

# *33rd Annual Report* *2005 - 06*



# NIPPO

## Nippo Batteries Co. Ltd

# Nippo Batteries Co. Ltd

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# Nippo Batteries Co. Ltd

## BOARD OF DIRECTORS

**Justice S. Natarajan**

Chairman

**P. Obul Reddy**

Managing Director

**S. Soematsu**

Joint Managing Director

**S.R. Jiwarajka**

Joint Managing Director

**M. Shiga**

Wholetime Director

**T. Konda**

**Y. Yokoe**

**V.R. Gupte**

**Dr. S.A. Dave**

**S. Murali Krishna**

## SECRETARY

## AUDITORS

**P. Srinivasan & Co.**

18, Gopalakrishna Road, T. Nagar  
Chennai - 600 017.

## BANKERS

**Canara Bank**

**The Bank of Tokyo - Mitsubishi Ltd.**

## REGISTERED AND ADMINISTRATIVE OFFICE

Pottipati Plaza

No.77, 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)

# Nippo Batteries Co. Ltd

## NOTICE

NOTICE is hereby given that the THIRTY THIRD ANNUAL GENERAL MEETING of NIPPO BATTERIES CO. LTD, will be held at The Aruna Chennai, No.144-145, Sterling Road, Chennai - 600 034, on Wednesday, the 14<sup>th</sup> June, 2006 at 10.30 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, 2006 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. 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.
4. To appoint a Director in the place of Dr. S.A. Dave, 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 M/s. P. Srinivasan & Co., Chartered Accountants, Chennai as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Audit Committee and Board of Directors to fix their remuneration.

## SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Act, Mr. P. Obul Reddy be and is hereby re-appointed as Managing Director with effect from October 1, 2006 to September 30, 2009 on the following terms and conditions be and is hereby approved:

Salary: Rs.4,00,000/- (Rupees Four lakhs only) per month.

Commission: 1% of the net profits of the Company.

## Perquisites:

- a) Medical Reimbursement: Reimbursement of expenses actually incurred for self and family, subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- b) Leave Travel Concession : For self and family once a year as per the rules of the Company.
- c) Club Fees: Fees of clubs subject to a maximum of two clubs, admission and life membership not being allowed.
- d) Personal accident insurance: Annual premium payable by the Company, not exceeding Rs.4,000/-.
- e) Company's contribution towards Provident Fund : Not exceeding 12% of the salary as laid down under the Income Tax Rules, 1962.
- f) Company's contribution to Superannuation/Annuity Fund: Not exceeding 15% of the salary as laid down under the Income Tax Rules, 1962.
- g) Gratuity: One full month's salary for each completed year of service.
- h) Encashment of leave at the end of tenure as per the rules of the Company.
- i) Car: For use of Company's business. Use of car for private purposes shall be billed by the Company to Mr. P. Obul Reddy.
- j) Telephone: Telephone facility at residence. Personal long distance calls shall be billed by the Company to Mr. P.Obul Reddy."

"FURTHER RESOLVED THAT pursuant to sub-section (4) of Section 198 of the Companies Act, 1956, the above remuneration and perquisites be paid to Mr. P. Obul Reddy, Managing Director as minimum remuneration in case of absence or inadequacy of profits in any financial year of the Company during his term of office."

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

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Act, Mr. S.R. Jiwaraika be and is hereby re-appointed as Joint Managing Director with effect from October 1, 2006 to September 30, 2009 on the following terms and conditions be and is hereby approved:

Salary: Rs.4,00,000/- (Rupees Four lakhs only) per month.

Commission: 1% of the net profits of the Company.

## Nippo Batteries Co. Ltd

### Perquisites:

- a) Medical Reimbursement: Reimbursement of expenses actually incurred for self and family, subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- b) Leave Travel Concession : For self and family once a year as per the rules of the Company.
- c) Club Fees: Fees of clubs subject to a maximum of two clubs, admission and life membership not being allowed.
- d) Personal accident insurance: Annual premium payable by the Company, not exceeding Rs.4,000/-.
- e) Company's contribution towards Provident Fund : Not exceeding 12% of the salary as laid down under the Income Tax Rules, 1962.
- f) Company's contribution to Superannuation/Annuity Fund: Not exceeding 15% of the salary as laid down under the Income Tax Rules, 1962.
- g) Gratuity: One full month's salary for each completed year of service.
- h) Encashment of leave at the end of tenure as per the rules of the Company.
- i) Car: For use of Company's business. Use of car for private purposes shall be billed by the Company to Mr. S.R. Jiwaraika.
- j) Telephone: Telephone facility at residence. Personal long distance calls shall be billed by the Company to Mr. S.R. Jiwaraika."

