

Nippo Batteries Co. Ltd

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Nippo Batteries Co. Ltd

BOARD OF DIRECTORS

Justice S. Natarajan
Chairman

P. Dwarakanath Reddy
Managing Director

R.P. Khaitan
Joint Managing Director

V.R. Gupte

Dr. S.A. Dave

M. Morikawa

H. Aota

H. Sugimura

J. Goto

J. Srinivasan

SECRETARY

AUDITORS

P. Srinivasan & Co.
New No.6 (Old No.24) Sambasivam St.
T. Nagar
Chennai - 600 017.

BANKERS

Canara Bank
The Bank of Tokyo - Mitsubishi UFJ 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)

NOTICE

NOTICE is hereby given that the THIRTY SEVENTH ANNUAL GENERAL MEETING of NIPPO BATTERIES CO. LTD, will be held at Sri P. Obul Reddy Hall, Vani Mahal, No.103, G.N. Chetty Road, T. Nagar, Chennai - 600 017, on Friday, the 23rd July, 2010 at 10.15 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, 2010 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 Justice S. Natarajan, 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 re-appointment.
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 re-appointment.
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.

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

Place: Chennai
Date: 23rd April, 2010

Justice S. Natarajan
Chairman

NOTES:

1. A member entitled to attend and vote at this Annual General Meeting 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.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 19.07.2010 to 23.07.2010 (Both days inclusive).
3. The Dividend upon its declaration at the meeting will be paid to those members whose names stand in the Register of Members as on 23rd July, 2010. The said dividend will be paid on 30th July, 2010. 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.
4. Members holding shares in physical form are requested to notify change of address immediately for the purpose of mailing Dividend Warrants. As per SEBI circular, in case of transfer of physical shares, the Transfer Deed should contain PAN of both Transferor and Transferee. It is a mandatory requirement.
5. 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).
6. 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.
7. Kindly mention your Folio Number / PAN No./ 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.

8. Pursuant to Section 205A of the Companies Act, 1956, an amount of Rs. 1,53,070/- remaining unclaimed out of the dividend for the year 2001-02 (declared on 31st July, 2002) was transferred to the Investor Education and Protection Fund established under Section 205C(1) of the Act on 17th September, 2009. The unclaimed dividend, if any, for the year 2002-2003 will become transferable to the "Investor Education and Protection Fund" on or before 18th July, 2010. 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.
9. 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.

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

As required in terms of clause 49 of the Listing Agreement, the particulars of Directors who are proposed to be re-appointed are given below:

Justice Mr. S. Natarajan

Justice Mr. S. Natarajan is a B.A., B.L (Retd.), a successful Lawyer and also served as a Public Prosecutor. He was appointed District and Sessions Judge and then elevated as Judge of the Madras High Court. After serving for more than 13 years in Madras High Court he was appointed as Judge of Supreme Court and retired from service. He is a Non Executive Chairman of your Company since March 2002.

Other Directorship:

1. Lakshmi Machine Works Ltd
2. Panasonic Home Appliances India Co. Ltd

He is also a Chairman of Remuneration Committee and a Member of Audit Committee of your Company;

Chairman of Audit Committee and Share Transfer and Grievance Committee of Panasonic Home Appliances India Co., Ltd and Chairman of Share Transfer and Investor Grievances Committee of Lakshmi Machine Works Ltd.

Share holding: NIL

Mr. V. R. Gupte

Mr. V. R. Gupte after completing his Master 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. On voluntary retirement from Government Services in 1980, he worked as Finance Director, Spencer & co. Chennai till 1983 and since then he is practicing as an Advocate.

Other Directorship:

1. Panasonic Carbon India Co., Ltd.

He is also a Chairman of Audit committee / Shareholders/ Investors Grievance Committee of Panasonic Carbon India Co., Ltd. He is also a Chairman of Audit Committee & Shareholders/ Investors Grievances Committee and member of Remuneration committee of your company.

