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Annual Report 2002-2003

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Matsushita Lakhanpal Battery India Ltd.

31st ANNUAL REPORT

1st April 2002 to 31st March 2003

BOARD OF DIRECTORS	**Ajai K. Lakhanpal**	**Chairman**
	K. Hokazono	**Managing Director**
	E. B. Desai	
	P. P. Shah	
	D. J. Thakkar	
	G. N. Punj	
	Y. Sato	**(w.e.f. 20-1-2003)**
	S. K. Khurana	
	P. Singhal	
	V. Diddee	
	M. Sato	**(upto 16.7.2002)**
	T. Kawabe	**(w.e.f. 17.7.2002)**
	Y. Yokoe	
Dy. Gen. Manager - Company Secretary	**Ashwin Shah**	
Auditors	**R. M. Chokshi & Co.** **Chartered Accountants**	
Solicitors	**Mulla & Mulla and Craigie Blunt & Caroe**	
Bankers	**State Bank of India** **The Bank of Tokyo-Mitsubishi Ltd.**	
Registered Office	**Makarpura Industrial Area, GIDC, Vadodara-390010.**	
Works	**1. Makarpura Industrial Area, GIDC, Vadodara - 390010.** **2. Plot No. 112, Sector III, Pithampur Industrial Area, Dist. : Dhar (M.P.).**	

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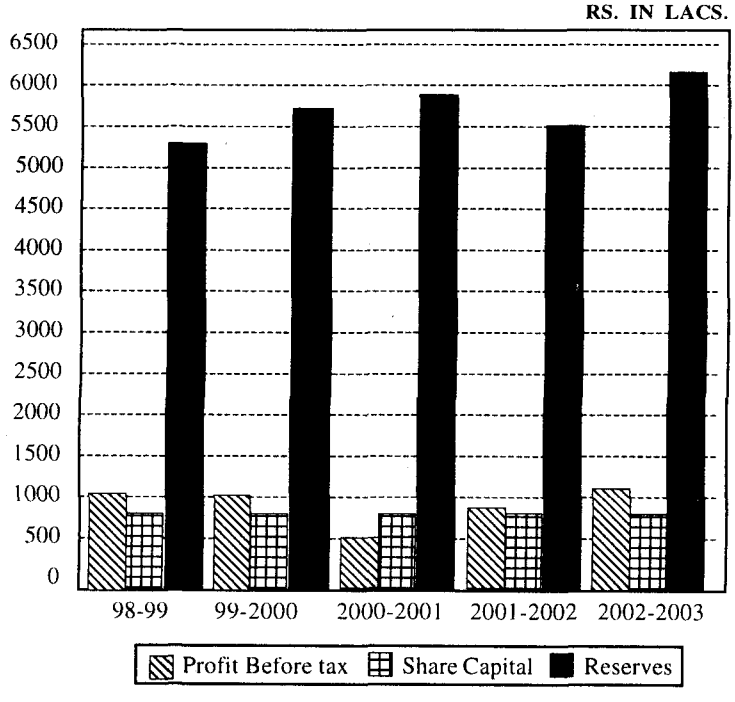
Matsushita Lakhanpal Battery India Ltd.

FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	2002-2003	2001-2002	2000-2001	1999-2000	1998-99
OPERATING RESULTS:					
Turnover	**1,83,94**	**1,71,67**	**1,76,14**	**1,92,97**	**1,82,84**
Profit before Interest, Depreciation & Tax	17,99	15,15	11,83	17,23	18,11
Profit before tax	**11,97**	**8,73**	**5,39**	**10,99**	**11,26**
Profit after tax	**8,66**	**5,89**	**3,89**	**7,13**	**8,50**
Dividend	2,54	1,50	1,65	2,91	2,92
Retained Earnings	6,12	4,39	2,24	4,22	5,58
FIXED ASSETS:					
Gross	1,04,31	1,03,82	1,03,50	92,90	88,80
Net	37,93	44,05	51,14	47,49	50,08
SHAREHOLDERS' FUNDS:					
Share Capital	7,50	7,50	7,50	7,50	7,50
Reserves & Surplus	61,23	55,10	59,66	57,43	53,11
Net Worth	**68,73**	**62,60**	**67,16**	**64,93**	**60,61**
RATIO:					
Sales/Total Assets (No. of Times)	2.47	2.49	2.31	2.53	2.42
Operating Profit/Capital Employed (%)	24.15	21.94	15.54	22.56	23.95
Profit Before Tax/Sales (%)	6.51	5.09	3.06	5.70	6.16
Return on Net Worth (%)	12.60	9.41	5.79	10.98	14.02
Return on Invesment (%)	16.17	12.91	8.51	16.00	17.47
Net Worth per Equity Share (Rs.)	**91.64**	**83.47**	**89.55**	**86.57**	**80.81**
Debt Equity Ratio (On long term loans)	0.08:1	0.08:1	0.11:1	0.14:1	0.17:1
Earning Per Share (Rs.)	11.55	7.86	5.19	9.51	11.33

