

NIPPO

34th Annual Report 2006 - 07

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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.R. Jiwarajka

Joint Managing Director

M. Shiga

Y. Yokoe

Y. Terao

H. Ozono

V.R. Gupte

Dr. S.A. Dave

SECRETARY

J. Srinivasan

AUDITORS

Report



Junction

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 FOURTH ANNUAL GENERAL MEETING of NIPPO BATTERIES CO. LTD, will be held at The Aruna Chennai, 144-145, Sterling Road, Chennai - 600 034, on Thursday, the 14th June, 2007 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, 2007 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.Yokoe, 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. M. Shiga, 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 an ORDINARY RESOLUTION:

"RESOLVED THAT Mr. Yoshika Terao, who was appointed as Director u/s.262 of the Companies Act, 1956, to fill in the casual vacancy on the Board occasioned due to the resignation of Mr. S.Soematsu who ceases to hold office under the provisions of the said section and is eligible for reappointment and in respect of whom the Company has received a notice in writing u/s.257 of the Companies Act, 1956, from a member signifying his intention to propose him as a candidate for the office of a Director of the Company, be liable to retire by rotation."

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

"RESOLVED THAT Mr. H.Ozono, who was appointed as Director u/s.262 of the Companies Act, 1956, to fill in the casual vacancy on the Board occasioned due to the resignation of Mr. T. Konda who ceases to hold office under the provisions of the said section and is eligible for reappointment and in respect of whom the Company has received a notice in writing u/s.257 of the Companies Act, 1956, from a member signifying his intention to propose him as a candidate for the office of a Director of the Company, be liable to retire by rotation."

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

Place: Chennai
Date : 20th April, 2007

Justice S. Natarajan
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, 2007 to June 14, 2007 (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, 2007. The said dividend will be paid on June 20, 2007. 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.1,32,860/- remaining unclaimed out of the dividend for the year 1998-99 (declared on July 14, 1999) was transferred to the Investor Education and Protection Fund established under Section 205C(1) of the Act on September 13, 2006. The unclaimed dividend, if any, for the year 1999-2000 will become transferable to the "Investor Education and Protection Fund" on or before 15th July, 2007. 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 FOURTH ANNUAL GENERAL MEETING OF THE COMPANY AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO.6

Mr. S.Soematsu, who was nominated by our Collaborator, M/s. Matsushita Electric Industrial Co. Ltd., Japan, had resigned from the Board with effect from September 29, 2006. Our Collaborator had nominated Mr. Yoshika Terao, in the place of Mr. S.Soematsu and accordingly Mr. Yoshika Terao was appointed as a Director by the Board with effect from 27th October, 2006 and hence holds office only upto the date of this Annual General Meeting. A notice in writing

from a member has been received u/s.257 of the Companies Act, 1956, along with a deposit of Rs.500/- recommending his appointment as a Director. Accordingly, your Directors recommend that the resolution for the appointment of Mr. Yoshika Terao, as a Director be passed.

Mr. Yoshika Terao may be deemed to be interested in the above resolution.

ITEM No.7

Mr. T. Konda, who was nominated by our Collaborator, M/s. Matsushita Electric Industrial Co. Ltd., Japan, had resigned from the Board with effect from July 2 2006. Our Collaborator had nominated Mr. H.Ozono in the place of Mr. T.Konda and accordingly Mr. H.Ozono was appointed

Nippo Batteries Co. Ltd

as a Director by the Board with effect from 19th July, 2006 and hence holds office only upto the date of this Annual General Meeting. A notice in writing from a member has been received u/s.257 of the Companies Act, 1956, along with a deposit of Rs.500/- recommending his appointment as a Director. Accordingly, your Directors recommend that the resolution for the appointment of Mr. H.Ozono , as a Director be passed.

Mr. H.Ozono may be deemed to be interested in the above resolution.

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. Y. Yokoe

Mr. Y. Yokoe is a graduate in Foreign Studies. He has worked in many divisions in different companies of our Collaborators in various capacities. He was also the President of one of their Battery Manufacturing Units in Thailand. He is a Director of your Company since May, 2002. Mr. Y.Yokoe holds Directorship in Panasonic Carbon India Co. Ltd. and Panasonic Battery India Co. Ltd. in India and ten companies outside India, all promoted with Matsushita Collaboration. He is not a Member in any of the Committees of the Board.

