

## Report of the Directors

For the financial year ended March 31, 2010

Your Directors are pleased to present the Annual Report, together with the audited Accounts of your Company for the financial year ended March 31, 2010.

### Review of Performance

Financial results are summarized below :

(Rs. in Crores)

	2009-10	2008-09
Net Sales	968.73	857.33
Other Operating Income	1.42	3.16
Profit / (Loss) from sale of real estate	7.03	-
Total Income	977.18	860.49
Total Expenditure adjusted for increase/decrease of stocks	853.30	778.83
Provision no longer required	(1.25)	(1.95)
Total Expenditure	852.05	776.88
Profits before Depreciation, Interest, Exceptional Items and Taxation	125.13	83.61
Depreciation	24.13	24.93
Interest and Finance Cost	34.38	40.70
Profit/(Loss) before Exceptional Items and Taxation	66.62	17.98
Exceptional Items	(97.37)	-
Profit before Taxation	163.99	-
Provision for Taxation	21.78	(1.42)
Profit/(Loss) after Taxation	142.21	19.40
Balance of Profit/ (Loss)brought forward from previous year	0.08	(19.32)
Amount available for Appropriation	142.29	0.08
Which the Directors recommend for appropriation as under :		
- Proposed Dividend	3.63	-
- Tax on Proposed Dividend	0.60	-
- General Reserve	100.00	-
Balance carried forward to Balance Sheet	38.06	0.08

Net sales for the year were higher by 13% over the previous financial year. Profit before Depreciation, Interest and Taxation (PBDIT) before exceptional items was higher by 50% at Rs. 125.13 crores as compared to Rs.83.61 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 before Taxation without considering exceptional items at Rs.66.62 crores against Rs.17.98 crores in the previous year - a growth of 271%. With the exceptional items contributing a net sum of further Rs. 97.37 crores, Profit after Taxation stood at Rs.142.21 crores for the year against the corresponding figure of Rs. 19.40 crores in the previous year.

This improved performance was contributed by overall improvement in operations, growth in volumes, lower incidence of excise duty and lower financing costs despite somewhat hardening of input costs, gradually over the year.

## Dividend

Your Directors are pleased to recommend for approval of the shareholders, a dividend of Re. 0.50 per equity share on 7,26,87,260 fully paid up equity shares of Rs.5/- each being 10% on the paid up value of the equity shares of the Company for the year ended March 31, 2010 (previous year - nil).

## 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.

The consumer resistance mainly manifested itself in torch-using consumers (a key segment), looking for more energy efficient torches. Traditionally, they were using torches with incandescent bulbs using 'D' size batteries. The changed dynamics made them shift to torches with LED bulbs using 'AA' batteries (more fully covered subsequently). Thus, degrowth was most pronounced in 'D' size batteries.

This trend of de-growth continued till the first quarter of the current year. In a very encouraging development this product segment turned to positive growth from the second quarter. Turnover grew in the last 3 quarters by 7% as compared to the corresponding period of the previous financial year.

So far the market share position remains unaltered despite the various market changes taking place with your Company being at 51% (Company estimate).

The phenomenon of consumer resistance to pricing actions was also very significant in the flashlights business. Similar to the trend in batteries, flashlights business also experienced degrowth 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 was at the forefront of introduction of this new segment and 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. These come in multifarious styling & colour, and offer 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 earlier flashlights using incandescent bulbs (mainly brass flashlights) were profitable and were good for consumption of 'D' size batteries but remained for long

period of in-use with consumers. The new LED torches are equally profitable and displays much lower in-use period and is good for battery consumption (mainly 'AA').

These new generation flashlights took the consumers' fancy as these were introduced. The previous year recorded significant volume growth - thus increasing overall torch user-ship significantly. The current year also saw growth in this product category - though at a more sedate rate of 8% - however on a much broader base.

Also, these flashlights being energy efficient have longer replacement cycle of batteries. However once the cycle sets in, it is positive to overall battery consumption, as perhaps being vindicated by the battery growth currently visible.

Presently the Company is engaged in enriching its portfolio of LED flashlights by introducing products which are more technologically advanced or which cater to specific focused use. These efforts are seeing reintroduction of metal flashlights and/or those using 'D' size batteries.

Your Company's share of the organized flashlights market remained at 76% (Company estimate). In a diversification of this product range, the Company launched a new range of lighting solutions for homes - addressing lack of electricity or the prevalent power-cut situation. This range of products has a simple message - 'light up your homes'. It is creating new usage and conversion from kerosene lamps. This product range was soft-launched towards the very end of the previous year and the current year under review was the first full year of operation during year under review. Turnover achieved in this period was Rs.50 crores (previous year - Rs.3.82 crores).

