

India's No. 1

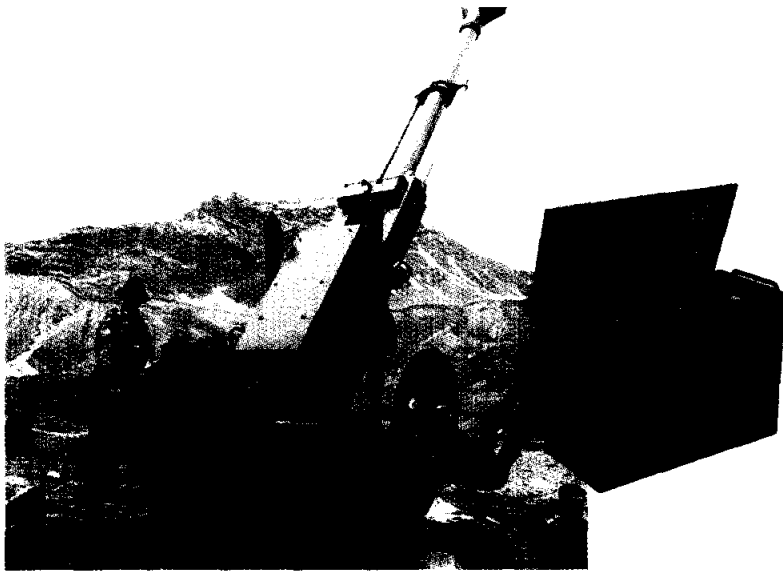
Storage

Battery

Company

EXIDE INDUSTRIES LIMITED

ANNUAL REPORT AND ACCOUNTS 2001-2002



In defence, Exide batteries battle extreme conditions to power vehicles, guns and field communications.



Railway systems, from airconditioning to signalling, depend on Exide to keep running smoothly.



Giant Exide batteries are the nerve centres of power plants across the country.



Miners' cap lamp batteries keep men safe underground.

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*
 Bhaskar 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*
 Vijay Aggarwal, *Non-Executive Director*

SECRETARY

Barun Das

AUDIT COMMITTEE

R. G. Kapadia
 Bhaskar Mitter
 S. N. Mookherjee
 Vijay Aggarwal

EXECUTIVE COMMITTEE

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

REMUNERATION COMMITTEE

Bhaskar Mitter
 R. G. Kapadia
 S. N. Mookherjee
 S. B. Ganguly

SHAREHOLDERS' GRIEVANCE REDRESSAL COMMITTEE

T. V. Ramanathan
 S. Chand
 G. Chatterjee

BANKERS

State Bank of India
 Standard Chartered Grindlays Bank
 Citibank N.A.
 The HongKong and Shanghai Bank
 BNP Paribas
 HDFC Bank
 Corporation Bank

AUDITORS

S.R. Batliboi & Co.
 Chartered Accountants
 22, Camac Street, Block 'C', 3rd Floor
 Kolkata 700 017

REGISTRARS AND SHARE TRANSFER AGENTS

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

REGISTRARS FOR PUBLIC DEPOSITS

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

H. K. Mitter
 Solicitors & Advocates
 9, Old Post Office Street
 First Floor, Kolkata 700 001

REGISTERED OFFICE

EXIDE HOUSE, 59E, Chowringhee Road
 Kolkata 700 020

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **FIFTY FIFTH ANNUAL GENERAL MEETING** of the Company will be held at **Kala Mandir, 48, Shakespeare Sarani, Kolkata 700 017 on Friday, 5 July 2002 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 2002, and the Balance Sheet as at that date together with the reports of the Directors and the Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. R B Raheja who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. W Wong who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr. H M Kothari who retires by rotation and being eligible offers himself for reappointment.
6. 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:

7. To consider and if thought fit, to pass, with or without modifications, the following Resolution as a **Special Resolution**:

"RESOLVED that pursuant to Sections 78, 100 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the confirmation by the Hon'ble Kolkata High Court as provided under Section 100 of the Companies Act, 1956 the Company be and is hereby authorised to utilize the credit balance in the Securities Premium Account of the Company for the purpose of meeting the 'deferred tax liability' provided and/or to be provided by the Company in terms of Accounting Standard – 22 issued by the Institute of Chartered Accountants of India, i.e., Accounting for Taxes on Income and to meet the unamortized portion of the expenses and also for payment of deferred tax assets and liabilities incurred and/or to be incurred by the Company during the course of its business."

"FURTHER RESOLVED that for the purpose of giving effect to the aforesaid resolution, the Board of Directors of the Company be and is hereby authorised to do and perform all acts, deeds, matters and things and take all such actions as may be considered necessary and desirable to give effect to the same."

