rs.36.38 crores against Rs.44.22 crores in the previous year.

Insect Repellents

The coverage of Mosquito Coils and Liquid Vaporizers over the target markets across the country was crystallized during the current year. The trade and consumer response to these products were encouraging. The business is still in a nascent stage – with challenges being faced in sourcing. Current market share varies between 1 per cent and 3 per cent in the target markets. Current year's turnover was at Rs.12.18 crores against Rs.9.65. crores in the previous year.

Transfer of lease and reduction of debt

The Company had entered into an MOU on August 29, 2007 with Housing Development & Infrastructure Limited (HDIL) for the transfer of its leasehold premises at Navi Mumbai for a consideration of Rs.115 crores. The Company received Rs.61.50 crores as Earnest Money Deposit and advance during the previous year.

The balance amount was received during the current year, thereby in receipt of the full sale consideration. The proceeds were utilized for repayment of debt, which resulted in reduced interest cost.

However, it may be noted that the income effect for the transfer has not yet been recorded in the current year's accounts and this will be done in a following period on completion of relevant formalities.

Prospects

The financial results for the year were very encouraging and vindicated your Company's efforts. This has to be read in the perspective of the current challenging environment of the overall economy.

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

The tremendous growth seen in the flashlights business is seen to be sustainable. The newly introduced 'Homelite' products will spur turnover growth and profitability.

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

Input costs have eased out as a result of which margins have expanded. While input costs may firm up during the next financial year as the overall economy recovers, it is not expected that these will do so in a very significant manner. Thus, no major threat to the margins is seen in the immediate future on this count.

As the economy starts its move to gradual improvement, overall benefit should also percolate to your Company's sales volumes.

All these factors are expected to combine for a further improved performance.

Issue of Convertible Warrants on preferential basis

Your Company allotted 45,00,000 convertible warrants to Williamson Magor & Company Limited (a Promoter Group Company) on October 17, 2007. Each warrant carried an option of conversion into one equity share of Rs.5/- at a premium of Rs.53/- per share, totaling to Rs.58/- per share. The option – last date for which was April 16, 2009 – was not exercised and thus the amount equal to 10% of the underlying value of the shares at Rs.2.61 crores stood forfeited.

Finance

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

Your Company met its financial commitments in servicing debt and repayments thereof in a timely manner. Capital expenditure programme – mainly that related to making the new generation LED flashlights available to the market – was fully met.

The current year's profits were utilized to off-set carried forward loss, hence there was no transfer to 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 concluded at the Lucknow and Maddur units.

A statement of particulars of employees as required under section 217 (2A) of the Companies Act, 1956 forms a part of this report as a separate Annexure. In terms of section 219 (1)(b)(iv) of the Act, this Report is being sent to all Members without the said annexure. Any member interested in taking inspection or obtaining a copy of the statement may contact the Secretary of the Company at its Registered Office during working hours.

Public Deposits

Your Company does not have any public deposit scheme and has repaid all Fixed Deposits that have matured and were claimed by depositors under the earlier scheme. Rs. 4.25 lakhs remained claimed but unencashed by the depositors as on March 31, 2009.

Exports and Foreign Exchange Earnings and Outgo

During the year under review, your Company exported batteries of 64.35 million pcs and flashlights of 440.09 K pcs against 62.16 million pcs and 153.67 K pcs respectively in 2007-08.

Rs. Lakhs

	Year ended 31.03.2009	Year ended 31.03.2008
Foreign Exchange Earnings	1,766.07	1,602.85
Foreign Exchange Outgo	10,963.73	8,830.17

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, 2009, 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. B.M. Khaitan, Mr. A. Khaitan and Mr. S. R. Dasgupta will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

Mr. A. Saraf has been appointed as a Nominee Director of ICICI Bank Limited effective August 1, 2008, in place of Mr. P.H. Ravikumar.

Mr. P. H. Ravikumar and Mr. V. Sridar were appointed as Additional Directors by the Board effective August 1, 2008. In terms of Article 116(1) of the Articles of Association of the Company Mr. P. H. Ravikumar and Mr. V. Sridar hold office until the forthcoming Annual General Meeting. Notices in writing under Section 257(1) of the Companies Act, 1956 have been received from Members signifying their intention to propose Mr. Ravikumar and Mr. Sridar, respectively for election to the office of Director.

The above re-appointments of Mr. Ravikumar and Mr. Sridar are subject to the approval of the shareholders at the forthcoming Annual General Meeting.

On a Reference Application made by the Central Government to the Company Law Board (CLB) under Section 408 of the Companies Act, 1956, the CLB, by an order dated December 20, 2004 directed the Central Government to appoint three Directors on the Company's Board for three years. As the CLB's order suffers from various legal infirmities, the Company, based on legal advice, has challenged this order of the CLB before the High Court at Calcutta, which has, by an interim order, stayed the operation of the CLB's order. The stay is continuing.

Auditors

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

Management Discussion and Analysis Report and Report on Corporate Governance

As required in terms of the Listing Agreement with Stock Exchanges a Management Discussion and Analysis Report and a Report on Corporate Governance are annexed.

For and on behalf of the Board

Kolkata
27th April, 2009

B. M. Khaitan
Chairman