

India's No. 1

Storage

Battery

Company

EXIDE INDUSTRIES LIMITED

ANNUAL REPORT AND ACCOUNTS 2000-2001



Mr. Pramod Mahajan,
Minister of Parliamentary Affairs
and Information Technology
inaugurating the portal while
Mr. R B Reheja and
Mr. S B Ganguly look on



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EXIDE INDUSTRIES LIMITED

BOARD OF DIRECTORS

S. B. Ganguly, *Executive Chairman & Chief Executive Officer*
R. B. Raheja, *Vice Chairman & Non-Executive Director*
T. V. Ramanathan, *Managing Director & Chief Operating Officer*
S. Chand, *Director (Automotive)*
G. Chatterjee, *Director (Industrial)*
S. K. Mittal, *Director (R&D)*
R. G. Kapadia, *Non-Executive Director*
H. M. Kothari, *Non-Executive Director*
B. Mitter, *Non-Executive Director*
S. N. Mookherjee, *Non-Executive Director*
A. H. Parpia, *Non-Executive Director*
S. B. Raheja (Alternate D. S. Parekh), *Non-Executive Director*
W. Wong, *Non-Executive Director*
V. Aggarwal, *Non-Executive Director*

SECRETARY

Barun Das

AUDIT COMMITTEE

R. G. Kapadia
B. Mitter
S. N. Mookherjee
V. Aggarwal

EXECUTIVE COMMITTEE

S. B. Ganguly
T. V. Ramanathan
S. Chand
G. Chatterjee
M. Chaudhuri
Barun Das
S. K. Mittal

BANKERS

State Bank of India
Standard Chartered Grindlays Bank
Hongkong Bank
Citibank N.A.
Standard Chartered Bank
BNP Paribas
HDFC Bank
Corporation Bank

AUDITORS

S.R. Batliboi & Co.
Chartered Accountants
36, Ganesh Chandra Avenue
Kolkata 700 013

REGISTRARS AND SHARE TRANSFER AGENTS

C.B. Management Services Ltd.
P-22, Bondel Road, Kolkata 700 019

REGISTRARS FOR PUBLIC DEPOSIT

Unit Trust of India Investors
Services Limited
Bombay Mutual Building
9, Brabourne Road, Kolkata 700 001

SOLICITORS

A.H. Parpia & Co.
Advocates & Solicitors
Lentin Chambers, Dalal Street
Fort, Mumbai 400 001
Mukherjee & Biswas
Solicitors, Advocates & Notary
10, Old Post Office Street
Kolkata 700 001

REGISTERED OFFICE

EXIDE HOUSE, 59E, Chowringhee Road
Kolkata 700 020

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **FIFTY FOURTH ANNUAL GENERAL MEETING** of the Company will be held at **G D Birla Sabhaghar, 29 Ashutosh Choudhury Avenue, Kolkata 700 019 on Monday 23 July 2001 at 10.30 am** to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Profit and Loss Account for the year ended 31 March 2001, and the Balance Sheet as at that date together with the report of the Directors and the Auditors thereon.
2. To confirm payment of Dividend on Preference Shares.
3. To confirm payment of Interim Dividend on Equity Shares.
4. To declare Final Dividend on Equity Shares.
5. To appoint a Director in place of Mr. R G Kapadia who retires by rotation and being eligible offers himself for reappointment.
6. To appoint a Director in place of Mr. S B Raheja who retires by rotation and being eligible offers himself for reappointment.
7. To appoint a Director in place of Mr. A H Parpia who retires by rotation and being eligible offers himself for reappointment.
8. To appoint Auditors and fix their remuneration and for this purpose to consider and, if thought fit, to pass, with or without modification, the following Resolution as a **Special Resolution**:

"RESOLVED that the Auditors, Messrs S. R. Batliboi & Co., Chartered Accountants, who retire after conclusion of this meeting, be and are hereby reappointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, at a fee to be determined by the Board of Directors plus reimbursement of out-of-pocket expenses."