Mr. M. Shiga

Mr. M. Shiga is a graduate from Hyogo Prefectural Himeji Technical High School with specialization in Industrial Chemistry. He joined our Collaborators M/s. Matsushita Electric Industrial Co. Ltd. (MEI), Japan in the year 1971. He worked in different departments holding various positions. He was then deputed as Senior Technical Advisor to MEI's Malaysian subsidiary, Matsushita Electric Co. for a period of six years from March, 1998 to January, 2004. Thus he has adequate expertise in the field of manufacturing process

& production and R&D activities and technology up gradation functions. He does not hold either Directorship or Membership in any of the Committees in any other Company.

Mr. Y. Terao

Mr. Yoshiki Terao, 42 years of age, is a Master's degree graduate from Interdisciplinary Graduate School of Engineering Services, Kyushu University (Dept. of Materials Science & Technology) Japan. He joined M/s. Matsushita Electric Industrial Co. Ltd, Japan (MEI) in the year 1990 and after extensive corporate training, assigned to Matsushita Battery Industrial Co. Ltd., (MBI), a subsidiary of MEI in the same year. During his first thirteen years of service with them, he worked in different Departments holding various positions like Engineer and Staff Engineer. Mr. Yoshiki Terao holds Directorship in Panasonic Carbon India Company Ltd. and he is a member of Audit Committee in Panasonic Carbon India Co. Ltd.

Mr. H. Ozono

Mr. H. Ozono, 50 years of age, is a Graduate, Department of Economics of the University of Tokyo. In April 1981, joined Matsushita Electric Industrial Co. Ltd, Japan. During his service he has held many responsible positions including Manager Human Resource Department, Manager Corporate Planning Group of Air conditioner Division of MEI. Mr. Ozono holds Directorship in Panasonic Battery India Co. Ltd., Panasonic Carbon India Co. Ltd., and Panasonic Home Appliances India Co. Ltd. He is not a member in any of the Committee of Board.

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

Place: Chennai
Date : 20th April, 2007

Justice S. Natarajan
Chairman

Nippo Batteries Co. Ltd

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirty Fourth Annual Report of your Company together with the Audited Balance Sheet as at March 31, 2007, 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 production as a whole registered a decline of about 3% for the year 2006-07. Your Company's production had also decreased from 713 million pieces to 649 million pieces showing an decrease of 8.98%. The sales had also decreased from 730 million pieces to 679 million pieces. In terms of value, your Company had registered a turnover of Rs.339 crores as against Rs.312 crores for the previous year with a growth rate of 8.65%.

Torch Lights

The sales volume of torchlights had increased from 6.41 lakh pieces to 8.20 lakh pieces as compared to the previous year.

FINANCIAL RESULTS

The profit before tax for the year under review is at Rs.9.28 crores as against Rs.15.47 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 2006-07 as compared with the previous year are summarized as under:

| | 2006-07 (Rs. in crores) | 2005-06 (Rs. in crores) |
|--|--|----------------------------|
| Profit for the year | 15.92 | 22.63 |
| Less : Depreciation for the year | 6.65 | 7.39 |
| Profit after depreciation | 9.26 | 15.24 |
| Prior period adjustments etc. | 0.02 | (0.23) |
| Profit Before Tax | 9.28 | 15.47 |
| Provision for tax including Deferred tax | 3.27 | 5.22 |
| Profit after Tax | 6.01 | 10.25 |
| Surplus in P&L Account brought forward | 4.91 | 4.86 |
| Profit available for appropriation | 10.92 | 15.11 |

Your Directors recommend the following appropriations :

| | | |
|------------------------------------|--------------|-------|
| General Reserve | 0.62 | 1.65 |
| Proposed Dividend | 4.69 | 7.50 |
| Tax on proposed dividend | 0.79 | 1.05 |
| Surplus in P&L A/c carried forward | 4.82 | 4.91 |
| Total | 10.92 | 15.11 |

DIVIDEND

Your Directors are happy to recommend a dividend of 125% for the year 2006-07. This Dividend, if approved, will be paid to the Shareholders whose names appear on the Register of Members as on 14th June, 2007. The Company intends to pay the dividend on 20th June, 2007, 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 BSE & NSE.