Share holding: NIL

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

Place: Chennai
Date: 23rd April, 2010

Justice S. Natarajan
Chairman

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirty Seventh Annual Report of your Company together with the Audited Balance Sheet as at March 31, 2010, 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 increased about 14.56% for the year 2009-10. Your Company's production had also increased from 653 million pieces to 657 million pieces showing an increase of 0.61%. The sales had also increased from 642 million pieces to 660 million pieces. In terms of value, your Company had registered a turnover of Rs.337 crores as against Rs.308 crores for the previous year with an increase of 9.41%.

Torch and others

The sales volume of torchlights and other products had increased from 36.98 lakh pieces to 62.41 lakh pieces as compared to the previous year.

The Company has introduced new Emergency Power Backup Range (EPBR) products during the year and registered a turn over of Rs.26.03 cr.

FINANCIAL RESULTS

The profit before tax for the year under review is at Rs.25.04 Crores as against Rs.24.53 crores in the previous year. The financial results for the year 2009-10 as compared with the previous year are summarized as under.

	2009-10 (Rs. in crores)	2008-09 (Rs. in crores)
Profit for the year	30.85	30.27
Less : Depreciation for the year	5.83	5.63
Profit after depreciation	25.02	24.64
Prior period adjustments etc.	(0.02)	0.11
Profit Before Tax	25.04	24.53
Provision for tax including Deferred tax	8.52	8.50
Profit after Tax	16.52	16.03
Surplus in P&L Account brought forward	4.81	4.55
Profit available for appropriation	21.33	20.58

Your Directors recommend the following appropriations :

General Reserve	7.50	7.00
Proposed Dividend	7.50	7.50
Tax on proposed dividend	1.27	1.27
Surplus in P&L A/c carried forward	5.06	4.81
Total	21.33	20.58

DIVIDEND

Your Directors are happy to recommend a dividend of 200% for the year 2009-10. This Dividend, if approved, will be paid to the Shareholders whose names appear on the Register of Members as on 23rd July, 2010. The Company intends to pay the dividend on 30th July, 2010 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, 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 "B" 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.

As per section 219 (1) (b) (iv) of the Companies Act, 1956 any member interested in inspecting or obtaining copy of the statement of particulars of employees being forms part of the Report and as required to be annexed under Section 217(2A) of the Companies Act, 1956 may contact the Secretary at Registered Office during working hours.

DIRECTORS

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

Mr. S.R. Jiwarajka resigned from Board with effect from 1st October, 2009. Your directors wish to place on record their appreciation of services rendered by Mr. S.R. Jiwarajka.

Mr. P. Obul Reddy resigned from Board with effect from 23rd April, 2010. Your directors wish to place on record their appreciation of services rendered by Mr. P. Obul Reddy.

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, 2010 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.

WIND MILL

During the year your company has commissioned one more Wind mill (1.5MW) at Tirunelveli District., Tamil Nadu at an investment of Rs.9.25 Crores. The units generated are being sold to Tamilnadu Electricity Board (TNEB) at applicable rates as notified by the Board. The Company is persuaded to get Carbon Credit also.

The emission reduction shall be real, measurable and give long term benefits to the mitigation of climate change and helps in reducing net global green house gas emissions at significantly lower international costs.

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. Panasonic Corporation, 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 especially 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 : 23rd April, 2010

Justice S. Natarajan
Chairman

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, 2010

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 years based on Energy Audit has been continued during 2009-10. As a part of energy generation / distribution, during the year the Company has commissioned one more wind mill (1.5 M.W.).

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 26.82
 - b) Total R & D expenditure
 - as a percentage of total turnover 0.08

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 quality maintenance and 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. 6439.36 lakhs as against Rs. 3410.37 lakhs for the previous year. Outgo on account of Dividend was Rs. 229.42 lakhs as against the same amount of Rs. 229.42 lakhs in the previous year.