SPECIAL BUSINESS:

9. To consider and if thought fit, to pass, with or without modifications, the following Resolution as an **Ordinary Resolution**:

"RESOLVED that Mr Vijay Aggarwal be and is hereby appointed a Director of the Company who is liable to retire by rotation in terms of Article 115 of the Articles of Association of the Company".

Registered Office:
Exide House
59E Chowringhee Road
Kolkata 700 020
Dated: 27 April 2001

By Order of the Board

Barun Das
Divisional Head-Legal &
Company Secretary

NOTES

- a. The Register of Members and Transfer Books of the Company will remain closed from 17 July 2001 to 23 July 2001 both days inclusive. Dividend if any, that may be declared at the Meeting, will be payable to those Members whose names appear in the Company's Register of Members on 23 July 2001 or to their Mandatees.
- b. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Member. The instrument appointing a proxy must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the aforesaid meeting.
- c. Members are requested to immediately notify and change in their address to the Registrars and Share Transfer Agents, CB Management Services Limited, P-22, Boudel Road, Kolkata 700 019.
- d. Any money transferred to the unpaid dividend account of the Company in pursuance of Section 205A of the Companies Act, 1956, which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to the Investor Education & Protection Fund established under Sub-Section (1) of Section 205 C of the Act.
- e. Shareholders desiring any information as regards the accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
- f. Members holding shares in physical form are requested to notify/send the following to the Company or its Registrars to facilitate better service:-
 - i. Any change in their address/mandate/bank details;

- ii. Particulars of their bank account, in case the same have not been sent earlier; and
- iii. Share certificate(s), held in multiple accounts in identical names or joint accounts in the same order of names for consolidation of such shareholdings into one account.
- g. Members holding shares in the electronic form are advised that address/bank details as furnished to the Company by the respective depositories, viz. NSDL and CDSL, will be printed on the dividend warrants.

Explanatory Statement [Pursuant to Section 173 (2) of the Companies Act, 1956]

Item No. 9

Mr Vijay Aggarwal was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on 30 October 2000. In terms of Section 260 of the Companies Act, 1956, Mr Aggarwal holds office till the conclusion of this Annual General Meeting of the Company. Hence, his appointment requires the approval of the shareholders. Due Notice under Section 257 of the Companies Act, 1956, has been received from a Member proposing the appointment of Mr Vijay Aggarwal. Mr Vijay Aggarwal is currently the Managing Director of H & R Johnson Limited and a Director of five other companies including an Alternate Directorship in Prism Cement Limited. The Board recommends this Resolution for your approval.

Registered Office:
Exide House
59E Chowringhee Road
Kolkata 700 020
Dated: 27 April 2001

By Order of the Board

Barun Das
Divisional Head-Legal &
Company Secretary

DIRECTORS' REPORT
TO THE SHAREHOLDERS

Ladies and Gentlemen,

It gives us pleasure to present the 54th Annual Report together with the Audited Accounts of the Company for the year ended 31 March 2001.

Economic Environment

A devastating earthquake was the backdrop against which a new budget was presented to the Parliament. The significant drawbacks in the economy which required measures included the low industrial growth, inadequate fiscal adjustment, less than adequate investment in infrastructure and social sectors. A number of second generation reforms have been outlined in the budget by way of agricultural reforms, investment in infrastructure, reform in the capital market, expenditure control by the Govt. and acceleration of the privatisation process. Of particular interest is the investment in Infrastructure which would embrace Telecom and Power, both sectors, where your company's products find a market.

Performance

The year that has passed has been one of the most difficult in recent times. The sluggishness in the economy, particularly the industrial sector, affected the automobile industry with negative growth in heavy commercial vehicles, tractors, scooters and even motor cars. This problem has been further accentuated by the removal of quantitative restrictions on import and a rapidly declining tariff structure. As a result, cheap imports from China, Korea and Bangladesh have swamped the battery market. With very little investment in infrastructure, the industrial battery market also remained depressed, particularly Railways and Telecom. In such a scenario, your Company has performed reasonably well, with gross sales rising to Rs 9541 million.

