Eveready Industries India Ltd.

1, Middleton Street
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Information Update

This update covers the following –

1. Financial Results for the quarter ended September 30, 2007
2. Future outlook as per the understanding of Company Management
3. Profile containing historical and basic information on the Company

	Rs.Cr.	Rs.Cr.	Change(%)	Rs.Cr.	Rs.Cr.
	Q2 07-08	**Q2 06-07**	**Gain/(Loss)**	**Q1 07-08**	**Q4 06-07**
Net Sales	203.91	193.52	5.4	184.93	162.18
PBDIT *	20.41	18.62	9.6	7.50	(3.67)
PBT *	2.59	2.73		(11.02)	(19.26)

* Only operational – excludes other income from sale of real estate

Highlights of the quarter ended September 30, 2007

* As will be evident from the above table, this quarter is showing significant improvement over the previous 2 sequential quarters.

* While the dual pressure of high input material costs and lower demand in response to consequential price increases continued to prevail in the battery & flashlights businesses, concerted actions by the Company to mitigate the adverse market situation seem to be resulting in a sustainable return to healthy performance.

* This is manifested in the improvement of both net sales and consequentially operating margins in the current quarter over the trailing 2 previous quarter – and for the first time over the corresponding quarter of the previous year.

* It may be still a little early to predict a complete turn around, but all indications point to an upturn on a sustainable basis. The performance over the next 2 quarters will provide more conclusive confirmation.

Attention is drawn to Important Notes on Page 7 of this Update.

Review of operations

Dry Cell Batteries

As mentioned briefly above, batteries went through significant price increases to offset material cost push. Cumulative price increases for the various battery types over the last 24 months or so ranged between 20 per cent and 50 per cent. It did not seem to impact consumers initially and in fact volumes remained firm till Q1 06-07. It was from August 2006 – and more persistently from Q3 06-07 that such pricing measures 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 the 'D' size batteries, which is mostly consumed in the price sensitive rural segment. This trend of de-growth prevailed during early part of the current year but with considerable less severity. After hitting a trough in Q4 06-07, there has been a gradual improvement trend in sales volumes. The improving trend has come on account of growth in 'AA' and 'AAA' size batteries which grew in the current quarter at 24 % and 12 % over the corresponding quarter of the previous year.

The sequential improvement over the last few quarters can be seen from the following table.

Quarter	Sales volume as a %age of that of sequential previous quarters	Sales volume as a %age of that of corrsp. quarter of previous year
Q4 06-07	90 %	86 %
Q1 07-08	109 %	79 %
Q2 07-08	112 %	107 %

Also it may be observed that in the current quarter sales volume has seen an improvement over the corresponding quarter of the previous year.

This phenomenon of volumes slowing down was not unique to the Company but was experienced by the market as a whole. The Company's market share remained unaltered at 46.2 % (AC Nielson : April – June 2007).

Flashlights

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 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 segment of flashlights towards the end of last year. 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. While 'LED' flashlights do not fully meet all traditional consumer expectations, this new segment has been taken on enthusiastically by the extremely price conscious segment of consumers. It is expected that this measure will improve torch usership significantly and will thus be positive also to overall battery consumption. The quarter saw sales of 1421 k of these LED flashlights, as compared to nil in the corresponding quarter last year.

In totality, flashlights business also displayed similar improvement as seen for dry batteries.

Quarter	Sales volume as a %age of that of sequential previous quarter
Q4 06-07	81 %
Q1 07-08	147 %
Q2 07-08	111 %

Also, in the current quarter, sales volume finally exceeded that of the corresponding quarter of the previous year by nearly 10 %.

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. Packet tea sales volumes were higher by 8 per cent during the current quarter over the corresponding quarter last year.

Insect Repellents

The launch of Mosquito Coils over the target markets across the country became complete by the end of the last financial year. Liquid vaporizers are being launched from October 2007. The trade and consumer response to the Company's mosquito coils was encouraging. The business is still in a nascent stage with a market share varying between 1 per cent and 4 per cent in the various states. Turnover achieved was Rs.2.31 crores during the current quarter.

Compact Fluorescent Lamps

The Company entered into an agreement on April 20, 2007 with Phoenix Lamps Limited for a marketing arrangement for distribution of compact fluorescent lamps (CFL) through the Company's distribution network, under the dual brands of 'Eveready' and 'Halonix'. The launch of the products took place in June 2007. Turnover achieved in the current quarter was Rs.10.92 crores.

