



28th ANNUAL REPORT 2000 - 2001



The Tada factory, on 30 acres, with the most sophisticated facilities.

Indo National Limited



INDO NATIONAL LIMITED

CONTENTS

Organisation	. . .	2
Notice of Annual General Meeting	. . .	3
Directors' Report	. . .	4
Annexures to Directors' Report		
A. Conservation of energy, technology absorption, foreign exchange, etc. u/s 217 (1) of the Companies Act, 1956	. . .	6
B. Particulars of Employees u/s 217 (2A) of the Companies Act, 1956	. . .	7
Auditors' Report	. . .	8
Balance Sheet	. . .	10
Profit and Loss Account	. . .	11
Schedules to Accounts	. . .	12
Notes on Accounts	. . .	17
Financial Highlights	. . .	27

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.

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 Eighth Annual General Meeting of INDO NATIONAL LIMITED, will be held at QUALITY INNARUNA, No.144, Sterling Road, Chennai - 600 034, on Monday, the 30th July, 2001 at 10.45 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, 2001 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. Y. Kajikawa, 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 a Director in the place of Mr. V.R. Gupte, 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.

5. To appoint Auditors and to fix their remuneration.

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

June 20, 2001

NOTES :

1. 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.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from July 17, 2001 to July 30, 2001 both days inclusive.
3. The Dividend, when declared will be paid on or before August 29, 2001 to those members whose names stand in the Register of Members as on July 30, 2001.
4. Members holding shares in physical form are requested to

notify change of address immediately for the purpose of mailing Dividend Warrants.

5. Members holding shares in the electronic form are advised that address/bank details as furnished to the Company by the respective Depositories, viz. NSDL & CDSL, will be printed on the 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.

Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend for the financial year ended 31st March, 1995 and thereafter, which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government.

Members who have not encashed their dividend warrant(s) so far for the financial year ended 31st March, 1995, or any subsequent financial year(s), are requested to make their claim to the Company.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twenty Eighth Annual Report of your Company together with the Audited Balance Sheet as at March 31, 2001, 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 registered a negative growth of about 7% during the year under review due to delayed monsoon, earthquake in Gujarat and influx of cheap imports of Chinese batteries. Your Company's production had also decreased from 591 million pieces to 534 million pieces. The sales had also decreased from 578 million pieces to 544 million pieces. In terms of value, also the turnover was lower at Rs.247 crores as against Rs.258 crores for the previous year.

Torch Lights

The sales volume of torchlights for the year 2000-2001 had crossed the one million mark and had increased by 8% over the previous year, while the turnover had increased from Rs.4.53 crores to Rs.4.71 crores. Your Company had imported and launched another model BF-100 (Shakti), using 2 cell UM-1 type batteries during the year and the response has been quite encouraging.

FINANCIAL RESULTS

The profit before tax for the year under review is lower at Rs.14.46 crores as against Rs.23.71 crores in the previous year. The profit had been under pressure, due to increase in input cost of critical raw materials like Zinc, and severe competition in the market place from the other manufacturers and cheap varieties of batteries and torchlights imported from China. However, your Directors have taken timely action to control costs, to reduce overhead

expenditure and improve the per employee productivity at the plants. Your Directors are glad to inform that the Company has repaid all the loans and now it is a debt-free company.

The financial results for the year 2000-2001 as compared with the previous year are summarised as under :

	2000-2001 (Rs. in crores)	1999-2000 (Rs. in crores)
Profit Before Depreciation	21.68	30.84
Less : Depreciation for the year	7.22	7.13
	14.46	23.71
Add : Excess Provision for taxation for earlier years no longer required	-	0.14
Add : Surplus in P & L Account brought forward	2.10	0.92
Profit available for appropriation	16.56	24.77
Your Directors recommend the following appropriation :		
General Reserve	4.75	11.00
Provision for Taxation	5.50	8.35
Proposed Dividend (100%)	3.75 (80%)	3.00
Tax on proposed dividend	0.38	0.33
Balance in P&L A/c carried forward	2.18	2.09
	16.56	24.77

DIVIDEND

Your Directors are happy to recommend a higher dividend of 100% for the year 2000-2001 as compared to 80% for the previous year. This Dividend, if approved, will be paid to the Shareholders whose

INDO NATIONAL LIMITED

names appear on the Register of Members as on July 30, 2001.

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.

DEMATERIALISATION OF SHARES

As informed earlier, the shares of your Company were dematerialized, pursuant to the Company joining CDSL and NSDL. The ISIN No. allotted to the Equity Shares of your Company is INE567A01010. Now, the Equity Shares of the Company shall be compulsorily traded in Demat Segment w.e.f. August 28, 2000 in terms of the SEBI Notification No.SMDRP/POLICY-CIR-23/2000 dated 29th May, 2000.

CORPORATE GOVERNANCE

Your Company has always been committed to the best practices in the governance of its affairs. The new policy and provisions laid down in the Companies Act, 1956 and the Clause 49 of the Listing Agreement are a welcome move on the part of SEBI as well as the Government to bring uniformity in these practices. Your Company is taking appropriate steps, for implementation of the corporate governance provisions. Your Directors are happy to inform that the company will ensure that full compliance with SEBI guidelines well before the stipulated date i.e. March 31, 2002.