The Original Equipment segment in the automotive battery sector performed better than the automotive industry itself, where vehicle production showed a continuous downtrend. In fact, other than motorcycles and light commercial vehicles, all other segments performed below par. Against this backdrop, it is indeed creditable that your company continued to dominate this segment



Shareholders at Exide's 53rd Annual General Meeting at G.D. Birla Sabhaghar, Kolkata



Certificate of Excellence
in
Quality of Supplies

Awarded to

M/S. EXIDE INDUSTRIES LIMITED

for

*Overall Performance, Quality, Schedule Adherence,
Cost Competitiveness & Zero Defects in Supply*

During the year 2000 - 2001

in the supply of

AUTOMOTIVE BATTERIES

on the 14th day of March 2001

at the first East Zone H.M. -Uttarpara Vendor Meet

*We congratulate them and look forward to their maintaining
this performance in the coming years.*

[Signature]
GENERAL MANAGER
QUALITY ASSURANCE

[Signature]
CHIEF GENERAL MANAGER
MATERIALS

[Signature]
MR. VICE PRESIDENT

with almost all new vehicles placing their custom with your company. It is a matter of considerable satisfaction that the new offerings from Toyota, Hyundai and Honda will feature your company's batteries. In tandem with the sentiments of the OE market, the Replacement market too ended up with a small growth over the earlier year. With large scale imports from China and Korea flooding the market at very low prices, posing a challenge, your company performed well under difficult conditions by recording an almost 4% growth in the Replacement segment.

The two-wheeler battery market continued its year-on-year expansion and sale of your company's product grew by 21%. Hero Honda and Bajaj Auto the leaders in the motorcycle segment, have continued to patronise your company's products in increasing numbers. Exports witnessed an explosive



Mr S B Ganguly, Chairman Exide Industries Limited, handing over a cheque to Mr. Buddhadev Bhattacharjee for the CM's Flood Relief Fund

growth of over 40% for automotive batteries and more than a 70% rise of industrial batteries.

The expectations of development in the infrastructural sector, which would propel the Indian economy on to a growth trajectory, has been belied. Two successive Railway budgets, without adequate provision for any revenue increase and tenders which were called but did not materialise into orders, have taken their toll on sale of industrial batteries to this segment. However, the recently concluded tender has been awarded to your company, and a better flow of orders is expected in the current year. Problems continue to besiege both the Power and Telecom sectors and this is being reflected in lower sales, despite new product offerings and lower prices, which reigned during most of the year under review. The UPS battery market in which your company is a major player faced cheap imports from China and Korea. On a petition by your company, the Govt. of India has now declared an anti-dumping duty to be levied on these imports.

Submarine batteries faced a situation where it had to grapple with the cash crunch which had hit the Govt. of India. For much of the year, production remained at a low ebb, in the absence of confirmed orders from the Indian Navy. The last quarter has seen this problem being solved with an order for Rs 870 million being received, which covers supplies made during the year under review as well as in the ensuing year. Export markets are now being tapped for full utilisation of this facility.

Lead prices during the year under review continued to fluctuate within a narrow band with prices starting to rise in November and peaking in the December/January months. Currently, the metal market is ruling at a lower level. Your company has, however, activated a hedging policy in terms of the approval of the Reserve Bank of India. The aim of this policy is primarily to mitigate the price risk which your company has to face, with commodity markets facing uncertain times and controlled volatility.

You will recall that *Operation Kissan* was launched in Haryana in the earlier year, and this continues to be a thrust area for your company. In the light of this experience, your company has appointed nodal dealers to service this market. Your company expects to make significant progress in this segment in the Northern part of the country. Yet another thrust area for your company is the commercial vehicle replacement market, which requires continued focus and dogged determination. New products for this market have been unveiled which will help garner sales.

The accounts for the year have been processed on the ERP system, which your company had installed in the

earlier year. While information became available on a real time basis, helping the management to take corrective action speedily, the implementation of this complicated software package across the nine factories and twenty six branches of your company proved to be a herculean task. Your company proposes to migrate onto the later version of SAPR3, to obtain the advantages associated with implementation of ERP, thereby increasing its operational and business efficiency.

