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S. B. Ganguly, *Chairman Emeritus*

BOARD OF DIRECTORS

R. G. Kapadia, *Chairman & Non Executive Director*
R. B. Raheja, *Vice Chairman & Non-Executive Director*
T. V. Ramanathan, *Managing Director & Chief Executive Officer*
G. Chatterjee, *Director – Industrial*
P. K. Katakya, *Director – Automotive*
S. K. Mittal, *Director – Research & Development*
A. K. Mukherjee, *Director – Finance & Chief Financial Officer*
Vijay Aggarwal, *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, *Non Executive Director*
D. S. Parekh, *Non Executive Director*
(Alternate to S. B. Raheja)
W. Wong, *Non Executive Director*

SECRETARY

S. Coomer

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Bhaskar Mitter
R. G. Kapadia
T. V. Ramanathan
S. N. Mookherjee
Vijay Aggarwal

EXECUTIVE COMMITTEE

T. V. Ramanathan
G. Chatterjee
P. K. Katakya
S. K. Mittal
A. K. Mukherjee
S. Coomer
Nadeem Kazim

SHAREHOLDERS' GRIEVANCE REDRESSAL COMMITTEE

Bhaskar Mitter
T. V. Ramanathan
G. Chatterjee

BANKERS

State Bank of India
Standard Chartered Bank
Citibank N.A.
The Hongkong and Shanghai
Banking Corporation Limited
BNP Paribas
HDFC Bank Limited
Deutsche Bank AG
ICICI Bank Limited
ABN AMRO Bank N.V.
Bank of America N.A.

STATUTORY AUDITORS

S.R. Batliboi & Co.
Chartered Accountants
22, Camac Street, Block 'C', 3rd Floor
Kolkata 700 016

REGISTRAR AND SHARE TRANSFER AGENT

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

SOLICITORS

A.H. Parpia & Co.
Advocates & Solicitors
203-204 Prabhat Chambers
92 S V Road, Khar (West)
Mumbai - 400 052

Victor Moses & Co
Advocates & Solicitors
Temple Chambers
6, Old Post Office Street
Kolkata 700 001

**Amarchand & Mangaldas
& Suresh A Shroff & Co.**
Advocates & Solicitors
Ananda Lok, 227 AJC Bose Road
Kolkata 700 020

REGISTERED OFFICE

EXIDE HOUSE, 59E, Chowringhee Road
Kolkata 700 020

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 62nd Annual General Meeting of the Company will be held at Kala Mandir, 48 Shakespeare Sarani, Kolkata – 700 017 on Friday, the 17th day of July, 2009 at 10.30 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To consider and adopt the Profit and Loss Account for the year ended 31 March, 2009 and the Balance Sheet as at that date together with the Reports of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr Bhaskar Mitter who retires by rotation and, being eligible, offers himself for reappointment.

4. To appoint a Director in place of Mr S N Mookherjee who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr Vijay Aggarwal who retires by rotation and, being eligible, offers himself for reappointment.
6. To appoint Auditors and to fix their remuneration.

Registered Office:
Exide House
59E Chowringhee Road
Kolkata 700 020

By Order of the Board
S Coomer
Company Secretary and
Vice President – Legal &
Administration

Dated: 27 April, 2009

NOTES

- a. **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 of the aforesaid meeting.**
- b. The Register of Members and ShareTransfer Books of the Company will remain closed from 10th July, 2009 to 17th July, 2009, both days inclusive. Dividend, if declared at the Meeting, will be payable to those members whose names appear in the Company's Register of Members on 17th July, 2009 or to their mandates. Dividend, if any, in respect of equity shares held in electronic form will be payable to the beneficial owners of shares as on 17th July, 2009 as per the details furnished to the Company by both NSDL & CDSL.
- c. Information relating to the Directors retiring by rotation and seeking reappointment at this Meeting, as required under Clause 49(G)(i) of the Listing Agreement with the Stock Exchanges, is annexed to this Notice.
- d. Members are requested to immediately notify any change in their address to the Registrar and Share Transfer Agent, C B Management Services (P) Limited, P-22, Bondel Road, Kolkata – 700 019.
- e. Pursuant to Section 205A of the Companies Act, 1956, Dividend for the financial year ended 31st March, 2002 which remains unpaid or unclaimed, will be due for transfer to the Investors Education and Protection Fund of the Central Government in August, 2009. Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 2002 and onwards, are requested to claim the amount forthwith from the Company.
- 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 electronic form are advised that address/bank details as furnished to the Company by the respective depositories, viz., NSDL and CDSL, will be considered for payment of dividend through ECS.