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

Place : Chennai
Date : 23rd April, 2010

Justice S. Natarajan
Chairman

ANNEXURE 'B' TO DIRECTORS' REPORT - CORPORATE GOVERNANCE

The Company is regular in complying with the mandatory requirements of the Corporate Governance Code. Given below is the report on Corporate Governance.

a) COMPANY'S PHILOSOPHY

Nippo Batteries has always believed that Good corporate Governance is more a way of business life than a mere legal compulsion. Corporate Governance enhances the trust and confidence of all the stakeholders. Good practice in corporate behaviour helps to enhance and maintain public trust in companies and stock market. It is the application of best management practices, Compliances of Law in true letter and spirit and adherence to ethical standards for effective management discharge of social responsibilities for sustainable development of all stakeholders. In this pursuit, your Company's philosophy on Corporate Governance is led by strong emphasis on transparency, fairness, independence, accountability and integrity. The Board of Directors of the Company is at the centre of the Governance system of the Company. Company is in full compliance of the Corporate Governance principles enuciated in clause 49 of the Listing Agreement, in terms of structure, composition of Board and its committees and other disclosure requirements.

b) BOARD OF DIRECTORS

The composition of Board of Directors of the Company meets the stipulated requirements. The Board of Directors comprises of Two executive directors, Four non-executive directors and Three independent / non - executive directors. The Chairman of the Board is an independent, non-executive director. To be in line with the company's philosophy on Corporate Governance, all statutory subjects are placed before the Board to discharge its responsibilities as trustees of the shareholders.

The composition and category of Directors is as follows:

Name	Category	Number of Directorships held in other Indian companies	Number of Board Committee memberships held in other companies	No. of Shares holding in the company
Justice Mr. S.Natarajan	Independent Director	2	3	-
Mr. P Obul Reddy*	Executive Director	2	1	45476
Mr. S R Jiwarajka*	Executive Director	3	2	44396
Mr. P. Dwarakanath Reddy*	Executive Director	2	None	147213
Mr. R.P. Khaitan*	Executive Director	1	None	51960
Mr. Junichi Goto	Non-Executive Director	None	None	-
Mr. Sugimura	Non-Executive Director	2	None	-
Mr. H. Aota	Non-Executive Director	2	None	-
Mr. Morikawa	Non-Executive Director	None	None	-
Mr. V R Gupte	Independent Director	1	1	-
Dr S.A. Dave	Independent Director	12	5	-

* Mr. P. Obul Reddy resigned from the Board with effect from 23rd April 2010.

* Mr. S.R. Jiwarajka resigned from the Board with effect from 1st October 2009.

*Mr. P. Dwarakanath Reddy has been appointed as Managing Director of the Company with effect from 1st October 2009

*Mr. R. P. Khaitan has been appointed as Joint Managing Director of the Company with effect from 1st October 2009

None of the Directors of the Company was a member of more than 10 committees of Board as stipulated under clause 49 of the Listing Agreement nor was the Chairman of more than 5 such committees across all companies in which he was a Director.

1. BOARD MEETINGS, ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETING AND THE LAST AGM:-

During the year under review Five Board Meetings were held and the gap between two Board meetings did not exceed four months. Among other things, key matters like periodic financial results, capital / operating budgets and risk management are brought to the Board.

2. DATE OF BOARD MEETINGS :

29th May, 2009, 23rd July, 2009, 11th September, 2009, 23rd October, 2009 and 28th January, 2010.

3. THE ATTENDANCE OF THE DIRECTORS AT THE BOARD MEETING / AGM HELD DURING THE YEAR ARE GIVEN BELOW:-

Name of Director	No. of Board Meetings Held	No. of Board Meetings Attended	Last AGM attendance (Yes/No)
Justice Mr. S Natarajan	5	5	Yes
Mr. P. Obul Reddy	5	2	No
Mr. P. Dwarakanath Reddy	4	4	Yes
Mr. S.R. Jiwrajka	3	-	No
Mr. R.P. Khaitan	4	4	Yes
Mr. Junichi Goto	5	1	No
Mr. H. Aota	5	-	No
Mr. M. Morikawa	5	2	No
Mr. H. Sugimura	5	-	No
Mr. V R Gupte	5	5	Yes
Dr. S.A. Dave	5	5	Yes

c) AUDIT COMMITTEE

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's oversight responsibilities, an Audit Committee has been constituted consisting of only Independent/ Non-Executive Directors. The functions of the Audit Committee include:

- Reviewing the adequacy of internal control systems and the internal audit reports, and their compliance thereof.
- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment of external auditors and fixation of their audit fee, and also approval for payment for any other services.
- Reviewing with Management the quarterly and annual financial statements for submission to the Board.

