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27th
Annual Report
1999 - 2000



NIPPO

Premium GOLD
The eco-friendly battery

Indo National Limited

INDO NATIONAL LIMITED

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INDO NATIONAL LIMITED

BOARD OF DIRECTORS

P.Obul Reddy
Chairman and Managing Director

K. Ishimoto
Joint Managing Director

S.R. Jiwarajka
Joint Managing Director

M. Abe
Wholetime Director

M. Sato

Y. Kajikawa

V.R. Gupte

SECRETARY

S. Murali Krishna

AUDITORS

P. Srinivasan & Co.
Chartered Accountants
21, North Crescent Road
T. Nagar
Chennai - 600 017

BANKERS

Indian Bank
The Bank of Tokyo - Mitsubishi, Ltd.
Canara Bank

SOLICITORS

Matubhai Jamietram
Lentin Chambers
Dalal Street, Fort
Mumbai - 400 001

REGISTERED AND ADMINISTRATIVE OFFICE

'Pottipati Plaza'
No. 35, Nungambakkam High Road
IV Floor, Nungambakkam
Chennai - 600 034

FACTORIES

Andhra Kesari Nagar
Nellore - 524 004
(Andhra Pradesh)

Tada Village
Nellore District - 524 401
(Andhra Pradesh)

INDO NATIONAL LIMITED**NOTICE**

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of INDO NATIONAL LIMITED, will be held at QUALITY INN ARUNA, No. 144, Sterling Road, Chennai - 600034, on Friday, the 26th May, 2000 at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet of the Company as at March 31, 2000 and the Profit and Loss Account for the year ended that date together with the report of the Auditors' thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Mr.M.Sato, who retires by rotation under Article 147 of the Articles of Association of the Company and as per applicable provisions of the Companies Act 1956, and who, being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT the Articles of Association of the Company be and is hereby altered in the manner and to the extent as set out below:

- a) The following new Articles 57A, 57B and 57C shall be inserted after Article 57:

The Depositories Act and Depository

"57A. For the purpose of Articles 57B and 57C appearing hereunder (a) 'The Depositories Act' shall mean Depositories Act, 1996 and includes any statutory modification or re-enactment thereof for the time being in force and (b) 'Depository' shall have the meaning assigning thereto by the Depositories Act.

Dematerialisation and Rematerialisation of Securities

"57B. Notwithstanding anything contained in these Articles, the Company shall have powers to dematerialise its shares and other securities, to rematerialise the same and to offer and issue new shares or other securities in a dematerialised form in accordance with the provisions of the Depositories Act. The rights and obligations of the parties concerned in respect of the shares and other securities in the dematerialised form, and all other matters connected therewith and/or incidental thereto shall be governed by the provisions of the Depositories Act and relevant provisions of the Act.

Option for Investors

"57C. Every person subscribing to or holding shares and other securities of the Company shall have the option to receive certificates therefor or to hold the same with a Depository in dematerialised form. A beneficial owner, i.e. a person whose name is recorded as such in a Depository in respect of the securities, can at any time opt out of the Depository, if permitted by law, and in such a case the Company shall, in the manner and

within the time as prescribed, issue the required certificates in respect of the subject securities to the beneficial holder.

- b) The following new Article 62A shall be inserted after Article 62 :

Nomination facility

"62A(i). Notwithstanding anything contained in Articles 61 and 62 above, every holder of shares in, or other securities of the Company may, at any time, nominate, in the prescribed manner, a person to whom his shares or other securities shall vest in event of his death.

"(ii). Where the shares in, or other securities of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or other securities of the Company shall vest in the event of death of all the joint holders."

"(iii). The provisions of Sections 109A and 109B of the Companies Act, 1956 shall apply in respect of the above nomination."

- c) The following Article 193 be altered in the following manner :

Unclaimed Dividend

"193. Dividends remaining unclaimed after having been declared by the Company shall be dealt with in accordance with the provisions of Section 205A and 205C of the Companies Act, 1956."

6. To consider and if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:

INDO NATIONAL LIMITED

"RESOLVED THAT pursuant to Sections 198(4), 269, 309(3), 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Act and subject to the approval of appropriate authorities, Mr. K. Ishimoto, be and is hereby re-appointed as Joint Managing Director, for a period of 3 years with effect from May 9, 2000 on a remuneration as detailed below be and is hereby approved:

Salary : Rs.1,20,000/- (Rupees one lakh twenty thousands only) per month.
Commission : 1% of the net profits of the Company.