It is also worthwhile to mention that battery input costs, after being soft during the previous year - started to increase gradually over the year. This was most significant in zinc - a key input material. Excise duty rate was also enhanced by 2% in the Union Budget 2010. These adverse impacts were to some extent neutralized by an overall stronger Rupee. The net adverse impact was passed on to the market - without any perceivable ill effect.

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 in the previous year due to unjustified demands by a section of workers and their very aggressive stand, which continued to remain so. This had no impact on the operations of the Company, as supplies to the market were met by other units.

Operations were also suspended in the previous year at the manufacturing facility at Hyderabad, the facility being surplus to the Company's needs. The facility was formally closed from April 24, 2010 in keeping with legal formalities. All workmen - barring a handful 24 - opted for a VRS scheme offered by the Company.

During the year your Company received an award from the Engineering Export Promotion Council for highest exports in thrust markets for thrust products (viz., batteries and flashlights).

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

### Lighting Products

The Company started distributing compact fluorescent lamps (CFL) through the Company's distribution from June 2007. The Company's distribution which is at a tangible differentiation from usual electrical trade, and brand 'Eveready' create a long term value - enhancing proposition in this business.

The Company also launched in April 2009, the full range of General Lighting Service (GLS) lamps - the normal mass market incandescent lamp. This market is stagnant on account of shift taking to CFL lamps - but still has considerable size, and the Company needed to enter this as it plans to be a full range player in the lighting products business. The Company's brand and distribution edge should be able to get it an attractive share of this market.

Net sales for the current year stood at Rs.91.54 crores with a growth of 151% over the previous year at Rs.36.41crores.

### 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 - 6 per cent in the various markets of the country. Focus is currently being given to make the business profitable. As a compromise, some marginal turnover is being sacrificed. Sales turnover for the current year stood at Rs.75.94 crores - at a marginal decline against that of the previous year at Rs.81.67 crores.

### Insect Repellents

The launch of Mosquito Coils and Liquid Vaporizers over the target markets across the country was completed in the previous year. The trade and consumer response to these products was encouraging. The business is still in a nascent stage. Current market share varies between 1 per cent and 3 per cent in the target markets. Turnover for the year under review was at Rs.11 crores.

### Subsidiaries & Consolidated Financial Statements

The Company signed a Term Sheet on May 14, 2009 with C G Holding, France, for investment by the Company, both by way of equity and debt upto a maximum amount of 10 million Euro in an overseas Company, Novener SAS in order to acquire a controlling stake in Uniross SA, a French Company.

Uniross is engaged in the manufacturing and marketing of rechargeable batteries and allied products. Uniross has presence in various parts of the world and is particularly strong in Europe. It faced major financial difficulties prior to this acquisition on account of a high-cost acquisition not going as per plan and also on account of a commodity-led cost push. It currently continues to be loss making.

It has however a compelling case in terms of potential and the Company believes that it can be nursed back to sustainable profitability in the foreseeable future.

A sum of Rs.41.10 crores (equivalent to 6 million Euro) was remitted by the Company on June 27, 2009 towards the equity stake of 80% and a sum of Rs. 6.27 crores (equivalent to 1 million Euro) was remitted on March 17, 2010 by way of debt. The Company effectively became the Holding Company of Uniross and its subsidiaries from July 1, 2009.

Novener thus acquired a controlling stake of 97.3% in Uniross SA, which in turn has 100% stake in Uniross Batteries SAS, France which again, in turn, has 100% stake in Industrial - Uniross Batteries (PTY) Ltd., South Africa, Uniross Batteries GmbH Germany, Uniross Batteries Limited, UK, Zhongshan Uniross Industry Co. Limited, China, Everfast Rechargeables Limited, Hong Kong, Rechargeables Online SAS, France, Celltex Limited, Hong Kong, Uniross Batteries Corp., USA and Lognes Batteries Corp, USA. Uniross Batteries Corp. USA has 100% stake in North American Battery Corp, USA and Multiplier Industries Corp, USA. Novener also has 70% stake in Idea Power Limited, Hong Kong.

The addition of the above operation to your Company meant an addition of Rs.135. 43 crores in net sales and adding a net loss of Rs 14.98 crores. The effect of this is available in the Consolidated Accounts attached to this Report.

An overseas company, Everspark Hong Kong Private Ltd with a minimum paid up share capital of 100 shares of HK\$ 1 each totaling to HK\$ 100 was incorporated by the Company in Hong Kong on December 17, 2009, to be a wholly owned subsidiary of the Company. This was done with a view to obtain commercial benefits on the Company's sourcing of input materials and goods from China. However, this is at a feasibility exploration level and the subsidiary has not started trading yet.