"FURTHER RESOLVED THAT pursuant to sub-section (4) of Section 198 of the Companies Act, 1956, the above remuneration and perquisites be paid to Mr. S.R. Jiwaraika, Joint Managing Director as minimum remuneration in case of absence or inadequacy of profits in any financial year of the Company during his term of office."

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

"RESOLVED THAT pursuant to Sections 198, 269, 309, 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, the re-appointment of Mr. S. Soematsu as Joint Managing Director from October 1, 2006 to September 30, 2009 on a remuneration as detailed below be and is hereby approved:

Salary: Rs.2,50,000/- (Rupees two lakh fifty thousands only) per month.

Commission: One percent of the net profits of the Company.

### Perquisites:

- a) Rent free furnished residential 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 passage 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) Medical benefits for self and family: Reimbursement of expenses actually incurred including surgical and hospitalization expenses.
- 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 evaluated 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."

"FURTHER RESOLVED THAT pursuant to sub-section (4) of Section 198 of the Companies Act, 1956, the above remuneration and perquisites be paid to Mr. S. Soematsu, Joint Managing Director as minimum remuneration in case of absence or inadequacy of profits in any financial year of the Company during his term of office."

For and on behalf of the Board of Directors  
For Nippo Batteries Co. Ltd.

Place: Chennai  
Date : 20<sup>th</sup> April, 2006

Justice S. Natrajan  
Chairman

# Nippo Batteries Co. Ltd

## NOTES :

1. Explanatory statement as per the provisions of Section 173(2) of the Companies Act, 1956, in respect of the items of the Special Business as set out above is annexed.
2. **A member entitled to attend and vote at this Annual General Meeting (AGM) may appoint a proxy to attend and vote on his behalf. Such a proxy need not be a member of the Company. Proxies, in order to be effective, must be received at the Registered office of the Company not less than FORTY - EIGHT HOURS before the commencement of the meeting.**
3. The Register of Members and the Share Transfer Books of the Company will remain closed from June 6, 2006 to June 14, 2006, (both days inclusive).
4. The Dividend upon its declaration at the meeting will be paid to those members whose names stand in the Register of Members as on June 14, 2006. The said dividend will be paid on June 20, 2006. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by NSDL and CDSL for this purpose.
5. Members holding shares in physical form are requested to notify change of address immediately for the purpose of mailing Dividend Warrants.
6. As already informed the shares of the company have been activated for dematerialisation with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) vide ISIN INE567A01010.
- Members wishing to dematerialise their shares may approach any Depository Participant (DP).
7. Members who hold shares in demat form are requested to notify any change in their particulars like change in address, bank particulars etc. to their respective Depository Participants immediately.
8. Kindly mention your Folio Number / Client ID / DP ID Number (in case of shares held in electronic form) in all your correspondence to the Company or Share Transfer Agents and in the case of electronic form to the Depository Participant in order to reply to your queries promptly.
9. Pursuant to Section 205A of the Companies Act, 1956, an amount of Rs.98,734/- remaining unclaimed out of the dividend for the year 1997-98 (declared on July 31, 1998) was transferred to the Investor Education and Protection Fund established under Section 205C(1) of the Act on September 13, 2005. The unclaimed dividend, if any, for the year 1998-99 will become transferable to the "Investor Education and Protection Fund" on or before 31st August, 2006. It is hereby notified to the members that once the dividend amount is transferred to the Fund, as per Section 205A(5) of the Act, the same cannot be claimed by the members from the Fund established.
10. Members seeking any information or clarification with regard to the accounts, are requested to write to the Company atleast ten days in advance of the meeting so as to enable the Company to keep the information ready.