Registered Office:
Exide House
59E Chowringhee Road
Kolkata 700 020
Dated: 2 May 2002

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 26 June 2002 to 5 July 2002 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 5 July 2002.

Shareholders are requested to send Form 15G to the Registrar and Share Transfer Agent of the Company for non deduction of tax at source on dividend, if any, declared at the meeting on or before 5 July 2002.

- b. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote

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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 any change in their address to the Registrars and Share Transfer Agents, CB Management Services (P) Limited, P-22 Bondel 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 Companies Act, 1956.
- 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/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. 7

The Institute of Chartered Accountants of India has prescribed new Accounting Standard – 22 (AS-22) on treatment of 'Accounting for Taxes on Income'. Under AS-22 the difference between the taxable income and the accounting income resulting as deferred tax is to be

charged and/or credited to Revenue Reserve in the Books of Accounts of the Company with effect from 01.04.2001.

The deferred tax is the tax effect of timing differences. The timing differences are differences between taxable income and accounting income. The timing differences do not result in payment of deferred tax liability. The deferred tax liability under AS-22 is merely an accounting entry.

The Company had a credit balance of Rs. 99.96 crores in the Securities Premium Account as on 31.03.2001 which after adjustments of deferred tax liability of Rs. 62.18 crores and shares bought back for Rs. 1.52 crores has been reduced to Rs. 36.26 crores as on 31.03.2002. This adjustment of deferred tax liability is subject to the approval of shareholders and also subject to the confirmation by the Hon'ble Kolkata High Court under Section 100 of the Companies Act, 1956 ("the Act"), for reduction in Securities Premium Account as aforesaid and also for meeting the unamortized portion of the expenditure and adjustment of deferred tax assets and liabilities incurred and/or to be incurred by your Company during the course of its business other than those prescribed under Section 78 of the Act.

The Resolution is intended to utilize the Securities Premium Account which is being carried over from year to year and the proposed reduction of Share Capital will be merely a book entry. The action will be in the interest of shareholders and all concerned.

Since the application of the Securities Premium Account for the above purpose would amount to reduction of Share Capital under Section 78 read with Section 100 of the Act, it is necessary to obtain the approval of members of the Company in general meeting by passing a Special Resolution for reduction of capital in that behalf under Section 100 of the Act and such reduction of share capital would have to be confirmed by the Hon'ble High Court at Kolkata.

The Board recommends the above resolution for the approval of members.

None of the Directors are concerned or in any way interested in this resolution except to the extent of their shareholding in the Company, if any.

Registered Office:
Exide House
59E Chowringhee Road
Kolkata 700 020
Dated: 2 May 2002

By Order of the Board

Barun Das
Divisional Head-Legal &
Company Secretary

DIRECTORS' REPORT TO THE SHAREHOLDERS



Ladies and Gentlemen,

It is our privilege to be able to present the 55th Annual Report together with the audited Accounts of the Company for the year ended 31.03.2002.

Economic Environment

The year 2001-02 began on a hopeful note with the budget which provided, for the first time, a road map of reforms, which were both challenging and bold. However, the feel-good factor was short-lived. The stock market scam followed by UTI's US64 fiasco sent the capital markets into a tailspin from which they are yet to recover. Barely had the country recovered from these shocks, when the terrorist attack on the World Trade Centre in New York heralded a global slow-down. This was followed by attacks, both on Kashmir and the Indian Parliament, all of which took their toll. However, there were some positive features during the year, with comfortable food grain stocks, increasing foreign exchange reserves and inflation at an all time low. Unfortunately, whilst the current budget has not provided the necessary fillip for increasing investments, of particular interest is the positive sign of a revival in the automotive sector, along with the plans announced for the infrastructural sector, both of which are serviced by your company's products.

Performance

Despite such adverse conditions sales for the year under review amounted to Rs 9850 million. The uncertain conditions led to continued sluggishness in the economy.

1. Electric Power Boat
2. Solar Power
3. Electric Three Wheeler

which affected the automobile industry with negative growth being experienced for a large part of the year, in almost all sectors of that industry.

In the Original Equipment segment, while your company retained its pre-eminent market share of over 89%, vehicle production showed a downward trend with offtake being reduced in tandem therewith. Almost all vehicle manufacturers, including the successful Hyundai, Fiat Palio and Tata Indica, continue to place their trust in your company's products. The motorcycle segment continued its upward growth with Hero Honda and Bajaj Auto both sourcing their major share of battery requirement from your company.

The Replacement segment performed reasonably well recording a small growth over the earlier year. Your company's products in this market also grew in volume, helped by an initial finding by the Ministry of Commerce, which imposed an Anti-Dumping duty on large scale imports from China, Korea and Bangladesh. The designated authority has now come up with final findings, which have confirmed the imposition of a dumping margin. As a fall-out of this measure, batteries from the countries referred to above, flooded the Middle-East markets at low prices. As a result, exports to these regions were hampered greatly, though there was a rise of 38% in export of industrial batteries through Chloride Batteries SE Asia Pte. Limited (CBSEA), the company's 100% subsidiary in Singapore.