Information pursuant to Clause 49 of Listing Agreement with regard to the Directors seeking reappointment at the forthcoming Annual General Meeting. (Refer Item Nos.3 to 5 of the Notice)

Name of the Director	Brief resume and nature of expertise in functional area	No of equity shares held in the Company	Other Directorships / Other Committee memberships* held
Mr Bhaskar Mitter	Mr Mitter is a Barrister-at-Law (London) and has several years of experience in various aspects of business management. He is a former Chairman of the Andrew Yule Group, CESC Limited and BOC Limited. He was also the President of Bengal Chamber of Commerce & Industry and Associated Chamber of Commerce & Industry.	80,000	Directorships Eveready Industries India Limited Gloster Jute Mills Ltd Graphite India Limited Committee Memberships (A) Eveready Industries India Limited <u>As Chairman</u> Shareholders'/Investors' Grievances Committee <u>As Member</u> Audit Committee (B) Graphite India Limited <u>As Member</u> Audit Committee Investors' Grievances Committee (C) Gloster Jute Mills Limited <u>As Member</u> Audit Committee Shareholders' / Investors' Grievances Committee
Mr S N Mookherjee	Mr Mookherjee is a Barrister-at-Law and a leading legal practitioner. He has a wide range of experience in legal and company law matters.	Nil	Directorships Nil Committee Memberships Nil
Mr Vijay Aggarwal	Mr Aggarwal is an Electrical Engineer from IIT, Delhi and is also PGDM from IIM, Ahmedabad. He is the Managing Director of H&R Johnson (India) Limited since 1998. Currently, he is the President of IIT-Delhi Alumni Association (Mumbai Chapter).	Nil	Directorships Prism Cement Limited H & R Johnson (India) Limited Indian Council of Ceramic Tiles & Sanitaryware ING Vysya Life Insurance Company Limited Asianet Satellite Communications Limited Aptech Limited Ardex Endura (India) Pvt Limited RMC Readymix (India) Pvt Limited Spur Cable & Datacom Pvt Ltd Committee Memberships (A) H & R Johnson (India) Limited <u>As Member</u> Audit Committee (B) Asianet Satellite Communications Limited <u>As Member</u> Audit Committee (C) Aptech Limited <u>As Member</u> Audit Committee

* Committee Memberships include only Audit Committee and Shareholders' / Investors' Grievances Committee

Registered Office:
 Exide House
 59E Chowringhee Road
 Kolkata 700 020

Dated: 27 April, 2009

By Order of the Board
 S Coomer
 Company Secretary and
 Vice President – Legal & Administration

DIRECTORS' REPORT TO THE SHAREHOLDERS

including Management Discussion & Analysis

Your Board of Directors have pleasure in presenting the 62nd Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2009.

Economic Environment

2008-09 has been a watershed year in the socio-economic history of our Nation. Starting with a GDP growth prediction of over 9% like previous years; a bullish stock market with sensex gaining new heights month on month; followed by unprecedented rise in crude oil and commodity prices leading to unbridled inflation surpassing the 12% mark; the ghastly terrorist attacks in Mumbai; signing of the historical Nuclear Treaty, deep rooted recession of the economic superpowers resulting in a complete wipe out of the capital markets and slump in industrial production - the year was indeed of rising hopes and shattered aspirations.

Added to this was the global financial crisis in the US and several European countries leading to bankruptcy of some of the major financial institutions which threatened the world financial system. Much of the industrialized world entered into a deep recession resulting from vicious circles of high oil and food prices and bursting of the housing bubble in the US. This led to collapse of the entire banking and financial system across countries and increased unemployment, which in the US alone now is estimated to be 8.5%.