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. Y. Yokoe and Mr. M. Shiga retire by rotation at this ensuing Annual General Meeting. They being eligible, offer themselves for re-appointment.

Mr. S. Soematsu resigned from Board with effect from September 29, 2006. Your directors wish to place on record their appreciation of services rendered by Mr. S. Soematsu.

Mr. T. Konda resigned from Board with effect from October 27, 2006. Your directors wish to place on record their appreciation of services rendered by Mr. T. Konda.

Your Collaborators M/s. Matsushita Electric Industrial Co. Ltd. nominated Mr. Yoshika Terao in place of Mr. S. Soematsu and Mr. Yoshika Terao has been appointed as Director of Board effective from October 27, 2006.

Mr. Yoshika Terao vacates office at the ensuing Annual General Meeting.

Your Collaborators M/s. Matsushita Electric Industrial Co. Ltd. nominated Mr. H. Ozono in place of Mr. T. Konda and Mr. H. Ozono has been appointed as Director of Board effective from July 19, 2006.

Mr. H. Ozono vacates office 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

31st March, 2007 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 : 20th April, 2007

Justice S. Natarajan
Chairman

Nippo Batteries Co.

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, 2007.

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 2006-07.

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:
 - a) New Products Development
 - b) Finding alternate source of materials
 - c) Import Substitution
 - d) Development of improved designs
 - e) Development of new products to suit consumer requirements
- (2) Benefits derived as a result of the above R & D activities:
 - a) Efficiency in usage of raw materials
 - b) Cost Reduction
 - c) Improvement in product quality
 - d) Automatic and accurate testing of batteries
 - e) 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 | 21.21 |
| b) Total R & D expenditure as a percentage of total turnover | 0.06 |

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.,
 - (a) Improvement of designs.
 - (b) Import Substitution.
 - (c) Cost Reduction.
 - (d) Product Quality Maintenance & Improvement.
 - (e) New products development.
3. Imported Technology : Not Applicable
(Imported during the last 5 years reckoned from the beginning of the financial year)
 - (a) Technology imported: --
 - (b) Year of Import: --
 - (c) 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.5058.42 lakhs as against Rs.3057.06 lakhs for the previous year. Outgo on account of Dividend was Rs.187.50 lakhs as against the Rs.300 lakhs in the previous year.

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

Place: Chennai
Date : 20th April, 2007

Justice S. Natarajan
Chairman

Nippo Batteries Co. Ltd

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, 2007.

| Sl. No. | Name | Age | Designation/ Nature of Duties | Remuneration (Gross) Rs. in 000's | 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.24,00,000/- or more during 2006 - 2007

| | | | | | | | | |
|----|--------------------|----|-------------------------|------|---------------|------------|----|----|
| 1. | Mr. Obul Reddy P. | 81 | Managing Director | 6296 | Industrialist | 15.07.1972 | -- | -- |
| 2. | Mr. Jiwarajka S.R. | 81 | Joint Managing Director | 6296 | Industrialist | 15.07.1972 | -- | -- |

Part B - Employed for the part of the year and remuneration aggregating to Rs. 24,00,000/- or more during 2006-2007

| | | | | | | | | |
|----|-----------------|----|-------------------------|------|--|------------|--|---------------------------------------|
| 3. | Mr. Soematsu S. | 55 | Joint Managing Director | 1678 | Graduate from Kabe University of commerce with a Degree of Bachelor of Business Admn. Over 33 years experience | 31.01.2002 | Matsushita Battery Indl. Co. Ltd., Japan | General Manager - Accounting |
| 4. | Mr. Shiga M. | 54 | Whole Time Director | 612 | Bachelor's Degree in Industrial Chemistry Over 36 years experience | 14.05.2004 | Matsushita Battery Indl. Co. Ltd. Japan. | Assistant Councilor Quality Assurance |

- Notes :
1. All appointments are / were contractual
 2. Gross remuneration includes salary, allowances, commission payable and other prerequisites (value as per Income Tax Rules)
 3. None of the employee is a relative of any Director of the Company.

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

Justice S. Natarajan
Chairman

Chennai.
20th April, 2007.