Margin analysis

Margins have been under squeeze in the recent past for reasons already explained earlier and due to the current shift of product mix away from the 'D' segment in batteries and brass flashlights. However, as would be seen from the table below, the margin of the current quarter is a significant improvement over recent trend and also a modest improvement over the corresponding quarter of the previous year.

As % to Net Sales	**07-08 Q2**	**06-07 Q2**	**07-08 Q1**	**06-07 Q4**
Materials cost incl. outsourced goods	65.62	67.43	68.22	74.71
Staff cost	7.60	9.15	9.49	9.11
Advt., promotions & market research	4.44	2.48	6.64	5.10
Distributions costs	4.25	5.35	4.99	4.52
Other expenses	8.09	5.98	6.61	8.80
Total Operating Costs	90.00	90.39	95.95	102.24
PBDIT *	**10.00**	**9.61**	**4.05**	**(2.24)**

* Reflects only operational PBDIT, i.e., excluding profits on sale of real estate.

Current developments

- The Company 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. Necessary clearances are being obtained to complete the transfer. In the meanwhile, the Company has received Rs.11.50 crores as Earnest Money Deposit for the same.

- The Company has allotted 45,00,000 convertible warrants to Williamson Magor & Company Limited (a Promoter Group Company) on October 17, 2007. Each warrant carries 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. This option is exercisable within a period of 18 months from the above date in one or more tranches. An amount equal to 10% of the underlying value of the shares has been already received.

- The Company has initiated test marketing of dishwashing detergents in 4 states from August 2007, on successful completion of which, the products will be formally launched.

- The Company has embarked on a process to amalgamate its subsidiary, Powercell Battery India Ltd. (PBIL) with itself with effect from April 1, 2007. The amalgamation will have financial advantages of scale and tax benefits. The

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shareholders have approved the Scheme of Amalgamation in their meeting on August 31, 2007 and the sanction of the Hon'ble High Court at Calcutta is awaited.

- The Company's greenfield plant at the excise duty/income tax free zone in Uttaranchal commenced commercial production on April 2, 2007 as per schedule. With this, the current capacity of 1.6 billion batteries (including its wholly owned subsidiary) stand increased to nearly 2.0 billion batteries. The plant is currently in its initial phase of progress towards attaining desired efficiency. Its output during the current quarter was 52.1 million pieces of 'AA' batteries.

Distribution of Shareholding

Distribution of shareholding stood as follows as on September 30, 2007 –

Category	% of shareholding
Promoter Group	40.48
Mutual Funds	6.98
Banks, FIs and Insurance Companies	6.69
Foreign Institutional Investors	24.20
Public & Others	21.65

Subsidiary Company

The company's subsidiary, PBIL also did not escape the market related phenomenon of consumption slowing down in the face of price increases. However, its performance during the current quarter and the previous one showed significant improvement. This will be borne out by the table below.

	Rs.Cr.	**Rs.Cr.**	**Change(%)**	**Rs.Cr.**	**Rs.Cr.**
	Q2 07-08	**Q2 06-07**	**Gain/(Loss)**	**Q1 07-08**	**Q4 06-07**
Net Sales	23.50	26.28	(10.6)	20.83	18.51
PBDIT *	2.58	1.95	32.3	2.30	(0.46)
PBT *	0.70	(0.06)		0.40	(1.49)

* Only operational – excludes other income from sale of real estate

The financial results shown in this analysis contains only the stand-alone results of the Company and does not contain any element of those of PBIL, other than in this section.

Outlook

The Company firmly believes that there has not been any change in the basic fundamentals of the business. The demand drivers continue to be the same and India still provides good potential in batteries and flashlights as it consumes almost the lowest numbers of these products in the world. The current downturn (which seems to be correcting) relates to the severe price hikes and the inability of the consumers to absorb the same immediately.

Current trends indicate that after the initial difficulty in adjusting to the new high cost regime the market will gradually come back to consumption levels as determined by fundamental demand. There has already been a significant lapse of time since consumers started refusing to meet their basic need of portable energy. The present going has indications for volumes to return to normal levels sooner than later.