Though the initial feeling in India was that our Country was insulated from the financial crisis affecting the Western hemisphere the ripple effects were witnessed during the later part of the year. Any significant slow-down in the US, which accounts for 1/4th of the World GDP, is bound to have repercussions across the globe. However, since the interdependency between the US economy and India has reduced considerably over the past two decades the effect on our economy is expected to be less drastic. During the third quarter of the financial year under review there was a sharp fall in the value of the rupee and the worldwide credit crunch led to foreign investors divesting shares of Indian companies worth more than US\$ 12.5 billion – approximately Rs 62,000 crores. There was a drastic fall in the growth of certain sectors like IT

enabled services, steel, automobiles, textiles, cement and housing etc. The automobile sector was badly hit and in October 2008 the overall car sales declined by about 9% and car production fell by more than 12%. November 2008 recorded the steepest fall in car sales in the past five years with Maruti recording a degrowth of 27%, Mahindra & Mahindra 40% and Tata Motors 12% respectively.

The Government was quick to react and a spate of financial packages like cut in repo and reverse-repo rates, reduction in excise duty and service tax etc. were announced in several tranches. These interventions, coupled with the sharp fall in crude oil prices and reducing rate of inflation, helped in styming the crisis to a considerable extent. Recent production / sales data on cement, steel and automobiles indicate a strong recovery since January 2009. Two wheeler sales grew by 12% and car sales by a healthy 23% in February 2009. However, commercial vehicles continued to report a slower growth. The index of six core industries released by the Department of Industrial Policy and Promotion shows a growth of 2.2% in February 2009 which was the highest growth rate clocked in the last four months. The recovery in these sectors are expected to gather further momentum in the coming months. Thanks to the monetary and fiscal initiatives of the Government, high inventory levels and low liquidity, two major problems affecting the industrial sector have been eased to a great extent. The quick recovery indicates that there continues to be a strong domestic demand. The reduction in interest rates are expected to further strengthen this impetus. Capacity expansion plans which were shelved during October to December 2008 are now being announced. The financial packages announced by the G20 countries should give some impetus to growth in the industrialized countries and the reversal of recessionary trend. Due to some infusion of funds by Foreign Institutional Investors in the beginning of the current financial year, the stock markets appear to be on the recovery path. However, widening revenue fiscal deficit, mainly arising out of the fiscal and monetary packages announced by the Government, would continue to be a major source of concern.

Industry Structure and Development

The domestic Battery Industry is poised to grow by more than double within the next five years. Though the un-organised sector is about three times the size of the organised business but with stricter pollution control and regulatory norms, especially with regard to recycling of toxic waste such as Lead, it may be difficult for small scale un-organised business to sustain their operations in the long term. Notwithstanding the recent setback arising out of the global meltdown, the automobile industry in India is poised for quantum growth especially in the small car and two wheeler segments. With Tata Motors launching the Nano and Bajaj and Renault announcing their plans, India would emerge as a small car hub in the Region. Nearly all the major global automobile manufacturers have set up base in India and are also looking at India for export of their products. Interestingly, several commercial vehicle manufacturers have identified India as a manufacturing base for their export market which would also lead to a higher demand for Indian batteries. This would definitely expand the market base for automotive batteries manifold. In addition, with the thrust on infrastructure, communication and power sectors, the consumption of industrial batteries are also expected to rise substantially. That India is emerging as a global player is evident from the fact that for the first time an International Battery Fair was hosted in India in 2008 instead of its traditional venues like the US, Europe or Asia-Pacific region.

Performance

Your Company continues to maintain its leadership position in India and South Asia. The year started promisingly with over 34% growth in sales and an increase of 20% in profit before tax for the first six months. Unfortunately, thereafter, as a fall out of the global economic downturn the auto industry in particular and other core industries including infrastructure, telecom, power etc. in general showed either a sharp degrowth or a tapering down of growth. This definitely affected the operations of your Company but, inspite of such difficult circumstances, your Board is pleased to announce that your Company succeeded in increasing its net turnover by 19% and its profits before tax by 16% over the previous year.