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

### **ITEM NO. 6**

Mr. P. Obul Reddy was reappointed as Managing Director of the Company for a period with effect from October 1, 2004 to September 30, 2006 at the Thirty First Annual General Meeting of the Company held on 9<sup>th</sup> July, 2004. The said term expires on September 30, 2006. The company had made excellent progress under the able leadership and guidance of Mr. P. Obul Reddy without whose efforts the Company would not have obtained the No.2 position in the Dry Cell Battery Industry. In view of the severe competitive conditions prevalent in the Dry Cell Battery Industry today and the entry of new players in the market which has put added pressure on the company for maintaining its present position, the Board considered it necessary to have continued services of Mr. P. Obul Reddy as Managing Director for a further period from October 1, 2006 to September 30, 2009. Accordingly, the Board at its meeting held on April 20, 2006, unanimously reappointed him with effect from October

1, 2006 to September 30, 2009, on the same terms and conditions with the existing remuneration as stipulated in the resolution which is in line with the Schedule XIII to the Companies Act, 1956. The proposed resolution is for obtaining the approval of the shareholders.

Mr. P. Obul Reddy may be deemed to be interested in the above resolution.

This explanatory statement 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.

### **ITEM NO. 7**

Mr. S.R. Jiwrajka was reappointed as Joint Managing Director of the Company for a period with effect from October 1, 2004 to September 30, 2006 at the Thirty First Annual General Meeting of the Company held on 9<sup>th</sup> July, 2004. The said term expires on September 30, 2006. The company had made excellent progress under the able leadership and guidance of Mr. S.R. Jiwrajka without whose efforts the Company would not have obtained the No.2 position in the Dry Cell Battery Industry. In view of the severe competitive conditions prevalent in the Dry



# Nippo Batteries Co. Ltd

Cell Battery Industry today and the entry of new players in the market which has put added pressure on the company for maintaining its present position, the Board considered it necessary to have continued services of Mr. S.R. Jiwarajka as Joint Managing Director for a further period from October 1, 2006 to September 30, 2009. Accordingly, the Board at its meeting held on April 20, 2006, unanimously reappointed him with effect from October 1, 2006 to September 30, 2009, on the same terms and conditions with the existing remuneration as stipulated in the resolution which is in line with the Schedule XIII to the Companies Act, 1956. The proposed resolution is for obtaining the approval of the shareholders.

Mr. S.R. Jiwarajka may be deemed to be interested in the above resolution.

This explanatory statement 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.

## ITEM NO. 8

Mr. S. Soematsu was reappointed as Joint Managing Director for a period with effect from May 1, 2005 to September 30, 2006 at the Thirty Second Annual General Meeting held on 15<sup>th</sup> June, 2005. The said term expires on September 30, 2006. Mr. S. Soematsu had rendered invaluable services during his tenure as Joint Managing Director and the Board had considered it necessary to extend his services for a further period from October 1, 2006 to September 30, 2009. Accordingly, the Board at its meeting held on April 20, 2006, unanimously reappointed him with effect from October 1, 2006 to September 30, 2009, on the same terms and conditions with the existing remuneration as stipulated in the resolution which is in line with the Schedule XIII to the Companies Act, 1956. The proposed resolution is for obtaining the approval of the shareholders.

Mr. S. Soematsu may be deemed to be interested in the above resolution.

This explanatory statement 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.

## INFORMATION ABOUT THE DIRECTORS PROPOSED TO BE APPOINTED / RE-APPOINTED:

As required under the listing agreement, the particulars of Directors who are proposed to be appointed/re-appointed are given below:

### Mr. V.R. Gupte

Mr. V.R. Gupte, after completing Masters Degree in Law and passing the IRS and allied services examination of Union Public Service Commission, joined Indian Revenue Service in 1954 and held several positions in Income Tax Department and was a Joint Secretary, Ministry of Finance, Banking Division. Presently he is a Director in the Board of Panasonic Carbon India Co. Ltd. and Novastar Capital Trustee Services Pvt. Ltd. He is also a Chairman of Audit Committee & Shareholders/Investors Grievance

Committee and Member of Remuneration Committee of your Company.

### Dr. S.A. Dave

Dr. S.A. Dave is a M.A., Ph.D. He was a Chairman of Unit Trust of India (UTI), Securities & Exchange Board of India (SEBI) and was an Executive Director in IDBI and was a Deputy Director in the Economics Department of Reserve Bank of India. Presently he is a Director in the Board of HDFC, CMIE, Modicorp Global Pvt. Ltd., SBI DFH Ltd., Phoenix Township Ltd., Quantum Information Services Ltd., Shrenuj & Co. Ltd. and Plus Paper Ltd. He is also a Member of the Audit Committee and Remuneration Committee of your Company.