Perquisites:

- a) Rent free accommodation and maintenance thereof. Gas, Electricity and water may be provided by the Company to be valued as per Income-tax Rules, 1962.
- b) Leave salary: One month's salary for every year of service.
- c) Club Fees: Fees of clubs subject to a maximum of two clubs.
- d) Personal Accident Insurance Premium to be paid in rupees and the policy will be taken out in India.
- e) Leave Passage benefits for self and family once in a year to Japan and back in business class or once a year to any place in India including return airfare.
- f) Holiday passages for children studying outside India/family staying abroad:

To and fro holiday passage once in a year by business class or

once in two years by first class to children from place of study abroad to India and to the members of the family from the place of their stay abroad to India if they are not residing in India with the Joint Managing Director.

- g) Freight on his excess unaccompanied baggage to be borne when payable.
- h) Free Medical expenses including surgical and hospitalisation for himself, wife and children, if any.
- i) Reimbursement of all reasonable expenses made for travel for the business of the Company including stay at hotel and other expenses.
- j) Car/free use of car, the monetary value of which may be valued as per the Income-tax Rules, 1962.
- k) Free telephone facility at residence.
- l) Reimbursement of entertainment, hotel and other expenses actually and properly incurred for the business of the Company."

By Order of the Board of Directors

P. OBUL REDDY

Chairman & Managing Director

REGISTERED OFFICE :

35, Nungambakkam High Road
IV Floor, Nungambakkam
Chennai - 600 034

April 12, 2000

NOTES :

1. Explanatory Statement as per Section 173(2) of the Companies Act, 1956 is annexed.
2. Every member entitled to attend and vote may appoint a proxy to attend and vote on his behalf and the proxy need not be a member.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from May 16, 2000 to May 26, 2000 both days inclusive.
4. The Dividend, when declared will be paid on or before July 5, 2000 to those members whose names stand in the Register of Members as on May 26, 2000.
5. Members are requested to notify change of address immediately for the purpose of mailing Dividend Warrants.
6. As already informed all dividends declared for the period upto 31st March 1995, which remained unpaid or unclaimed, have been transferred to the General Revenue Account of the Central Government.

As a result of the amendments introduced through Section 205A to 205C of the Companies Act, 1956, any money transferred to the unpaid dividend account which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to a fund called "Investor Education and Protection Fund" to be set up by the Central Government under

INDO NATIONAL LIMITED

Section 205C(1) of the Companies Act, 1956. Accordingly, the unpaid/unclaimed dividends for the years 1995-96 onwards will become transferable at the end of seven years respectively, to the said Investor Education and Protection Fund and no claims shall lie against the Fund or the Company in respect of individual amounts thereafter. Shareholders

are therefore, requested to send their claims, if any, for the relevant years from 1995-96 onwards before the respective amounts become due for transfer to the Fund.

7. The Company has signed Agreements with National Securities Depository Limited (NSDL) and Central Depository

Services (India) Limited (CDSL) to facilitate holding of, and trading in shares of the Company in dematerialised form in accordance with the provisions of the Depositories Act, 1996. The Company has appointed M/s. Cameo Corporate Services Ltd., Chennai as its Depository Participant for electronic connectivity purpose.

**EXPLANATORY STATEMENT
ANNEXED TO THE NOTICE OF THE
TWENTY SEVENTH ANNUAL
GENERAL MEETING OF THE
COMPANY AS REQUIRED UNDER
SECTION 173(2) OF THE
COMPANIES ACT, 1956.**

ITEM NO.5

With the Depositories Act, 1996, coming into force, investors, at their option, are now enabled to hold and transact securities in dematerialised form through a Depository. The shares of the Company have already been admitted into the Depository system under an arrangement with NSDL and CDSL.

In terms of the newly introduced Sections 109A and 109B of the Companies Act, 1956, every holder of shares of the Company has been given the option to nominate a person to whom his shares shall vest in the event of his death.