Automotive Batteries

Inspite of depressed sales in certain segments in the auto industry reasonable growth was

achieved mainly due to increased marketing efforts, aggressive forays in the replacement segment, capturing of a larger market share in the two wheeler segment, introducing cost effective technologies and also through strict financial discipline and austerity measures. Presently, your Company enjoys a significant market share in the vehicle OEM segment.

Your Company has been identified as a supplier for batteries for Tata Motor's small car 'Nano'. In view of some innovative features, a design registration for this type of battery has been filed in India. Further, supplies of upgraded batteries based on Advanced Hybrid technology for Tata Motor's new model 'Vista' under the Indica / Indigo platform has also commenced. Your Company has also been nominated as the single source for supply of batteries for Toyota's small car as well as for the new models of Fiat D/200 and D/300. A high performance battery for General Motors 'Tavera' and for Hyundai Motors new vehicle i20 has also been introduced. A complete range of DIN batteries for Hyundai's Accent and Getz cars have been upgraded to the advanced calcium technology under the 'Matrix' brand with an extended warranty of sixty months. In the motorcycle segment, three popular types of maintenance-free batteries based on calcium technology was introduced under the 'X-Pack' brand with thirty six months warranty. Your Company has received an order for 5000 batteries for the Singapore Taxi market amidst tough competition. Honda Japan has selected your Company as an exclusive supplier initially for 2 years for VRLA MC battery. This is a Hi Tech product and is being introduced in Hero Honda, Honda Motorcycle & Scooters (India) Ltd. for the first time. This battery is being jointly developed alongwith Furukawa Battery, Japan, your Company's collaborator and Honda, Japan. This will help in increasing your Company's market share further in motor cycle OEM as well as in replacement market.

Your Company has entered into a technical collaboration with Changxing Noble Power Sourcing Co. Ltd., China for manufacture of Deep Cycling E-bike batteries for electric bicycles and scooters. These E-bike batteries would be launched in the second quarter of the current financial year. Your Company is also in the process of developing batteries for a variety of Stop-Start micro-hybrid vehicles. Further, your Company intends to foray into development and

marketing of Lithium-ion batteries for the emerging electric vehicle segment.

Your Board is pleased to inform that an International Patent of 'Low Water Loss' battery was filed with WIPO, Geneva jointly in the name of Daramic LLC and your Company.

With a view to increase its market penetration and for ensuring better service to the end-users your Company has reorganized its Marketing and Distribution set-up by expanding to 203 locations made up of hubs and spokes monitored by the Regional Controlling centres. This initiative has paid immense dividends as not only your Company is now able to be aggressively present in the replacement market but also to provide better after-sales and warranty services to its customers. Your Company's CRM initiative through its portal www.exidereachout.com has been very successful and apart from servicing the needs of customers and dealers has helped in building up a data base of loyal customers. Project Kissan, another initiative for customers in the rural markets has also achieved popularity in converting potential customers to subscribe to your Company's products.

Your Company has entered into arrangements with Indian Oil Corporation, Hindustan Petroleum Corporation Ltd., and Toyota Kirloskar for distribution of its products through their retail outlets. Similar additional linkages are also being explored. This would enable your Company to have a much larger presence across the country including all B and C class towns.

Industrial Batteries

The net sales of Industrial batteries was Rs 1269 crores as against Rs 1019 crores in the previous year representing a growth of 25%. This was achieved inspite of cheaper imported batteries flooding the market mainly due to the ongoing recession in the Western countries. The growth in trade sales was achieved primarily due to better reach and improved product perception. Following satisfactory field trials, a flat plate Golf Cart battery was introduced during the year. Development of Gel Tubular Prototype Cells for Telecom applications is also in progress. Your Company has also developed low maintenance batteries for invertors.

Submarine Batteries

The Submarine division performed satisfactorily during the year under review with a number of prestigious orders in hand. Noteworthy among

these was an order from the Indian Navy for an Advanced Technology Vehicle (ATV) as well as orders from the Admiralty Ship Yard of Russia for third country exports. This was the first time that a Russian Ship Yard has given orders for submarine batteries to India.