PROFIT BEFORE TAX, SHARE CAPITAL AND RESERVES



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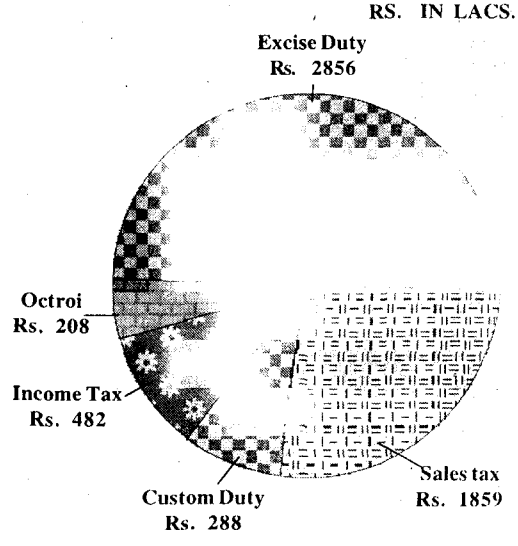

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NOTICE

NOTICE is hereby given that the THIRTY FIRST Annual General Meeting of the members of Matsushita Lakhanpal Battery India Ltd. will be held at Mahatma Gandhi Nagargruh, Near Jubilee Baug, Vadodara - 390 001, on Monday, 14th July 2003 at 10:30 a.m. to transact, with or without modifications, as may be permissible, the following business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2003, and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors' and the Auditors' thereon.

2. To declare Dividend on Equity Shares for the year ended 31st March, 2003.

3. To appoint a Director in place of Mr. E.B. Desai, who retires from Office by rotation and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Mr. P.P. Shah, who retires from Office by rotation and being eligible, offers himself for re-appointment.

5. To appoint a Director in place of Mr. S.K. Khurana who retires from office by rotation and being eligible offers himself for reappointment as a retiring Director and incidental to his holding office as an Executive Director of the Company to consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the relevant provisions of the Articles of Association of the Company and of the Companies Act, 1956 including Section 255, Mr. S.K. Khurana be and is hereby re-appointed a Director of the Company liable to retire by rotation and he do continue to hold office as an Executive Director of the Company."

6. To appoint Mr. Y. Sato (who was appointed as an Additional Director of the Company by the Board under section 260 of the Companies Act, 1956 and Article 134 of the Articles of Association of the Company and who holds office under the provisions of the said Section and the said Article only upto the date of this Annual General Meeting, and in respect of whom, the Company has received a Notice in writing, under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose Mr. Y. Sato as a candidate for the office of a Director), as a Director of the Company incidental to his holding office as Executive Director, as proposed by a subsequent resolution at this meeting and to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution.

   "RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956, including section 257, Mr. Y. Sato be and is hereby appointed as a Director of the Company liable to retire by rotation."

7. To consider and if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

   "RESOLVED THAT M/s. K.C. Mehta & Co., Chartered Accountants, Vadodara, be and are hereby appointed as the Statutory Auditors of the Company in place of M/s. R.M. Chokshi & Co., Chartered Accountants, who have intimated to the Company their unwillingness to be reappointed as Auditors of the Company; to hold office until the conclusion of the next Annual General Meeting of the Company on such remuneration plus reimbursement of expenses as the Board of Directors may fix in that behalf."