The logical extension of ERP in the Information Technology era, is to evolve a sustained and mature customer relationship management ethos. Your Directors feel that this would best be served by embracing the worldwide web, and harnessing its power through a portal, which would provide a platform to both customers and dealers of your company, to engage in electronic commerce. In February, your company unveiled its automotive portal – autoexide.com, which would enable customers to directly access the company through Internet, to place orders and have the products delivered to their doorstep. This portal would also help dealers to track their orders, forecast more accurately customer demand projection, and help release their capital locked in inventory. While this new business model is in its infancy in the country, your directors believe that it holds great promise, and would succeed in bringing the company closer to the actual consumer, and help to understand their buying patterns and preference.

In a difficult year, innovative steps are required to meet problems which arise. Rationalisation of products and product-mix along with a regimen of strict cost control has helped your company to control expenses under various heads. As a result of these efforts, your company's profit before depreciation in the current year was only marginally lower at Rs 919 million as against Rs 947 million of the earlier year.

New Products

During the year under review, your Company's R&D Centre unveiled advanced DIN maintenance free designs, based on non-spillable side vents. It is

expected that incidents of acid spillage during transportation would be effectively eliminated by extension of this range of batteries. The Replacement market has also seen maintenance-free batteries with magic-eye being launched during the year. Toyota's new vehicle required the development of a new side-vented battery which has been sent to your company's collaborator Shin-Kobe in Japan for their comprehensive test and evaluation.

A low cost non-spillable battery has been developed for use in electric bicycles as well as a leak-resistant battery for motorcycle applications which would be supplied to Bajaj Auto for three wheelers and to Honda Sael for Gensets. A brand new battery entitled SF Sonic with advanced technological options and a 36 months warranty has just been launched.

This is expected to keep your company at the cutting edge of technology when compared with both domestic competition and imports. New batteries for industrial applications have been developed for large OEM's in the UPS market such as APC and Invensys. Rechargeable emergency lantern was also successfully launched during the year and the first lot of VRLA batteries were supplied to Hero Cycles, Ludhiana, which represents a growth area.

The co-operation with Shin-Kobe has reached a further milestone with two international patents being filed on a joint basis. Shin-Kobe has also signalled its intention to further areas of co-operation with your company and discussions have now centred around the possibility of Exide supplying batteries for the replacement market to Autobacs, Shin-Kobe's affiliate in and outside Japan. Your company is also examining the feasibility of setting up a plant in joint venture with Jungfer AG, Austria, to

Financial Results

(In Rs Million)

	2000-2001	1999-2000
Profit before depreciation	919.26	947.34
Depreciation	433.75	395.92
Profit before tax	485.51	551.42
Taxation	70.00	62.50
Profit After Tax	415.51	488.92
Balance brought forward	569.68	419.58
Making a total of	985.19	908.50
Out of this, appropriations are:		
Debenture Redemption Reserve	250.00	120.00
General Reserve	50.00	50.00
Leaving a balance of	685.19	738.50
The Directors now recommend payment of Dividend on Preference shares and Tax thereon	15.50 2.31	25.00 2.80
Leaving a balance of	667.38	710.70
Interim Dividend declared by Directors and Tax thereon	90.00 10.80	115.20 13.82
The Directors now recommend payment of Dividend at 15% on Equity Shares absorbing and Tax thereon	54.00 5.51	10.80 1.19
And leaving a balance of (which is carried forward to the next year)	457.05	569.68
Earnings per share	11.10	13.58
Shareholders' equity (inclusive of Revaluation Reserve)	3832.00	3640.83

manufacture polyethylene separators for the lead acid battery industry in India.

Human Resources

Your company has always believed in a policy which provides an opportunity to all those who wish to forge ahead by increasing their knowledge base. To this end your company has a policy of investing in a system of continuous education on a functional need basis for all its employees across the board. Quality is thus a high priority with your company. After acquisition of ISO 9000 across its plants, your company has progressed to QS 9000 which is a far more stringent certification of procedures and processes employed at the plants. The HRD systems of Haldia resulted in a prize from the CII along with a certificate from Hindustan Motors for excellence of supplies made.

As you are aware a voluntary retirement scheme was implemented at Shamnagar

and has helped to lend a further competitive edge to that very old plant. At the same plant, charter of demand was under negotiation with the contractor's workmen, whereas discussions are on at Taloja for a long term settlement. At Kanjur Marg, a bipartite settlement was signed with the Union.