Exports

Export of both Automotive and Industrial batteries registered a degrowth mainly due to the severe economic downturn. Details of activities relating to exports are mentioned in Part III of the Information as per Section 217(1)(e) of the Companies Act, 1956 which is annexed to this Report.

Financial Results

	(In Rs. Crores)	
	2008-2009	2007-2008
Profit before depreciation & taxation	503.33	438.57
Depreciation / Amortisation	67.94	64.24
Profit before tax	435.39	374.33
Taxation	151.00	124.00
Profit after tax	284.39	250.33
Balance brought forward	281.30	118.41
Making a total of	565.69	368.74
Out of this appropriations are:		
General Reserves	185.00	50.00
Leaving a balance of	380.69	318.74
Interim Dividend (40%)	32.00	–
Tax on Interim Dividend	5.44	–
Proposed Final Dividend (20%)	16.00	32.00
Tax on Final Dividend	2.66	5.44
[Aggregate Dividend amounts to 60% (Previous year 40%)]		
And leaving a balance of (which is carried forward to next year)	324.59	281.30

Consolidated Financial Statements

In accordance with Accounting Standard 21 – Consolidated Financial Statements form part of the Report & Accounts. These Accounts have been prepared on the basis of audited financial statements received from the subsidiaries and associate companies as approved by its respective Board of Directors.

Dividend

Your Company has paid an interim dividend at the rate of 40% on the equity shares to the shareholders whose names appeared on the Register of Members on 27th January, 2009. Your Directors are now pleased to recommend a final dividend at the rate of 20% on the equity

shares of the Company for the year ended 31st March, 2009, subject to your approval at the ensuing Annual General Meeting. Consequently, the total dividend for the year ended 31st March, 2009, including the interim dividend paid during the year, amounts to 60% (Re. 0.60 per equity share of Re.1/- each).

Corporate Governance

Transparency is the cornerstone of your Company's philosophy and all requirements of Corporate Governance are adhered to both in letter and spirit. The Audit Committee of the Board meets at regular intervals as required in terms of Clause 49 of the Listing Agreement. Your Board of Directors have taken necessary steps to ensure compliance with all statutory and listing requirements. The Directors and key management personnel of your Company have complied with the Code of Conduct which was approved by the Board of Directors. Apart from being in compliance with all requirements of Clause 49 of the Listing Agreement your Company has voluntarily adopted certain governance principles. Setting up of the Remuneration Committee of Directors and introduction of a Model Code for Insider Trading in 2004 are some of the initiatives taken by your Company towards this end.

The Report on Corporate Governance as required under the Listing Agreement forms part of and is annexed to this Report. The Auditors' Certificate on compliance with Corporate Governance requirements is also attached to this Report. Further, as required under Clause 49 (V) of the Listing Agreement a certificate from the CEO and CFO is being annexed with this Report.

Business / Operational Excellence

In keeping with its vision to provide credible value addition to our stakeholders and being recognized as a responsible corporate citizen, your Company has implemented an exhaustive Total Quality Management System (TQM) throughout the organization. The TQM system includes the latest techniques of Total Productive Maintenance (TPM), 6 Sigma and Lean Manufacturing - leading towards business excellence.

Products manufactured at your Company's state-of-the-art manufacturing facilities symbolise quality and customer satisfaction. Quality is designed into products through use of techniques like - Advanced Product Quality Planning (APQP), Failure Mode & Effect Analysis (FMEA), Statistical Process Control (SPC) and Measurement System

Analysis (MSA). Process capability monitoring ensures that products are well within specification with negligible rework and scrap.

TQM is a strategic initiative and your Company has progressed considerably in its unending journey towards Business Excellence. For its Quality Management System (QMS), the Industrial SBU part of Haldia, Hosur and Shamnagar factories have been certified to ISO-9001. For the Automotive SBU - Bawal, Chinchwad, Haldia, Hosur, Shamnagar and Talaja factories have been certified to ISO/TS-16949. These certifications although issued in the names of the different factories, however include all our business processes of R&D, Manufacturing, Marketing, Sales, After Sales Support and Corporate functions. The Submarine SBU is certified to ISO-9001. The certification body is the renowned TUV-NORD, headquartered in Germany.