The uncertainty in the market took its toll on development of the Infrastructural sector. This has resulted in the Telecom sector recording a downturn and Railways remaining at last year's level. The Power sector too has seen no growth, with only the Solar segment looking up. The new Railway budget, however, augurs for better conditions in the current year. In this otherwise depressing scenario, fast moving industrial batteries, which serve the inverter and uninterrupted power supply segments, have recorded positive increase of over 20%. Submarine batteries have again performed creditably with supplies to the Indian Navy continuing as in the previous year.

Lead prices during the year under review, initially fluctuated within a narrow band. However, prices started to rise in November 2001, though the market is currently steady.

Your company's initiatives in the Tractor and Commercial vehicle markets, continue as thrust areas. Operation Kisan has shown commendable progress and during the current year is likely to consolidate the gains made in the Northern markets of the country. New products for these segments have been unveiled by your Research & Development Centre, which will help to further consolidate your company's position.

The year under review was a difficult one. However, your company undertook a number of measures to meet the uncertain market conditions. Rationalisation of battery types was resorted to, along with a change of product-

mix. Tight control of expenses helped to contain costs. Higher cost debt was replaced with cost efficient borrowings, along with repayment of debentures, term loans and public deposits. All this helped in lowering interest charges significantly. Publicity expenditure on building brand equity for Exide's new range of ATB batteries which were introduced during the year, was charged in the current year, as a prudent practice, rather than amortizing the same.

New Products

As mentioned, the All Terrain battery (ATB) was introduced during the year with a three year warranty period. The R&D Centre also unveiled the Jai Kisan range of tractor batteries. In order to maintain its pre-eminent position in the replacement market, the long life version of various battery types are slated to be introduced to cater to the replacement requirement of the newer vehicles which now ply Indian roads.

In order to purvey the benefits of developments in technology, your company's R&D centre has been implementing a project to evolve a really long life battery for Indian conditions.

One of the thrust areas for India is development of environment friendly transportation. In keeping with this, your company has been at the forefront of designing batteries for electrically operated vehicles. During the year, a battery operated electric boat was launched which is expected to garner significant business.

Following the Govt.'s formal announcement of battery handling rules, the issue of appropriate lead smelters with sophisticated pollution control equipment, has assumed far greater significance than hitherto. Your company has been examining the matter and has had continuing discussions with a Malaysian smelting company who have evinced interest in setting up a plant in India. In the meanwhile, the company is also firming up its logistic plans to ensure that it meets the declared norms for collection of scrap batteries.

Human Resources

Your Directors recognise the value of a team working towards an uniform objective. In order to ensure that this continues to be a focus area for the company's staff, the company has, as in the past, chalked out technical and other educational programmes. Quality continues to be a high priority area and it is proven by the fact that two of the company's factories continue to enjoy a QS9000 certification and another two have obtained the ISO 14001 certificate. The Haldia plant has won the Confederation of Indian Industry (CII) awards for its Quality Circle and the first prize for Fuel Conservation. The Shamnagar plant has won a CII prize for Safety.

Industrial relations during the period under review have generally remained peaceful. However, a section of the workmen at the Hosur plant went on an illegal strike. It is a tribute to the motivation of the management at the

plant who have kept the factory running despite many odds, to meet commitments to OEM customers. Your directors wish to place on record their appreciation of the sincere efforts by all employees of your company to contribute their might during a very difficult period. The company also wishes to place on record its appreciation of the support and co-operation of its distributors, C&F agents, dealers, suppliers and others who have chosen to partner your company.

Finance

It is true that difficult times require extraordinary efforts. Your company has left no stone unturned, in its efforts to substitute high cost borrowings with low cost substitutes. This has been followed with initiatives undertaken to reduce the level of borrowings, and its success can be seen in the lower interest cost charged in the accounts of the past year. The full benefit of these efforts will, of course, emerge in the current year.

In view of the fact that the company had adequate accumulated free reserves and satisfactory liquidity, your directors deemed it prudent, in the wake of the notification by the Ministry of Company Affairs, to approve an offer for buy back of shares upto 10% of the total paid up equity capital, at a maximum value of Rs 70/- per share. This initiative was undertaken, primarily to afford the small shareholder an opportunity to exit at a reasonable price, keeping in view the uncertain conditions in the capital market. While the buyback is still in progress, and will continue till December 2002, a large number of small shareholders have chosen not to encash their holdings, with the expectation that the capital market will enter a bullish phase, along with the economy showing signs of shrugging off the slow growth experience earlier.