The consolidated financial statements have been prepared in accordance with Accounting Standard 21 (AS-21) issued by the Institute of Chartered Accountants of India and include the financial numbers of your Company's subsidiaries, for the year under review. As required by Clause 32 of the Listing Agreement with the Stock Exchanges, the Audited Financial Statements together with the Auditors' Report thereon are annexed and form part of this Annual Report.

In terms of the exemption granted by the Central Government, under section 212 (8) of the Companies Act, 1956, the accounts of the applicable subsidiary companies for the year 2009-10 and the related detailed information are not attached. Hard copy of the Annual Accounts of the applicable subsidiary companies and 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 during working hours.

The statement under section 212 of the Companies Act, 1956 is attached.

**Transfer of lease**

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 had received the full consideration by the previous year, the proceeds of which were utilized for repayment of debt.

The assignment/ transfer was completed during the year under review and the net income effect of the transfer was thus recorded in the accounts for the year as an exceptional item.

**Prospects**

The financial results for the year were very encouraging and vindicated your Company's efforts.

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 have come back to the consumption levels determined by fundamental demand.

The tremendous growth seen in the flashlights business in the recent past has imploded usership and will benefit battery consumption in the long term. Growth of flashlights also looks sustainable - though at a moderate pace. The recently introduced lanterns will add to 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.

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 continue to take the Company to a path of sustainable growth.

The cost structure of the Company is sensitive to 2 specific items of the broader economy -

1. Price of zinc, as this constitutes about 17% of raw material costs, and
2. US dollar exchange rate against Indian Rupee, as 40% of the cost of materials and goods is dollar denominated.

As a coincidence or otherwise, these 2 factors had been moving in opposite directions over the recent past and also during the year under review. Thus, the hardening zinc price was to some extent neutralized by the appreciating Rupee. However, any remaining adverse impact will have to be recovered from the market - as was done towards the end of this year, without any ill effect.

Also as the economy continues its gradual improvement, overall benefit

should also percolate to your Company's sales volumes. The economic measures taken by the Government focusing on rural and poorer sections of the society will benefit the Company as it is in the marketing of essential products consumed even by the poor and is deeply entrenched in rural distribution. All these factors are expected to combine for a further improved performance.

**Convertible Warrants**

An amount of Rs. 2.61 Crores representing the initial amount paid on allotment of 45,00,000 convertible warrants on preferential basis on October 17, 2007, has been forfeited on April 16, 2009, on the expiry of the time frame to opt for conversion.

**Finance**

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

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

A transfer of Rs. 100 crores was made to the General Reserves out of the amount available for appropriation. After providing for proposed dividend and Dividend Distribution Tax, profits left to be carried forward was at Rs. 38.06 crores.

**Employee Relations**

One of your Company's key strengths is its people. Relations with employees remained cordial and satisfactory. Your Board would like to place on record its appreciation of employees for their contributions to the business.

Your Company believes in a system of Human Resource Management which rewards merit based performance and playing an active role in improving employee skills. Actions during the year under review were supportive of this policy. Long-term wage settlements were concluded at the Taratalla unit.

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. 1.47 lakhs remain unencashed by the depositors as on March 31, 2010.

### Exports and Foreign Exchange Earnings and Outgo

During the year under review, your Company exported batteries totaling to a value of Rs. 2553.54 Lakhs (2008-09 : Rs. 2545.92 Lakhs and flashlights totaling to a value of Rs. 471.81 Lakhs (2008-09 : Rs. 285.06 Lakhs).

Rs. Lakhs

	31.03.2010	31.03.2009
Foreign Exchange Earnings	1792.56	1766.07
Foreign Exchange Outgo	13836.18	10963.73

### 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, 2010, 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 of the Company, Mr. D. A. Nanda, Mr. S. Saha and Mr. S. Goenka will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

Mr. S. Sarkar was appointed as Additional Director by the Board effective February 24, 2010. In terms of Article 116(1) of the Articles of Association of the Company Mr. S. Sarkar holds office until the forthcoming Annual General Meeting. Notice in writing under Section 257(1) of the Companies Act, 1956 has been received from a Member signifying his intention to propose Mr. Sarkar for election to the office of Director.

The above re-appointment of Mr. Sarkar is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Mr. V. Sridar resigned from the Board of Directors of the Company effective February 24, 2010. The Board records its appreciation of the valuable services rendered by Mr. Sridar during his tenure as Director.

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.

Kolkata  
July 30, 2010

For and on behalf of the Board  
**B. M. Khaitan**  
Chairman