### Mr. P. Obul Reddy

Mr. P. Obul Reddy is the Managing Director of Nippo Batteries right from the beginning. He is having vast experience in Corporate Management. He is one of the pioneers in the electrical and electronic trade and industry in India. He is well known for his philanthropic and cultural activities in the service of society. He is a Trustee of The Music Academy, Chennai. Presently he is a Chairman of Panasonic Carbon India Co. Ltd., Panasonic Home Appliances India Co. Ltd. and Zodiac Travels Pvt. Ltd.. He is also a Director in the Board of Apollo Hospitals & Enterprises Ltd. He is a Member of the Shareholders/Investors Grievance Committee of your Company.

### Mr. S.R. Jiwarajka

Mr. S.R. Jiwarajka is the Joint Managing Director of Nippo Batteries and he is associated with the Company right from the beginning. He is a leading industrialist having more than 42 years experience in manufacturing and trading activities in the electrical and electronic goods. Presently, he is the President of Association of Indian Dry Cell Battery Manufacturers. He is also a Chairman of Karnatak Sangeet Sabha. He is well known for his philanthropic and charitable activities for social causes. Presently he is the Chairman of Salora International Ltd., Panasonic AVC Networks India Co. Ltd., Sab Electronic Devices Ltd. and Vice-Chairman of Ericsson India Pvt. Ltd. He is also a Director in the Board of Panasonic Carbon India Co. Ltd. He is a Member of the Shareholders/Investors Grievance Committee of your Company.

### Mr. S. Soematsu

Mr. S. Soematsu is a graduate in business administration from Kobe University of Commerce. He joined our Collaborators M/s. Matsushita Electric Industrial Co. Ltd. (MEI), Japan in the year 1974. He worked in different departments holding various positions before he joined your Company in the year 2002. He does not hold either Directorship or Membership in any of the Committees in any other Company.

For and on behalf of the Board of Directors  
For Nippo Batteries Co. Ltd.

Place: Chennai  
Date : 20<sup>th</sup> April, 2006

Justice S. Natarajan  
Chairman

## Nippo Batteries Co. Ltd

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Thirty Third Annual Report of your Company together with the Audited Balance Sheet as at March 31, 2006, the Profit & Loss Account for the year ended that date and the Auditors' Report thereon.

**CHANGE OF NAME**

As approved by you at the previous Annual General Meeting held on 15<sup>th</sup> June, 2005, the name of the Company had been changed to NIPPO BATTERIES CO. LTD. from erstwhile INDO NATIONAL LIMITED after duly complying with all required formalities.

**REVIEW OF PERFORMANCE****Dry Cell Batteries**

The Dry Cell Battery Industry production as a whole registered a growth rate of about 3% for the year 2005-06. Your Company's production had also increased from 700 million pieces to 713 million pieces showing an increase of 2%. The sales had also increased from 699 million pieces to 712 million pieces. In terms of value, your Company had registered a turnover of Rs.318 crores as against Rs.297 crores for the previous year with a growth rate of 7%.

**Torch Lights**

The sales volume of torchlights had decreased from 7.15 lakh pieces to 6.41 lakh pieces as compared to the previous year.

**FINANCIAL RESULTS**

The profit before tax for the year under review is at Rs.15.47 crores as against Rs.15.01 crores in the previous year. The profit had been under pressure, due to steep increase in the prices of critical raw materials like zinc and severe competition in the market place from the other manufacturers. However, your Directors have taken timely action to control costs, to reduce overhead expenditure and improve the per employee productivity at the plants.

The financial results for the year 2005-06 as compared with the previous year are summarized as under:

	<b>2005-06</b> <b>(Rs. in crores)</b>	<b>2004-05</b> <b>(Rs. in crores)</b>
Profit for the year	<b>22.63</b>	22.48
Less : Depreciation for the year	<b>7.39</b>	7.45
Profit before depreciation	<b>15.24</b>	15.03
Prior period adjustments etc.	<b>(0.23)</b>	0.02
Profit Before Tax	<b>15.47</b>	15.01
Provision for tax including Deferred tax	<b>5.22</b>	4.50
Profit After Tax	<b>10.25</b>	10.51
Surplus in P&L Account brought forward	<b>4.86</b>	4.80
Profit available for appropriation	<b>15.11</b>	15.31

Your Directors recommend the following appropriations:

General Reserve	<b>1.65</b>	1.90
Proposed Dividend (200%)	<b>7.50</b>	7.50
Tax on proposed dividend	<b>1.05</b>	1.05
Surplus in P&L A/c carried forward	<b>4.91</b>	4.86
Total	<b>15.11</b>	15.31

**DIVIDEND**

Your Directors are happy to recommend a dividend of 200% for the year 2005-06. This Dividend, if approved, will be paid to the Shareholders whose names appear on the Register of Members as on 14<sup>th</sup> June, 2006. The Company intends to pay the dividend on 20<sup>th</sup> June, 2006 itself, instead of waiting for the statutory period of 30 days permitted by the provisions of the Companies Act, 1956.