Auditors' Report

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

The Auditor's certificate on compliance with Corporate Governance requirements is also enclosed.

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 part of the Directors' Report for the financial year ended 31 March 2002, 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) of the Companies Act, 1956, on the responsibility of the Directors is attached hereto.

Subsidiary Companies

Your company is pleased to report that, its subsidiary in Singapore, Chloride Batteries SE Asia Pte. Ltd., turned the corner and recorded a small profit during year ended March 2002. You will recall that this company was taken over in February 2001, along with acquisition of a significant stake in Associated Battery Manufacturers (Ceylon) Limited, Sri Lanka. The prominent lead acid battery manufacturing company located in Sri Lanka, grew by more than 11% during the year under review.

Your company's other subsidiary Caldyne Automatics Limited recorded sizable gains with turnover soaring to Rs 104 million from Rs 60 million. Profit before tax rose in tandem from Rs 1.8 million to Rs 6.7 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

Mr R B Raheja, Mr W Wong and Mr H M Kothari retire by rotation and being eligible, offer themselves for reappointment.

Auditors

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

Future Prospects

While the economic scenario that the country faces, is not too encouraging, particularly with tariff barriers continuing to comedown and quantitative restrictions being waived altogether, bold and active policy initiatives are required to record significant growth. The new business model which has come into existence and which accords the customer his rightful place, requires a re-appraisal of the opportunities and threats that present themselves. Your directors recognise the fact that the way ahead is to carry all sections of the company towards this common objective of fulfilling customer needs profitably by being a company which always enjoys the first mover advantage.

On Behalf of the Board Of Directors

Mumbai
2 May 2002

S. B. Ganguly
Chairman

ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH, 2002.

I. Conservation of Energy

The Company accords great importance to conservation of energy. The main focus of the Company during the year were:

- a) Close monitoring on consumption of electricity, LPG, diesel and water.
- b) Close monitoring on electricity consumption based on 'KWH/MT of Lead Consumed' [Almost all the major units - Chinchwad, Talaja, Haldia and Shamnagar were less than the targeted level].
- c) Optimisation of electricity, LPG, diesel and water by reducing process cycle time, by process modification and also by equipment modification/replacement/retrofitting.
- d) Achieving power factor standards nearing unity. All of our units targeted unity.
- e) **Chinchwad**
 - i) Reduction of connected load by optimising pumps and motor 'HP'.
 - ii) Optimisation of LPG consumption by development of new design alloy blending pot.
 - iii) Conversion of Grid Casting Machine Ladle from LPG heating to electricity heating.
 - iv) On line diesel supply to genset - thereby reducing wastage.
- f) **Haldia**
 - i) Electricity saving in Dry Charge Oven by removal of pump and replenishing by gravity fed system.
 - ii) Improvement in Load Factor by balancing energy consumption throughout.
 - iii) Reduction in maximum demand by balancing energy consumption and avoiding short peaks.
 - iv) Installation of DM water recirculation system in automotive assembly.
 - v) Installation of water recirculation system in Dry Charge Oven.
 - vi) Improvement of load factor by replacement/installation of power capacitors.
- g) **Hosur**
 - i) Elimination of compressed air usage in grid pasting rollers.
- h) **Talaja**
 - i) Reduction in molten area of Casting Machine Pot thereby reducing electricity consumption.
 - ii) Installation of 'Load Energy Saving System' in lighting.
 - iii) Reduction of thermal losses by insulation of Casting Machine Pot.
 - iv) Provided LPG shields in all Casting Machine.
 - v) Casting Machine Burner reduced from 5 to 2 valves, so that excess flow of LPG is restricted.
 - vi) By passing of water pump of cooling tower.
 - vii) Installation of low capacity blower motor in Motorcycle section.
 - viii) Reduction of water consumption by reducing main line pressure from 2.4kg/cm² to 1.8kg/cm².
 - ix) Improved power factor from 0.96 to 1 by installing harmonic filter.
 - x) Flow monitoring installed in main LPG line.
 - xi) Installed MD controller to control MD.
 - xii) Provided A/H controller or four rectifiers to avoid overcharging.
- i) **Shamnagar**

LPG 'On-Off' arrangement in ladles of Casting Machine. This arrangement will ensure LPG 'On' only during tilting operating of ladle, in lieu of throughout 'On' - thus optimising consumption.
- j) **Ahmednagar**
 - i) Maintained power factor between 0.9&1.
 - ii) Reduction in contract demand from 600 KVA to 450 KVA

II. Particulars as per Form B

A1. Research & Development (R&D)

Specific areas in which R&D is carried out by the Company

R&D work is carried out on various facets which include development of new products as well as advancement of technology for applications such as Automotive, Motorcycle, VRLA, Motive Power, Defence etc. primarily to make the