The present Articles of Association of the Company do not contain any specific provision for the transfer of unclaimed dividend to the Central Government's General Revenue Account. In view of the provisions of Sections 205A and 205C of the

Companies Act, 1956, this Article of the Company needs to be altered and hence this amendment to the Article 193 of the Articles of Association of the Company.

A copy of the Articles of Association of the Company will be available for inspection of the Members at the Registered Office on any working day prior to the date of the meeting during normal working hours and will also be available at the Meeting.

None of the Directors may be deemed to be interested in this resolution.

Item No. 6

Mr. K. Ishimoto was appointed as Joint Managing Director of the Company from May 9, 1995 for a period of five years at the twenty second Annual General Meeting held on September 15, 1995. The term of office of Mr. K. Ishimoto expires on May 8, 2000. Mr. K. Ishimoto during his tenure as Joint Managing Director had rendered invaluable services to the Company and was also instrumental in the progress made by the Company over the said years. The Board had requested Mr. K. Ishimoto to continue in this position for a further period of three years from May 9, 2000 to May

8, 2003. Mr. K. Ishimoto agreed to the same and the Board accordingly had reappointed him at the existing salary and as per the terms and conditions as given in the resolution subject to the approval of the shareholders in this Annual General Meeting.

The proposed resolution is for obtaining the approval of the shareholders.

None of the Directors other than Mr. K. Ishimoto may be deemed to be interested in the above resolution.

This explanatory statement along with the accompanying notice, should be treated as memorandum of interest, required to be sent to shareholders under Section 302 of the Companies Act, 1956.

By Order of the Board of Directors

P. OBUL REDDY
Chairman & Managing Director

REGISTERED OFFICE :
35, Nungambakkam High Road
IV Floor, Nungambakkam
Chennai - 600 034

April 12, 2000

INDO NATIONAL LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twenty Seventh Annual Report of your Company together with the Audited Balance Sheet as at March 31, 2000, the Profit & Loss Account for the year ended that date and the Auditors' Report thereon.

REVIEW OF PERFORMANCE**Dry Cell Batteries**

The Dry Cell Battery Industry as a whole made a turnaround from the negative growth of 1.5% in the previous year, to an overall growth of about 17% for the year 1999-2000. Your Directors are glad to inform that your Company had also performed well during 1999-2000 with the production having increased from 494 million pieces to 591 million pieces showing an increase of 20%. The sales also increased from 500 million pieces to 578 million pieces registering a growth rate of 16% over the previous year. In terms of value, your Company had registered a turnover of Rs.258 crores as against Rs.226 crores for the previous year with a growth rate of 14%. Considering the above, the results of your Company during the year under review are satisfactory.

Torch Lights

There has been a general sluggishness in the Torch Light segment of the Industry due to unfavourable monsoon conditions. Sales for the year were marginally lower at Rs.4.53 crores as compared to the previous year's sales of Rs.4.58 crores.

FINANCIAL RESULTS

The profit before tax for the year under review is marginally higher at Rs.23.71 crores as against Rs.22.51 crores in the previous year. Though the sales turnover has increased substantially during the year under review, profit had been under pressure,

due to increase in input cost of critical raw materials like Zinc, which has increased nearly by 22%, transportation cost due to hike in Diesel price by the Government and severe competition in the market place from the other manufacturers and new entrants. However, your Directors have taken timely action to control costs, to reduce overhead expenditure and improve the per employee productivity at the plants. The efficient management of working capital resources had resulted in substantial savings in interest and finance charges from Rs.1.51 crores to Rs.0.45 crores.

The financial results for the year 1999-2000 as compared with the previous year are summarised as under:

	1999-2000 (Rs. in crores)	1998-1999 (Rs. in crores)
Profit before Depreciation	30.84	27.62
Less : Depreciation for the year	7.13	5.12
	<u>23.71</u>	<u>22.50</u>
Add : Excess Provision for taxation for earlier years no longer required	0.14	1.28
Add : Surpluses in P&L Account brought forward	0.92	0.55
Profit available for appropriation	<u>24.77</u>	<u>24.33</u>
Your Directors recommend the following appropriation :		
General Reserve	11.00	13.50
Provision for Taxation	8.35	7.00
Proposed Dividend (80%)	3.00 (70%)	2.62
Tax on proposed Dividend	0.33	0.29
Balance in P&L Account carried forward	2.09	0.92
	<u>24.77</u>	<u>24.33</u>

DIVIDEND

Your Directors recommend a dividend of 80% for the year 1999-2000 as compared to 70% for the previous year. This Dividend, if approved, will be paid to the Shareholders whose names appear on the Register of Members as on May 26, 2000.