LAUNCH OF ALKALINE AND LITHIUM BATTERIES

The industry has also witnessed during the year the entry of major foreign brands in the Alkaline and Lithium batteries in the market.

Discussions were held by your Company with the Collaborator M/s. Matsushita Electric Industrial Co. Ltd., Japan, for the import of Alkaline and Lithium batteries under Panasonic brand for marketing the same in the country. Your company had imported Alkaline and Lithium batteries which were successfully launched in the market during the year. The initial response from the market was encouraging.

UNION BUDGET 2001-2002

The recent Union Budget for 2001-2002 had introduced certain measures like introduction of non-modavatable additional special excise duty rationalized to a single rate at 16%. The scope of service tax at 5% enlarged to cover certain banking & financial sectors and communication services. Surcharge of 10% on customs duty had been withdrawn and surcharge on corporate tax had reduced from 18% to 2%. The corporate dividend tax rate has been reduced from 23.6% to 10.2%. These measures are expected to improve the company's profitability.

PROSPECTS FOR THE CURRENT YEAR

As reported earlier, the Dry Cell Battery market conditions are becoming increasingly competitive and maintaining the existing market share itself is becoming more and more difficult due to the severe price wars prevalent in various segments of the Dry Cell Battery Industry. In addition to this, the invasion of cheap quality batteries imported from China has had an effect on all the existing players of the Industry. Your Company had represented to the Government through the Association of Dry Cell Battery Manufacturers and the Government had levied anti-dumping duty on the imported batteries and torchlights which has

reduced the import of cheap quality Chinese batteries. Inspite of the severe competition, your Company is maintaining its No.2 position in the industry with a market share of about 31.5%. The first two months financial results as compared to the same period in previous year are encouraging and we are hopeful of an improved performance in the ensuing financial year. We may also mention that your Company's growth is much better when compared with the others in the dry cell battery industry.

To overcome the difficult market conditions your Company is undertaking various measures like productivity improvements, cost reduction activities, reduction of defectives, intensifying of sales promotion and advertisement activities, improving sales in the rural markets through better distribution, etc. A major step has been taken during the year in deployment of information technology by commencing the implementation of Enterprise Resource Planning (ERP) System of EBIZ FRAME. The roll-out is likely to be completed over the next 12 months. 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

INDO NATIONAL LIMITED

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. Your Company has introduced an Early Separation Scheme at both the factories & the offices and 150 employees have opted the scheme. This will help in reducing manpower and improving the productivity and efficiency.

DIRECTORS

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, your Directors hereby confirm that:

- in the preparation of statement of accounts, the applicable accounting standards have been followed;
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2001 and of the profit or loss of the Company for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the

INDO NATIONAL LIMITED

assets of the company and for preventing and detecting frauds and other irregularities;

- d) the annual accounts are prepared on a going concern basis.

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.

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

June 20, 2001.

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, 2001.

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 2000-2001.

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
- Development of improved designs

- (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	22.49
b) Recurring	17.51
c) Total	40.00
d) Total R & D expenditure as a percentage of total 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.

INDO NATIONAL LIMITED

- a) Cost Reduction.
b) Product Quality Maintenance & Improvement.
c) Improvement of designs.
d) Import Substitution
e) 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 export of Batteries of Torches is being made. However, continuous effort 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.2506 Lakhs as against Rs.3231 Lakhs for the previous year. Outgo on account of dividend was Rs.120 lakhs as against Rs.105 Lakhs for the previous year. There was no foreign exchange earned as there were no exports.

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

June 20, 2001.

Annexure 'B' to Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and Forming part of the Directors' Report for the year ended March 31, 2001

Sl. No.	Name	Age	Designation / Nature of duties	Remuneration (Gross) Rs.	Qualification and Experience	Date of Commencement of employment	Previous Employment Name of the organisation	Designation (No. of years)
Part A- Employed throughout the year and in receipt of remuneration aggregating to Rs.12,00,000/- or more during 2000-2001								
1.	Mr. Obul Reddy P.	75	Chairman and Managing Director	4733013	Industrialist	15.07.72	—	—
2.	Mr. Jiwarajka S.R.	75	Joint Managing Director	4680619	Industrialist	15.07.72	—	—
3.	Mr. Ishimoto K.	52	Joint Managing Director	3501221	Graduate from Kobe University of Commerce with a degree of Bachelor of Business Admn. Over 29 years experience	09.05.95	Matsushita Battery Indl. Co Ltd. Japan	General Manager - Overseas Business Promotion
4.	Mr. Masanobu Abe	45	Whole Time Director	3154709	Graduate over 23 Years Experience	29.09.98	Matsushita Battery Indl. Co Ltd. Japan	Senior Engineer

- Note : 1) All appointments are/were contractual
2) Gross remuneration includes salary, allowances, reimbursement of medical expenses, commission payable and other perquisites (Value as per Income Tax Rules)
3) None of the employees is a relative of any Director of the Company.

For and on behalf of the Board of Directors

P. OBUL REDDY

Chairman and managing Director

Chennai - 600 034
June 20, 2001