

EXIDE
INDUSTRIES LIMITED

ANNUAL REPORT 2010-2011

Energy & Environment



EXIDE

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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*
A. K. Mukherjee, *Director – Finance & Chief Financial Officer*
Nadeem Kazim, *Director – HR and Personnel (w.e.f. 1st May, 2011)*
Vijay Aggarwal, *Non Executive Director*
H M Kothari, *Non Executive Director*
Bhaskar Mitter, *Non Executive Director*
S. N. Mookherjee, *Non Executive Director*
S. B. Raheja, *Non Executive Director*
D. S. Parekh, *Non Executive Director (Alternate to S. B. Raheja)*
Mona N Desai, *Non Executive Director*
W. Wong, *Non Executive Director*

SECRETARY

S. Coomer

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

**SHAREHOLDERS' GRIEVANCE
REDRESSAL COMMITTEE**

Bhaskar Mitter
T. V. Ramanathan
G. Chatterjee

SHARE TRANSFER COMMITTEE

T. V. Ramanathan
G. Chatterjee
P. K. Katakya
A. K. Mukherjee

BANKING OPERATIONS COMMITTEE

T. V. Ramanathan
G. Chatterjee
P. K. Katakya
A. K. Mukherjee

EXECUTIVE COMMITTEE

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

BANKERS

State Bank of India
Standard Chartered Bank
Citibank N.A.
The Hongkong and Shanghai
Banking Corporation of India 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

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 64th Annual General Meeting of the Company will be held at Kala Mandir, 48 Shakespeare Sarani, Kolkata – 700 017 on, the 21st day of July, 2011 at 9.30 am to transact the following business:-

ORDINARY BUSINESS

1. To consider and adopt the Profit and Loss Account for the year ended 31 March, 2011 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 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 Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT in accordance with the provisions of Section 257 of the Companies Act, 1956, Mr Nadeem Kazim, who was appointed as an Additional Director pursuant

to the provisions of Section 260 of the Companies Act, 1956 and Article 104 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company.

RESOLVED FURTHER THAT in accordance with Section 198, 269, 309 and all other applicable provisions, read with Schedule XIII of the Companies Act, 1956, approval of the Company is hereby accorded to the appointment of Mr Nadeem Kazim as a Whole-time Director of the Company for a period of five years with effect from 1st May, 2011 on the terms and conditions including remuneration as set out in the Explanatory Statement annexed to the Notice convening this Meeting with liberty to the Board of Directors, including any Committee thereof, to alter and vary the terms and conditions of appointment and/or remuneration subject to the limits specified under Schedule XIII of the Companies Act, 1956 and any statutory modification or re-enactment thereto.”

Registered Office: Exide House 59E Chowringhee Road Kolkata 700 020	By Order of the Board Company Secretary and Vice President - Legal & Administration
Dated: 27th April, 2011	

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 Meeting.
- b. The Register of Members and Share Transfer Books of the Company will remain closed from 16th July, 2011 to 21st July, 2011, both days inclusive. Dividend, if declared at the Meeting, will be payable to those members holding equity shares in physical form whose names appear in the Company's Register of Members on 21st July, 2011 or to their mandatees. Dividend, if any, in respect of equity shares held in electronic form will be payable to the beneficial owners of shares as on 15th July, 2011 as per the details furnished to the Company by both NSDL and CDSL.
- c. Information relating to the Directors proposed to be appointed and those 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 addresses 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, 2004, which remains unpaid

or unclaimed, will be due for transfer to the Investors Education and Protection Fund of the Central Government in August 2011. Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 2004 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.
- h. Members who desire to receive documents from the Company in electronic mode may provide their e-mail address to the Registrar and Share Transfer Agents of the Company through e-mail at *investor@cbmsl.com* mentioning the Company's name and Folio Number/DPID & Client ID.

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

Item No. 6

The Board of Directors at its Meeting held on 27th April, 2011 appointed Mr Nadeem Kazim ("Mr Kazim") as an Additional Director of the Company and as a Whole-time Director designated as Director – HR and Personnel for a period of five years from 1st May, 2011 to 30th April, 2016, subject to the approval of the members in General Meeting. Pursuant to Article 104 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956, Mr Kazim will hold office up to the date of the forthcoming Annual General Meeting of the Company. The Company has received a Notice in terms of Section 257 of the Companies Act, 1956 from a member proposing that Mr Kazim be appointed as a Director of the Company. Mr Kazim has vast experience in corporate HR, strategic IR and Personnel and has been with the Company since 2009. Mr Kazim does not hold any shares in the Company.