In line with its core value of striving for Excellence, your Company is implementing the European Foundation for Quality Management (EFQM) Business Excellence Model. Your Company has won the CII-EXIM Bank Award for "Strong Commitment to Excel" in 2006 and 2007. In 2008 your Company bettered its performance and has been one amongst eight companies in India to get the coveted "Significant Achievement" Award.

To improve efficiency and utilization of machines your Company has implemented Total Productive Maintenance (TPM) in the factories, following the methodology given by Japanese Institute of Plant Maintenance (JIPM). For its efforts in TPM, the JIPM has conferred the "Award for TPM Excellence - 2008" to our Haldia plant. The other factories are gearing up to the challenge to win this award in the near future.

Apart from these, your Company has won several awards in Quality, Safety-Health-Environment, 5-S, Energy Conservation and Productivity. As a proof of customer satisfaction, your Company has also won awards and recognition from Toyota, Tata Motors and Bajaj Auto.

Environment & Safety

For the Environmental Management System (EMS) the Chinchwad, Haldia, Hosur, Shamnagar and Talaja factories are certified to ISO 14001. The Bawal factory is expected to be certified by the third quarter of the current financial year. Your Company is committed to preserve the

environment and prevent pollution, going much beyond statutory compliance and ISO 14001 certification. Your Company aims at continuous improvement of its environmental performance. Minimisation of waste and preservation of natural resources are not only part of policy but are put into effect by practice and implementation of several environmental projects. This has resulted in your Company receiving the prestigious TERI Corporate Environment Award in 2007.

The concern for Occupational Health and Safety issues has prompted your Company to implement OHSAS 18001 standard in its factories. The Hosur plant has already been certified and the other factories are expected to receive the certification in due course.

Energy conservation continues to be an area of focus for your Company as this is a major cost in the manufacturing process. Your Company has taken several initiatives at each plant level in order to conserve energy. Proof of this is available with all major plants at Shamnagar, Haldia, Hosur, Taloja and Chinchwad, being ISO 14001 certified.

Corporate Social Responsibility

Your Company continues to believe that it has societal obligations which it must fulfill in order to remain a responsible corporate citizen of the Country. It also believes that the ethical conduct of business is part of its corporate ethos which helps to fulfill the Company's long term vision and its engagement with stakeholders at large.

One of the key challenges for all individuals and enterprises is sustenance of the environment and, therefore, the need to generate awareness and drive initiatives to create a greener earth. Towards this end, your Board is pleased to announce that your Company has agreed to partner UNICEF in their Child Environment Programme in India that aims to create a greener and healthier world and to ensure equitable and sustainable access to basic health and hygiene facilities, particularly for the unreached and marginalized rural communities. This initiative has been linked to raising consumer consciousness and creating awareness for return of used batteries which contain lead and thereby inducing the vehicle owners to participate in the cause.

Your Hosur plant continued with its community initiatives by focusing on the five core areas of Health care, Education, Women Empowerment,

Environment and Relief activities. During the year, a village in Tamilnadu was adopted for community development, a road map for development of a model village has been undertaken, high school classrooms, mid-day meal kitchens and toilets have been constructed. Apart from that, support has been given for education needs of children of single / handicapped parents and assistance in sports activities for local students have been given.

In Haldia, vocational training for rural women was organised and sewing machines and zari machines were distributed through the co-operative system. Further, your Company actively contributed and participated in distribution of relief materials for the flood victims in Purba Midnapore, West Bengal. In Taloja drinking water facilities were provided at Vridhashram and a Community Garden was developed. Your Company also actively participated in the Pulse-Polio programme. Your Company also has taken up a project for Drug De-addiction and Rehabilitation for street children and a project for development of societal skills for slum children in Kolkata. In Bawal, Medical and Health camps were organized in an adopted village where free medicines were distributed and pathological tests arranged for the villagers.

Internal Controls

Your Company has proper and adequate system of internal controls. The Internal Audit team conducts both Systems and Financial Audit which are carried out in two phases at each factory, branch, Regional and Corporate offices. The audit findings are reviewed by the Audit Committee of Directors and corrective action, as deemed necessary, is taken. The Company also has laid down procedures and authority levels with suitable checks and balances encompassing the entire operations of the Company.