Y2K INFORMATION

Your Directors are happy to report that your Company had a smooth roll-over to the Year 2000 operations in its Information Technology installation systems without any hitches. No significant costs were incurred in this connection.

LISTING OF SHARES AT NSE

Your Directors are pleased to inform you that the Shares of your Company have been listed at the National Stock Exchange. Trading of the Shares of your Company started in October '99. Your Directors hope that this step will improve the liquidity and increase the trading volumes of the Shares of the Company.

DEMATERIALISATION OF SHARES

Your Directors are pleased to inform that the shares of the Company will be traded in Demat form with effect from June 26, 2000 for trading by Institutional Investors and OCB's as per the mandatory requirements of SEBI. However, individual shareholders who wish to keep their shares in physical form, can continue to do so.

STATEMENT PURSUANT TO LISTING AGREEMENT(S)

The Company's securities are listed at the Stock Exchanges of Mumbai, Chennai, Hyderabad and at the National Stock Exchange. The Company has paid the annual listing fee to all the Stock Exchanges.

INDO NATIONAL LIMITED**LAUNCH OF MERCURY FREE BATTERY**

Your Directors are glad to inform about the launch of a new Mercury free Battery in the market. This Battery is the first of its kind in India. The special feature of this Battery is that it is environmental friendly and does not pollute the environment. The battery has been well received in the market and it is hoped that with increased awareness of the consumers for pollution free atmosphere the sales will improve further.

EXPANSION PROJECT

Your Company had successfully completed the False Bottom project for UM -1P battery segment. The balancing equipments for operating this line amounting to Rs.3 crores was met out of internal accruals and the product has been launched in the market in April, 2000. With this a wide range of Battery Cells in UM-I size will be available to the consumers.

UNION BUDGET 2000-2001

The recent Union Budget for 2000-2001 had introduced certain measures like rationalisation of excise duty which makes it non-Modvatable for certain input items which is likely to cause some loss of Modvat to the Company.

UNIFORM SALES TAX

Uniform Sales Tax rates have been recently proposed by the Government, mainly for common consumer goods. It is hoped that all the States will follow this soon and fix the Sales Tax rate for batteries and torches also at a reasonable level which will improve the sales.

TECHNICAL ASSISTANCE AGREEMENT

Your Directors are glad to inform that the Technical Assistance Agreement with the Foreign Collaborator M/s.Matsushita Electric Industrial Co.

Ltd., Osaka, Japan has been extended for a further period of three years upto March 2002.

PROSPECTS FOR THE CURRENT YEAR

The Dry Cell Battery Industry is witnessing intense competition among the players. In addition to this, entry of other new players and the impact of globalisation has had an effect on all the existing players of the Industry. The Import Policy announced by the Government recently has allowed free import of Batteries and Torch lights which will further increase the competition. Presently, your Company is maintaining its No.2 position in the Industry with a market share of about 31.5%.

To overcome the difficult market conditions your Company is undertaking various measures like productivity improvements, cost reduction activities, reduction of defectives, intensifying the Sales Promotion and Advertisement activities, giving thrust to improving sales in the rural markets through better distribution, etc. With these measures, your Company is hopeful of achieving better performance and thereby increasing the market share in the current year also.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE ETC.

Details regarding conservation of energy, foreign exchange, technology absorption including R & D efforts (as required under amended Section 217 (1) of the Companies Act, 1956) are given separately in Annexure "A" to this Report.

PERSONNEL

Your Directors are happy to express their appreciation for the support and co-operation extended by all employees of the Company.

Relations with the employees at both the Factories and Head office and other Branches were cordial during the year.

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 are set out in Annexure "B" to this report.

DIRECTORS

Your Director Mr. M.Sato, retires at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. K.Ishimoto, whose present term of office expires on May 8, 2000 has been re-appointed by the Board as Joint Managing Director from May 9, 2000 for a period of three years. This re-appointment is subject to the approval of the Shareholders at the ensuing Annual General Meeting.