Your Directors wish to place on record the appreciation of the contributions by all employees of the Company in ensuring high levels of performance and efficiency which has helped to sustain your company during a very difficult period.

Your company also desires to place on record its appreciation of the support and co-operation of the distributors, C&F agents, dealers and all others associated as partners in progress. Your company would continue its endeavours to build and



A view of the Automotive Plant at Hosur



Mr. Subir Chakraborty accepting the Export Promotion Council's Award from Mr. Omar Abdullah, Minister of State for Commerce and Industry

nurture the strong links with the trade established over the long years of its existence, based on mutuality of interest and co-operation and consistent with your company's policy of placing the consumer first.

In January this year, Gujarat was devastated by an earthquake which claimed many lives which could have been saved had there been greater appreciation of quality in the construction of highrises in that state. Your company donated a token amount of Rs 10 lacs as its contribution towards rebuilding the ravaged state and bringing hope to the needy and the destitute.

Finance

Transparency has been a watchword with your company and as the discussions on a unified code of Corporate Governance emerged, it became amply clear that your company had put into operation a number of these practices as part of its operations much before it became a legal requirement.

The MAAA rating from ICRA has helped your company to obtain Rs 100 crores of debentures in December 2000 at a fine rate. Earlier in the month, your company redeemed Rs 25 crores of redeemable preference shares placed with HDFC. Reduction of interest costs continues to be a major objective of your company and innovative instruments and options have been utilised in containing costs at a very competitive level which has helped limit the outflow of interest even as borrowings have increased during the year under review.

Your company's shares which were listed in Kolkata and Mumbai Stock Exchanges are also dealt with in a dematerialised format on both NSDL and CDSL.

Environment Safety and Pollution

The Govt. of India in a major initiative gazetted a notification for all concerned manufacturers, dealers and importers of lead acid batteries to collect a scrap battery for each new battery sold. The Ministry of Environment and Forests has moved in the matter keeping in view the growing concerns on pollution control caused by lead recycling in unprotected open vats all over the country.

The move is expected to have serious repercussions on rebuilders of batteries whose products have found favour in the price sensitive segments of the market. Several discussions later the Govt. is on the verge of finalising its proposal for collection of such scrap batteries and the recycling of lead at approved smelters which would have all possible pollution control equipment to stop this growing menace.

While the proposition may seem simple at first sight, the task involved is enormous as a whole blueprint of the logistics on a countrywide basis have to be set up for your company since the distribution network is nationwide and reaches remote corners. Arrangements have to be put in place to ensure that scrap batteries are collected from all dealers and then sent for recycling to an approved smelter. Your company perceived this problem as an opportunity to ensure the quality of the recycled lead. Accordingly, it started discussions with Metal Reclamation of Malaysia who have already been operating a large integrated plant in that country. Discussions are continuing with them to examine the possibility of starting a joint venture in India which will set the standards for recycling of lead.

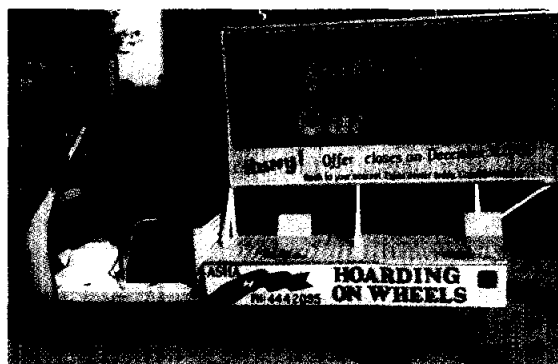
Your company continues to lay emphasis on environmental safety and pollution control. Global warming is now a reality and your company is fully conscious of the fact that every entity needs to contribute to this process which affects all of us at the corporate and the individual level. This is proven by the CII prizes won by Haldia factory for Safety and Fuel Conservation.