8. To consider, and if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 314 and all other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereof and subject to the approval of the Central Government and that of any other concerned authorities, as may be required, and subject to all applicable guidelines issued by the Central Government from time to time, approval is hereby given to the appointment of Mr. Y. Sato as Executive Director, for a period of three years with effect from 20th January 2003 to 19th January 2006, on the terms as to remuneration as set out in the draft Agreement expressed to be made between the Company of the one part and Mr. Sato of the other part; a copy of which is placed before the meeting and initialled by the Secretary for the purpose of identification and as also set out in the Explanatory Statement to this Notice be and is hereby approved.

   RESOLVED FURTHER THAT the Directors be and are hereby authorised to revise the terms of his remuneration and in particular give annual increments in his monthly Salary in such amount as the Board thinks fit, subject to the upper limit of Rs.30,000/- per increment per year and appropriate increase in perquisites relatable to monthly salary, subject however to the limitations in that behalf as may be specified by the Central Government, and also to agree to the modifications, if any, to the above terms as may be suggested by any authority wherever applicable and as agreed to by the Board of Directors and Mr. Sato and that the Agreement in terms of the draft (with such modifications, if any, made therein as aforesaid) when finalised, be executed by the Company in accordance with the relevant provisions contained in the Articles of Association of the Company.

   RESOLVED LASTLY THAT after the completion of his stay in India for a continuous period of twelve months with effect from 19th January 2003, being the date of his arrival in India, the terms of his appointment and remuneration payable to him will be governed by the relevant

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provisions of the amended Schedule XIII of the Companies Act, 1956.

By Order of the Board
For Matsushita Lakhanpal Battery India Ltd.
ASHWIN SHAH
Dy.General Manager - Company Secretary

Registered Office:
Makarpura Industrial Area,
GIDC, VADODARA - 390 010.
24th May, 2003.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. The proxy in order to be effective should be lodged with the Company at its Registered Office atleast 48 hours before the time of the meeting.

2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 3 to 8 of the accompanying Notice is annexed hereto.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 3rd July 2003 to Monday, 14th July 2003 (both days inclusive) for the purpose of determining payment of dividend.

4. Dividend on Equity Shares as recommended by the Directors, if declared at this Annual General Meeting, will be paid on or before 12th August 2003 to those members whose names appear on the Company's Register of Members at the close of business on 14th July 2003.

5. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended on 31st March, 1995 (paid in 1995) have been transferred to the General Revenue Account of the Central Government.

   As per Sections 205A and 205C of the amended Companies Act, 1956, the amount of Dividend for the Financial Year 1995-96 and subsequent years remaining unclaimed over a period of seven years from the date they became due for payment, shall be transferred to the "Investor Education and Protection Fund" established by the Government of India and that no claim shall lie against the Fund or the Company in respect of the amounts so transferred.

   Those shareholders who have so far not claimed their dividend upto the financial year 1994-95 are requested to claim the dividend from the Registrar of Companies, Gujarat, by submitting an application in the prescribed form.

   Such claims for the financial year 1995-96 and subsequent years should be sent to the Company before the expiry of seven years from the date when the respective amounts became due for payment as shown in the table below:

Dividend became due for payment	Due for Transfer to Investor Education & Protection Fund
August, 1996	August, 2003
August, 1997	August, 2004
July, 1998	July, 2005
July, 1999	July, 2006
July, 2000	July, 2007
July, 2001	July, 2008
July, 2002	July, 2009

6. Members holding more than one share certificate in the same name or same order of names under different ledger folios, are requested to apply for consolidation of such folios to the Company together with share certificates in order to facilitate better service. The share certificates will be returned after making necessary endorsement in due course.

7. As per the provisions of the amended Companies Act, 1956, the facility for making nominations is now available to the shareholders in respect of the equity shares held by them. Members who desire to avail of this facility may send Form 2B duly filled in and signed to the Company at its Registered Office or to the Registrars and Share Transfer Agents. The facility would be made available folio wise to individual shareholders including joint holders.

8. Equity Shares of the Company have been **activated for dematerialisation with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) vide "ISIN INE795A01017"**. Members wishing to dematerialise their shares may approach any Depository Participant (DP).

9. Members are requested to:
   (a) Notify immediately any change in their residential address.
   (b) Notify Income-Tax permanent Account Number (PAN) or General Index Register Number (GIR No.): Ward/Range/District where assessed/assessable.
   (c) **Bring their copies of the Annual Reports along with duly filled attendance slip to the meeting.**

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.