Input costs may continue to put pressure. However, the impact is minimal as current level of pricing seem to be adequate to cover the estimated cost level – if not allow the luxury of passing any reduction to the market.

The new unit at Uttaranchal will expand margin by about 1%. The new products to be introduced over the next few months (including CFL) will improve business volumes and profitability.

Brief profile of the Company

Eveready Industries India Ltd. (Eveready) is one of India's leading FMCG Companies. Eveready possesses expertise in manufacturing, marketing and distributing a diverse range of products to the entire length & breadth of the country. Its portfolio comprises of dry cell batteries, rechargeable batteries, flashlights, packet tea and mosquito repellents. Its market share in batteries is 46.2 per cent (AC Nielsen – June 2007) and in flashlights about 85 per cent (Company estimate). (Combined market share in batteries with its subsidiary PBIL is 55 per cent). It is a recent entrant in the packet tea segment. Its market share ranges between 2 – 8 per cent in the various regions where the products have been launched. Its share in the mosquito coil market varies between 1 - 4 per cent in the various markets where the product has been progressively launched in the course of the last 1 year.

Eveready is the world's 3rd largest zinc carbon player, putting to the market about 1.5 billion units a year (including volume sold by its wholly owned subsidiary PBIL), catering to the entire range of equipments that need portable energy. Its rechargeable products cater to the cylindrical replacement market and cordless phones. It has a complete range of flashlights – plastics, aluminium & brass. All battery and flashlight products are branded 'Eveready'. Packet tea products are branded 'Tez', 'Premium Gold', 'Jaago' and 'Classic'. Mosquito Coils are branded 'Eveready PowerOn'. PBIL sells its products under the brands 'Powercell', 'Shakti' and 'Mahashakti'. Eveready has recently commenced distribution of compact fluorescent lamps (CFL) in a marketing tie-up with Phoenix Lamps Limited, manufacturers of these lamps. The products are to be marketed under the joint branding of 'Eveready' and 'Halonix'.

Key strengths of Eveready lie in its 4 core assets – brand 'Eveready', a distribution system that is deeply entrenched, its skill of efficient mass-manufacture and its human capital. Brand 'Eveready' celebrated its 100 years of existence in India last year. Across generations 'Eveready' has emerged as more than a battery or a flashlight; it has emerged as an idea – that of trusted reliability of the enduring and the dynamism of the contemporary.

Eveready's manufacturing facilities are located at Chennai, Hyderabad, Lucknow, Noida and Kolkata. Its latest state-of-the-art battery plant has come up at Hardwar, Uttaranchal, which has a capacity of 360 million pcs of AA batteries. This plant is eligible for excise duty and income tax benefits.

Eveready's sales network is wide and comprises of 15 sales branches and 40 C&F points. It also comprises of a family of nearly 4000 distributors and a team of 1000 exclusive vans servicing retailers covering the length & breadth of the country. Eveready's products are available in about 3.2 million outlets, which gives it a retail penetration exceeding 65% in its class of outlets. Out of this, about 1 million outlets are directly serviced by the Company's network.

Eveready's unique strength in distribution lies in its ability to access and service rural parts of the country. Eveready is a clear leader in its 2 mainstay businesses – batteries & flashlights.

It has taken an objective to scale up operations by adding new products to its range with a pan-Indian presence – cutting across the rural & urban divide. Towards this, products like packet tea and mosquito repellants have already been introduced. The latest in line is CFL to be followed up with other items on the anvil.

Important Notes :

1. Eveready's Investor Relations activities are co-ordinated by Tehnaz Punwani, Sr.General Manager & Company Secretary (tehnazpunwani@eveready.co.in).
2. Eveready may be contacted for any further information or clarification on Telephone No. +91-33-2288 4436 ; Fax No. +91 33 2288 4059.
3. This Update is being issued after the Board of the Company at its meeting held on October 31, 2007 has taken on record the financial results for the quarter ended September 30, 2007.
4. Some forward looking statements on projections, estimates or expectations are included in this update for better comprehension of the Company's prospects. Actual results may, however, differ materially on account of several economic or market related factors.
5. This Update is also available on the Company's website: www.evereadyindustries.com . In view of this, information in this Update is also available to the public and does not therefore constitute unpublished price sensitive information under the SEBI (Prohibition of Insider Trading Regulations, 1992.