Your Company has identified various business risks and has laid down the procedure for mitigation of the same. The Risk Management & Mitigation Systems are reviewed by the Audit Committee of Directors from time to time.

Outlook

With the recession likely to continue in most of the developed countries atleast for the medium term, it would inevitably have cascading effects on the World economic order. The IMF in its latest report has cautioned that the economic downturn is likely to continue through 2009-10 and perhaps

even further. Though it is expected that India would not be as badly hit compared to countries like the USA, Western Europe, Japan or South Korea, but the growth in our economy would definitely be affected to a considerable extent in this environment. Nevertheless, it is heartening to note that foreign institutional investors have once again reposed faith in the Indian capital markets which apart from strengthening the sensex, will act as a catalyst in increasing the confidence levels of all concerned. The short turnaround time taken by the core industries in recovering from the slump, the limited dependence on exports to the USA and the fiscal and monetary initiatives taken by the Government will be an accelerator for a better industrial climate in the near future. However, it may be premature to make any accurate prediction since one cannot vouch that the worst is yet to be over.

Opportunities and Threats

Infrastructure has been identified as a core thrust area by the Government and large investments are planned both by the public as well as the private sector in these segments. India is witnessing a telecommunication revolution and its potential is vast. Not only are new and path-breaking technology easily available but due to the vast population, especially in the two tier and three tier cities, the prospects for this sector are extremely promising. As stated earlier, several global players in the automotive industry are setting up manufacturing bases in India not only for catering to the domestic market but also for sourcing their overseas requirements. Huge investments are also planned in the power sector for generation, transmission and distribution and this would get a big fillip after India has been admitted honourably in the Nuclear Club. All this will augur well for your Company since your Company's products cater to all the above segments where stupendous growth is expected in the short to medium term.

Your Company is continuously investing in acquiring new technology and know-how, capacity expansion and upgradation of the manufacturing facilities. The in-house R&D Department has not only been consistently developing quality products for existing as well as new applications but also been successful in reducing costs. The Company's foreign technical collaborators continue to strongly support your Company both with sharing their technology as well as for improvement of manufacturing and other related

processes. Due to its quality products, competitive pricing and transparent dealings, your Company continues to be the largest power solutions company in South Asia and shall strive to maintain its position in the future.

Risks & Concerns

Cheap imports, mainly from China, for industrial batteries continue unabated and has seen a recent spurt after the industrial slow down in the developed countries. Unfortunately, the present laws and the procedures for anti-dumping are not adequate in this area.

Prices of Lead, which is a major constituent of your Company's products, are extremely volatile. From a peak of US\$ 2800 per MT in the beginning of 2008-09 the prices of lead crashed to US\$ 963 per MT in the third quarter of the said financial year, and currently is above US\$1400 per MT. This volatility not only creates uncertainty on procurement of the material but also has a major impact on the manufacturing cost of the products. Your Board is conscious of all the above risks and endeavours to minimize the same through prudent business practices.

Lead Acid batteries may not be the optimal source of power solutions for major applications in the long term not only due to its inherent polluting nature but also due to limitations in its physical properties. Further, due to the volatility of price and availability of crude oil more and more automotive manufacturers are actively considering developing electrically powered hybrid vehicles. In such a scenario, there would be a paradigm shift in the technology and the ingredients for manufacturing of storage power batteries. Your Company is conscious of such risks and is gearing itself up for acquiring knowledge, technology and expertise for catering to the emerging and completely different requirements of the future.

Subsidiary Companies

Your Company has four Indian subsidiaries viz. Chloride Metals Limited (formerly Tandon Metals Limited), Caldye Automatics Limited, Leadage Alloys India Limited, Chloride International Limited and three foreign subsidiaries, viz. Chloride Batteries S.E. Asia Pte. Ltd., Singapore, Espex Batteries Limited, UK, and Associated Battery Manufacturers (Ceylon) Limited, Sri Lanka.

Chloride Metals Limited, which is a 100% subsidiary of your Company, is engaged in lead smelting and refining operations and has its plant