The period of service, remuneration payable and the terms and conditions of service of Mr Kazim with effect from 1st May, 2011 are set out below:

Salary	₹ 1,85,000 per month.
Increment	Basic Salary will be increased by 10% per annum, subject to performance criteria as laid down by Remuneration Committee of the Board of Directors.
Commission	Commission of 1% of the net profits of the Company computed in the manner laid down in Section 309 (5) of the Companies Act, 1956, subject to a maximum of annual salary for each year, based on certain performance criteria to be laid down by the Remuneration Committee of the Board of Directors and payable annually after the annual accounts have been approved by the Board of Directors and Members of the Company.
Performance Bonus	Subject to a maximum of annual salary based on certain performance criteria to be laid down by the Remuneration Committee of the Board of Directors.
Period	For a period of five years with effect from 1st May, 2011 to 30th April, 2016.

Other terms and conditions:

<p>Perquisites</p>	<p>In addition to the above salary, increment, commission and performance bonus, he shall be entitled to perquisites like furnished accommodation with expenditure on gas, electricity, water, maintenance and repair thereof or House Rent Allowance with expenditure on gas, electricity, water and furnishings, leave travel allowance for self and family, medical expenses and medical insurance for self and family, fees of clubs, personal accident and life insurance and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to by the Board of Directors.</p> <p>Perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in the absence of any such Rule perquisites shall be evaluated at actual costs.</p> <p>Provision for use of Company's car and telephones at residence (including payment for local calls and long distance calls) shall not be included in the computation of perquisites.</p> <p>Company's contribution to Provident Fund and Pension Fund not exceeding 27% of salary or such percentage limit as may be prescribed by Income Tax legislation. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and leave including encashment of leave at the end of the tenure, as per Company's policy.</p> <p>The overall amount of perquisites shall not exceed an amount equal to the annual basic salary. In computing the monetary ceiling on perquisites Company's contribution to Provident Fund, Pension Fund and Gratuity shall not be taken into account.</p>
<p>Minimum Remuneration</p>	<p>In the absence of or inadequacy in profits in any financial year of the Company during the tenure he shall be entitled to remuneration by way of salary along with perquisites, benefits and other allowances as mentioned above not exceeding such sum as may be prescribed under Schedule XIII of the Companies Act, 1956 from time to time.</p>
<p>General</p>	<p>In addition, the contract of appointment shall set out the usual rights and obligations of the parties.</p>
<p>Termination</p>	<p>The appointment is terminable by either party by giving three months prior written notice to the other.</p>

An abstract of the terms of appointment of Mr Kazim pursuant to Section 302 of the Companies Act, 1956 has already been sent to the members in the second week of May, 2011.

The Board considers the aforesaid appointment of Mr Kazim on the terms set out above to be in the interest of the Company and recommends that the resolution be approved by the members.

Except Mr Kazim, no other Director is concerned with or interested in the aforesaid appointment.

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

Dated: 27th April, 2011

By Order of the Board

Company Secretary and
Vice President - Legal &
Administration

Information pursuant to Clause 49 of Listing Agreement with regard to the Directors seeking appointment/ reappointment at the forthcoming Annual General Meeting (Refer Item Nos. 3, 4 and 6 of the Notice)

Name of the Director	Date of Birth	Brief resume and nature of expertise in functional area	No. of equity shares held in the Company	Other Directorships/Other Committee memberships* held
Mr R B Raheja	17.06.1954	Mr R B Raheja holds a Bachelor's degree in Commerce and has a wide range of experience in industry and business.	Nil	<p><u>Directorships:</u> Prism Cement Limited Supreme Petrochem Limited EIH Limited Juhu Beach Resorts Limited EIH Associated Hotels Limited Hathway Cable & Datacom Limited ING Vysya Life Insurance Company Limited Amber Apartment Makers Private Limited Ameeta Grihnirman Private Limited Arjun Housing Private Limited Bay-Side Exports Private Limited Brindavan Agro Industries Private Limited Brindaban Builders Private Limited Brindavan Land Development Private Limited Bellvne Constructions Private Limited Bloomingdale Investment & Finance Private Limited Chandramouli Finance & Estates Private Limited Colonnade Housing Private Limited Colonnade Contractors & Developers Private Limited Coronet Investments Private Limited Crescent Property Developers Private Limited Gstaad Trading Company Private Limited Hathway Bhaskar Multinet Private Limited ING Investment Management (India) Private Limited Kaunteya Builders Private Limited Kaunteya Contractors & Developers Private Limited Kuntinandan Contractors & Developers Private Limited Kuntiputra Properties Private Limited Lavina Contractors & Developers Private Limited Manali Investment & Finance Private Limited</p>