During the year, four meetings were held one of which was for finalisation of accounts. The said meetings were held on 29th may, 2009, 23rd July, 2009, 23rd October, 2009 and 28th January, 2010. The constitution of the Committee and the attendance of each member of the Committee as on March 31, 2010 are given below:

Name	Status	No. of meetings held	No. of meetings attended
Mr. V.R. Gupte	Chairman	4	4
Justice Mr. S. Natarajan	Member	4	4
Dr S.A. Dave	Member	4	4

The Company Secretary is the Compliance Officer of the Audit Committee.

d) INVESTORS GRIEVANCE AND SHARE TRANSFER COMMITTEE:

The Committee oversees share transfers and monitor investors' grievances such as complaints on transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. and redressal thereof., within

the purview of the guidelines set out in the listing agreement. The Committee also look in to the matters of issue of duplicate share certificates, approval / reject application for re-materialisation, subdivision, consolidation, transposition and thereupon issue of share certificates to the shareholders etc., No complaints of material nature were received during the year under review. Subsequent to resignation of Mr. P. Obul Reddy & Mr. S.R. Jiwarajka the committee has been re-constituted and at present the committee consists of the following directors:

1. Mr. V.R. Gupte, Chairman
2. Justice Mr. S. Natarajan, Member
3. Mr. P. Dwarakanath Reddy, Member
4. Mr. R.P. Khaitan, Member

The Company Secretary is the Compliance Officer of the Committee. The company has created separate e-mail id (jsrinivasan@nippobatteries.com) for grievance redressal.

e) REMUNERATION COMMITTEE:

The Committee has been formed specifically to determine the Company's policy on specific remuneration packages for Executive Directors and any compensation payments. The Committee consists of the following Directors:

1. Justice Mr. S. Natarajan, Chairman
2. Mr. V.R. Gupte, Member
3. Dr. S.A. Dave, Member

The details of remuneration paid to the Executive Directors for the financial year 2009-10 are given below:

(Rs. in lakhs)

Name & Designation	Salary	Perquisites	Total
Mr. P. Obul Reddy* Managing Director	24.00	28.04	52.04
Mr. S. R. Jiwarajka** Joint Managing Director	24.00	28.03	52.03
Mr. P. Dwarakanath Reddy Managing Director	24.00	46.66	70.66
Mr. R.P. Khaitan Joint Managing Director	24.00	25.76	49.76

* Mr. P. Obul Reddy holds office for a period of 6 months as Managing Director of the Company i.e., from 1st April 2009 to 30th September 2009.

** Mr. S.R. Jiwarajka holds office for a period of 6 months as Joint Managing Director of the Company i.e., from 1st April 2009 to 30th September 2009.

The Board of Directors shall decide the remuneration of Non-Executive/Independent Directors. The Non-Executive/Independent Directors are paid sitting fees of Rs.10,000/- each per meeting of the Board / Committee attended by them. Further commission upto one percent of net profits of the Company in each Financial year for a period of three financial years commencing from the financial year ending March 31, 2008 is being paid to them in such a manner as determined by the Board of Directors of the Company. The Commission payable to each Non – Executive / Independent Directors for the financial year ending March 31, 2010 amounted to Rs.3,00,000/-. The sitting fees of Rs.1.80 lakhs for attending Board Meeting and Rs.1.20 Lakhs for attending Audit committee meeting paid to Non-Executive/Independent Directors held during the financial year 2009-2010. The Company has not granted any Stock Option to Non-Executive/Independent Directors. There is no differential Accounting Treatment followed in the Company during the Financial Year 2009-2010. There is no