Mr. H. Uchida has resigned from the Board with effect from October 29, 1999. Your Directors wish to place on record their deep appreciation of the valuable services rendered by Mr. H. Uchida, during his tenure on the Board.

AUDITORS

M/s. P. Srinivasan & Co. Chartered Accountants, Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from them confirming that this appointment will be within the limits laid down under Section 224(1B) of the Companies Act, 1956.

ACKNOWLEDGEMENT

Your Directors thank the Central and State Governments, Financial Institutions and the Banks for their continued help and support. Your Directors also wish to record the appreciation for the guidance and co-operation received from the overseas Collaborator M/s. Matsushita Electric Industrial Company Ltd., Japan.

INDO NATIONAL LIMITED

Your Directors also thank the authorised wholesalers, stockists and retailers for their excellent support under difficult conditions and the consumers for their continued patronage of your Company's products. Your Directors are grateful to all the Shareholders for their continued encouragement and support.

For and on behalf of the
Board of Directors

P. OBUL REDDY
Chairman & Managing Director

REGISTERED OFFICE :
35, Nungambakkam High Road
IV Floor, Nungambakkam
Chennai - 600 034

April 12, 2000

Annexure "A" to Directors' Report

Information required under Section 217(1) of the Companies Act, 1956, as amended by the Companies Amendment Act, 1988 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 year ended March 31, 2000.

A. Conservation of Energy

Efforts are being made to control energy cost wherever possible even though energy cost forms only negligible proportion of total cost of manufacture of batteries. Energy conservation activities initiated earlier based on energy audit have been continued during 1999-2000.

Form "A" Specified in the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is not applicable.

Form "B"

Research and Development (R & D)

- (1) Specific areas in which R & D carried out by the Company:
- New Products Development
 - Import substitution
 - Finding alternate source of materials.

- Development of new products to suit customer requirements (Environment friendly No Mercury Added' Battery in the R-6 segment.)

- Development of improved designs (Battery Components and packaging).

- (2) Benefits derived as a result of the above R & D:

- Efficiency in usage of raw materials
- Cost Reduction
- Improved quality and longer life
- Automatic and accurate testing of batteries
- Foreign exchange savings due to indigenisation efforts

- (3) Future plan of action

To continue indigenisation efforts and to further strengthen R & D activities for the purpose of cost reduction and quality improvements and for developing new products depending on market requirements.

- (4) Expenditure on R & D

	(Rs. in Lakhs)
a) Capital	25.18
b) Recurring	17.57
c) Total	42.75
d) Total R & D expenditure on turnover	0.16%

Technology absorption, adaptation, and innovation

1. Efforts in brief, made towards technology absorption, adaptation and innovation:

Installation of sophisticated instrument for R & D, testing and process control measures.

Technology has been fully absorbed and adapted for all types of Dry cell batteries.

2. Benefits derived as a result of the efforts, e.g: product improvement, cost reduction, product development, import substitution etc.,
- Cost Reduction.
 - Product Quality Maintenance & Improvement.

- Improvement of designs.
- Import Substitution.
- New products development.

3. Imported Technology :

(Imported during the last 5 years reckoned from the beginning of the financial year.)

- (a) Technology imported:

For manufacture of mercury free batteries of UM-3D (R-6) size.

- (b) Year of Import:
1999-2000

- (c) Has Technology been fully absorbed:
Yes.

C. Foreign Exchange Earnings and Outgo:

- (1) Activities relating to Exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans.

At present no exports are being made. However, continuous efforts are being made to procure export orders.

- (2) Total Foreign Exchange used and earned:

Total expenditure on Foreign currency on imports of Raw Materials, Components, Capital Goods, Spare parts, travel and others amounted to Rs.3231 lakhs as against Rs.2777 lakhs for the previous year. Outgo on account of dividend was Rs.105 lakhs as against Rs.82.50 lakhs for the previous year. There was a foreign exchange earning of Rs.11 lakhs on account of exports, through trading activity during the year.

For and on behalf of the
Board of Directors

P. OBUL REDDY
Chairman & Managing Director

REGISTERED OFFICE:
35, Nungambakkam High Road
IV Floor, Nungambakkam
Chennai - 600 034.

April 12, 2000