Name of the Director	Date of Birth	Brief resume and nature of expertise in functional area	No. of equity shares held in the Company	Other Directorships/Other Committee memberships* held
				<p>Matsyagandha Investments & Finance Private Limited Panchali Builders Private Limited Peninsula Estates Private Limited Prerana Builders Private Limited R B R Constructions Private Limited R B R Estates & Finance Private Limited R. Raheja Properties Private Limited Sea – Side Exports Private Limited Shiraz Realtors Private Limited Shoreline Exports Private Limited Varahagiri Investments & Finance Private Limited Vijay Raheja Builders Private Limited Vidur Constructions Private Limited Villa-Capri Developers Private Limited Windsor Realty Private Limited</p> <p>Committee Memberships Member of the Audit Committee EIH Limited Juhu Beach Resorts Limited EIH Associated Hotels Limited</p>
Mr Winston Wong	14.04.1947	Mr Wong is qualified as a FCCA, FCPA Australia and FCPA Singapore. Mr Wong has over 40 years of working experience in various types of businesses.	Nil	<p>Directorships: Chloride Eastern Industries Pte Ltd (Singapore) Chloride Batteries S E Asia Pte Ltd (Singapore) Chloride Eastern Limited (England) Associated Battery Manufacturers (Ceylon) Limited (Srilanka)</p> <p>Committee Memberships Nil</p>
Mr Nadeem Kazim	26.01.1964	Mr Nadeem Kazim holds a Bachelor Degree in Arts and is a Post Graduate Diploma holder in Personnel Management from XISS, Ranchi. Mr Kazim has a wide range of experience in issues pertaining to HR and Personnel.	Nil	<p>Directorships: Caldyne Automatics Limited Chloride Metals Limited Leadage Alloys India Limited</p> <p>Committee Memberships Nil</p>

* Committee Memberships include only Audit Committee and Shareholders' / Investors Grievance Committee.

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

Dated: 27th April, 2011

By Order of the Board

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 64th Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2011.

Economic Environment

After the economic slowdown caused by the global financial crisis in 2007 the Indian economy, which showed signs of recovery in 2009-10, continued to gain momentum. The growth rate which plummeted to 6.8% in 2008-09, rose upto 8% in 2009-10 and is expected to be 8.6% for 2010-11 as per the Advance Estimates of the Central Statistics Office (CSO). The positive feature of such turnaround is that this recovery has been broad-based with almost all the core sectors recording an impressive turnaround. Agriculture, which had a negligible growth in 2009-10, recorded an impressive 5.4% increase in growth.

All these positive developments were however marred to a certain extent due to high inflation, mainly driven by high cost of food items. A negative growth in agriculture in 2008-09, a severe drought in 2009-10 followed by unseasonal rains during 2010-11, coupled with inadequacies in the public distribution system resulted in shortage of food crops. Further, due to enhancement of income amongst the marginalized sections of the rural populace, arising out of social security policies of the Government, there was an increased demand for cereals and other food grains. All these factors contributed to severe pressure on prices of food grains. Thankfully, due to better monsoons and certain interventions made by the Government and the Reserve Bank of India, the inflation which peaked to 11% fell to single digit levels. The high fiscal deficit which was a source of concern was also eased to a certain extent through revenue generation from auction of 3G spectrum licenses, disinvestment in PSUs etc.

Looking into the medium to long term, it is expected that this growth story would continue unabated and, in fact, would accelerate further. All key economic indicators look favourable which leads us to the expectation that the rate of growth will breach the 9% mark in 2011-12. However, there are certain causes for concern. The recent political instability in the African countries is having

a spiraling effect on the crude prices which is fuelling inflation and if the situation does not improve this may have an adverse effect on the economy. Further, Japan, which has not yet shown any definite signs of recovery from its long slowdown may be further affected due to the recent unfortunate natural disasters and the consequent threats of nuclear radiation. In the global scenario, though India has a large domestic demand, it is also vitally linked with the economy of the industrialized nations. Many of the industrialized nations are yet to show signs of sustained recovery from the economic slowdown and any further crisis may have an adverse effect on our economy.