**STATEMENT PURSUANT TO LISTING AGREEMENT**

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.

**CORPORATE GOVERNANCE**

A separate report on Corporate Governance along with Auditors' Certificate on its compliance is attached as Annexure "C" to this report.

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE, ETC.**

Your Company has always been in the forefront of energy conservation. Several measures to conserve energy and to reduce the costs associated with it have been taken. The details regarding conservation of energy, foreign exchange, technology absorption including R & D efforts (as required under Section 217(1)(e) of the Companies Act, 1956) are given in Annexure "A" to this Report.

**PERSONNEL**

Your Directors wish to place on record their appreciation for the dedication and hard work put in by the employees at all levels for the overall growth of your 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.



# Nippo Batteries Co. Ltd

## DIRECTORS

In accordance with the Articles of Association of the Company Mr. V.R. Gupte and Dr. S.A. Dave retire by rotation at this ensuing Annual General Meeting. They being eligible, offer themselves for re-appointment.

Mr. P. Obul Reddy whose term expires on September 30, 2006 has been reappointed as Managing Director for the period from October 1, 2006 to September 30, 2009 at the Board Meeting held on April 20, 2006. This is now subject to the approval of the shareholders at the ensuing Annual General Meeting.

Mr. S.R. Jiwaraika whose term expires on September 30, 2006 has been reappointed as Joint Managing Director for the period from October 1, 2006 to September 30, 2009 at the Board Meeting held on April 20, 2006. This is now subject to the approval of the shareholders at the ensuing Annual General Meeting.

Mr. S. Soematsu whose term expires on September 30, 2006 has been reappointed as Joint Managing Director for the period from October 1, 2006 to September 30, 2009 at the Board Meeting held on April 20, 2006. This is now subject to the approval of the shareholders at the ensuing Annual General Meeting.

## 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:

- a) in the preparation of statement of accounts, the applicable Accounting Standards have been followed;
- b) selected such accounting policies and applied them consistently and made judgments 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

31<sup>st</sup> March, 2006 and of the Profit of the Company for that period;

- c) 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 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 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 Foreign Collaborator M/s. Matsushita Electric Industrial Company Ltd., Japan.

Your Directors also thank the Authorised Wholesale Dealers, 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 specially thankful to the esteemed Shareholders for their continued encouragement and support.

For and on behalf of the Board of Directors  
For Nippo Batteries Co. Ltd.,

Place: Chennai  
Date : 20<sup>th</sup> April, 2006

Justice S. Natarajan  
Chairman

# Nippo Batteries Co. Ltd

## Annexure "A" to Directors' Report

Information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended March 31, 2006.

### 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 2005-06.

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

### B. Technology Absorption

#### Research and Development (R & D)

(1) Specific areas in which R & D activities are carried out by the Company:

- New Products Development
- Finding alternate source of materials
- Import Substitution
- Development of improved designs
- Development of new products to suit consumer requirements

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

- Efficiency in usage of raw materials
- Cost Reduction
- Improvement in product quality
- 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) Recurring	28.93
b) Total R & D expenditure as a percentage of total turnover	0.09

### 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.,

- Improvement of designs.
- Import Substitution.
- Cost Reduction.
- Product Quality Maintenance & Improvement.
- New products development.

3. Imported Technology : Not Applicable

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

- Technology imported: --
- Year of Import: --
- Has Technology been fully absorbed: --

### 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.3057 lakhs as against Rs.2550 lakhs for the previous year. Outgo on account of Dividend was Rs.300 lakhs as against the same amount of Rs.300 lakhs in the previous year.

For and on behalf of the Board of Directors  
For Nippo Batteries Co. Ltd.,

Place: Chennai  
Date : 20<sup>th</sup> April, 2006

Justice S. Natarajan  
Chairman