Auditors' Report

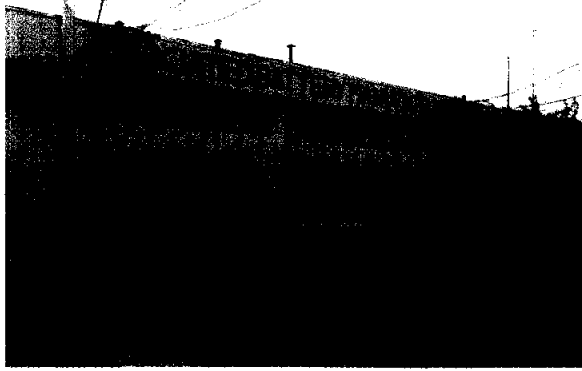
Observations made in the Auditors' Report read with the note to accounts are self explanatory and do not require any further clarification.

Information pursuant to Section 217 of the Companies Act, 1956

- a) Conservation of Energy and Technology Absorption
Information pursuant to Clause (e) of Sub-Section (1) of Section 217 of the Companies Act, 1956, read with the Companies [Disclosure of Particulars in the Report of Board of Directors] Rules, 1988, and forming



Hoarding on wheels advertising "Exide Battery Lagao, Car Le Jao" at Pune



ABML at Sri Lanka



CBSEA at Singapore

part of the Directors' Report for the financial year ended 31 March 2001, are attached hereto.

b. Particulars of Employees

Statement under Section 217 (2A) of the Companies Act, 1956, read with the Companies [Particulars of Employees] Rules, 1975, as amended is attached hereto.

c. Responsibility Statement

Statement under the amended Section 217 (2AA) on the responsibility of the Directors is attached hereto.

Subsidiary Company

During the year, your Company acquired 100% of Chloride Batteries South East Asia Pte. Ltd., a company operating in Singapore and 49% of the shareholding in Associated Battery Manufacturers' (Ceylon) Limited, which is a prominent lead acid battery manufacturer located in Sri Lanka. This was an opportunity that presented itself and your Directors felt the move would be in the long-term interest of your company. Not only would this ensure a foothold in Singapore from which markets in South East Asian and Middle Eastern countries would be easier to access, but also represented an opportunity to enter the Sri Lankan market.

Your company's other subsidiary Caldyne Automatics Limited operated commendably during the year with turnover almost doubling from Rs 31 million to Rs 60 million.

The statement of the holding company's interests in subsidiaries as specified in Sub-Section 3 of Section 212 of the Companies Act, 1956, Accounts, Directors' Report and Auditors' Report of the subsidiary company are attached to the report and accounts of your company.

Directors

During the year under review, with the promulgation of the new requirements under the Companies Act, Section 277, Mr D S Parekh resigned from the Board. While accepting his resignation with regret, your Directors wish to place on record their deep appreciation of the valuable guidance and advice that they received from him during his tenure with the company.

Mr C Raveendra was appointed as an Alternate Director to Mr S B Raheja, in place of Mr Vijay Aggarwal in October 2000. However, he resigned in December 2000. In his place, Mr D S Parekh has been appointed as an Alternate Director to Mr S B Raheja and hence your company would continue to receive his advice and wise counsel.

Mr Vijay Aggarwal was appointed an Additional Director in October 2000 and holds office till the ensuing Annual General Meeting. The Board recommends approval of the resolution appointing him as a Non-Executive Director of your company.

Mr R G Kapadia, Mr S B Raheja and Mr A H Parpia retire by rotation and being eligible offer themselves for reappointment.

The Auditors, M/s S R Batliboi & Co, Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and being eligible u/s 224A(1B) of the Companies Act, 1956, offer themselves for reappointment.

Future Prospects

The World is fast changing into a global village with tariff barriers crumbling and quantitative restrictions being removed. Such a situation represents a very difficult period of adjustment and requires policies put into practice which ensure that your company emerges as a global competitor with global standards, products and services. Your Directors feel that a new business model requires to be put in place which accords the customer the pride of the place, and at the same time ensures that the large distribution network built up over decades, can be utilised to deliver solutions to problems and satisfaction to customers. This alone will ensure a brighter future for your company.

On Behalf of the Board Of Directors

S. B. Ganguly
Chairman

Mumbai
27 April 2000