Industry Structure and Development

The Domestic Battery Industry has had mixed fortunes during the year under review. The telecom, infrastructure and export sectors continue to be sluggish but this has been compensated by an unexpected high growth in the automobile sector. The passenger vehicle segment grew by over 29% whilst the commercial vehicle segment registered a growth of nearly 27% as compared to 2009-10. Sale of two-wheelers registered a growth of 26% and automobile exports had a growth of nearly 30% as compared to 2009-10. It is expected that this rate of growth would continue unabated and the total automobile market is expected to grow by double digits annually for the next 5 years.

As stated earlier, India is emerging as a small car hub in the Asia Pacific Region and most of the leading global players have a presence in this country. Buoyed by the growth prospects, almost all automobile manufacturers in the country are expanding their capacities and some are also setting up new facilities. These manufacturing facilities would not only cater to the local market but also act as a manufacturing base for export of both passenger vehicles as well as heavy vehicles, including tractors. During the previous year the automobile industry attracted Foreign Direct Investment worth US\$ 1,191 million. Trained manpower at competitive costs and stagnation in the industrialized nations has induced global majors to invest in India and China. It is expected that India would become one of the top 5 vehicle producing countries in the World

by 2020, with domestic consumption growing four-fold. These developments would obviously lead to increase in the market base of the domestic battery industry.

Infrastructure continues to be a key focus area for the Government with massive investments planned in the near term. ₹ 2,14,000 crores has been allocated in the Union Budget 2011-12 for the infrastructure sector, which is 23% higher than the previous year and this amounts to 48.5% of the Gross Budgetary support to plan expenditure. Further, plans for modernization of Railways and setting up of Nuclear Power Plants would lead to considerable demand for the battery industry.

Performance

Your Company is not only one of the leading manufacturers of Lead Acid Batteries in India and South Asia, but also is reckoned among the first five major companies in the global battery manufacturing industry. During the year under review, your Company recorded 20% growth in net sales with an increase of 24% in profit after tax. The unprecedented rise in demand from all segments of automotive vehicle manufacturers resulted in diversion of capacity from the after market business thereby leading to reduced profitability. In spite of the same your Company registered an increase in profits which, apart from others, was due to higher availability of lead and lead alloys from the two captive lead smelters, favourable foreign exchange rates, strict austerity measures and all round cost control.

Automotive Batteries

The sales of automotive batteries registered a growth of 23% as compared to the previous year. However, your Company was unable to cater fully to the unanticipated demand by all segments of vehicle manufacturers due to capacity constraints and thereby take full advantage of the potential growth in the industry. In such a scenario, in line with its long term perspective, your Company took a conscious decision to give priority to the increased requirements of the vehicle manufacturers over the more profitable after market segment.

Your Company continues to remain the preferred supplier for most of the new vehicles launched during the year under review. These batteries have been developed by your Company through in-house R&D and several of these underwent rigorous tests including tests in overseas

laboratories prior to being selected for supplies. Your Company has already launched Deep Cycling Electric Bike batteries for electric bicycles and scooters and is also in the process of developing batteries for Stop-Start Micro Hybrid Vehicles in collaboration with The Furukawa Battery Company Limited, Japan. Your Company is also exploring the possibility of developing and marketing Lithium-ion batteries for the Electric Vehicle Segment.

As informed in the earlier Directors Report, the marketing and distribution set up has been reorganized on the hubs and spokes model and presently your Company is operating from 204 locations. By the end of the current year your Company is expected to be present in 250 cities and towns. Through this initiative your Company has been able to reach out to the customers in 'B' Class and 'C' Class cities and also provide better after sales and warranty services.

The CRM initiative *exidereachout.com* has helped in building a loyal customer base. Your Company has also been able to divert customers from the un-organised sector through its unique initiative "Project Kisan", which primarily services the rural markets. The 'Humsafar' module, under which batteries are sold through motor garages, and the arrangements with several companies for distribution of your Company's products through their outlets have resulted in reaching the products at the door step of the consumers.

As stated earlier, your Company was unable to cater to the entire market demand in spite of running its Plants in full capacity. Consequently, your Company has invested ₹ 275 crores in the year under review and proposes to invest a further amount of ₹ 370 crores in 2011-12 in capacity expansion. A new facility for production of two-wheeler batteries has also been commissioned at Ahmednagar, Maharashtra.

Industrial Batteries

Sales of Industrial batteries for 2010-11 registered a growth of around 16% in terms of value and 13% by volume. This has been possible in spite of severe competition and low cost imports in the domestic market.

Overall Infrastructure business has shown a growth of 15%, mostly contributed by Solar at 68% and Traction segment at 62%. Telecom recorded a comparatively lower growth of 9%.