11. As required by the listing agreement with the Stock Exchanges where the Company's shares are listed the relevant details in respect of the Directors proposed to be reappointed are set out in the statement attached herewith.

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INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT

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

1. **Name** : Mr. E.B. Desai
   Age : 72 Years
   Qualifications : B.A. (Hons.), LL.B.
   Functional Area : Advocate & Solicitor - Mumbai H.C.
   Director of the Company since 23rd May 1973

Other Directorships:

	Name of the Company	Position held	Committee	Membership Status
1	Birla Global Finance Ltd.	Director		
2	Bekaert Industries Pvt. Ltd.	Director		
3	Century Textiles & Industries Ltd.	Director	Audit	Chairman
			Share Transfer & Shareholders/ Investors' Grievance	Chairman
4	Dolphin Fisheries & Trading Pvt. Ltd.	Director		
5	Hercules Hoists Ltd.	Alternate Director		
6	Hindalco Industries Ltd.	Director	Investors' Grievances	Member
			Audit	Member
7	Ispat Metallics India Ltd.	Director		
8	Matsushita Lakhanpal Battery India Ltd.	Director	Audit	Chairman
9	New Age International Pvt. Ltd.	Director		
10	National Panasonic India Pvt. Ltd.	Director		
11	Prudential ICICI Trust Ltd.	Director	Audit	Member
12	Siltap Chemicals Ltd.	Director	Shareholders/ Investors' Grievances	Member
13	Widia (India) Ltd.	Director	Remuneration	Chairman
			Audit	Member
			Shareholders/ Investors Grievances	Chairman

2. **Name** : Mr. P.P. Shah
   Age : 50 Years
   Qualifications : B.Com, A.I.C.W.A., A.C.A., M.B.A. [HARDVARD]
   Functional Area : Venture capitalist
   Director of the Company since 5th May 1992

Other Directorships:

	Name of the Company	Position held	Committee	Membership Status
1	*AMP IndAsia Fund Advisors (Mauritius) Ltd.	Director		
2	BASF India Ltd.	Director	Audit	Member
3	Bharatiya Reserve Bank Note Mudran Ltd.	Director		
4	Gujarat Positra Port Infrastructure Ltd.	Director	Management	Member
5	*Indocam Himalayan Fund, NV (Netherlands)	Director		
6	*Hardy Oil & Gas Ltd. (U.K)	Director		
7	IndAsia Fund Advisors Pvt. Ltd.	Chairman		
8	NDC Telecommunications India Pvt. Ltd.	Director		
9	Matsushita Lakhanpal Battery India Ltd.	Director	Audit	Member
10	Pfizer Ltd.	Director	Audit	Member
11	Prudential ICICI Asset Management Ltd.	Director	Audit	Chairman
12	Shah Foods Ltd.	Chairman		
13	Sonata Software Ltd.	Director	Audit	Member
			Remuneration	Member
14	*Supra Advisors (BVI) Ltd. (British Virgin Islands)	Director		
15	The Shipping Corporation of India Ltd.	Director		
16	Tata Infomedia Ltd.	Director	Audit	Chairman
17	*Taib Bank EC (Bahrain)	Director	Audit	Member
			Risk	Member
18	Wartsila India Ltd.	Director	Audit	Chairman
19	*Zip Global Network Ltd. (Mauritius)	Director	Audit	Chairman
			Remuneration	Member

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3.	**Name**	:	Mr. S.K. Khurana
	Age	:	55 Years
	Qualifications	:	B.E. (Mech.), F.I.E., Chartered Engineer
	Functional Area	:	Production, Machinery Technology, Development and Quality Assurance, Quality Control. Director of the Company since 1st July 1996.
	Other Directorships	:	NIL
	Committee Membership	:	Shareholders/Investors Grievances Committee - Member
4.	**Name**	:	Mr. Y. Sato
	Age	:	42 Years
	Qualifications	:	Graduate in Business Administration from Kwansei Gakuin University, Japan.
	Functional Area	:	Marketing and Sales Management He is appointed as Executive Director w.e.f. 20th January 2003.
	Other Directorships	:	NIL
	Committee Membership	:	NIL

ANNEXURE TO NOTICE:

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NOS. 3&4

Mr. E.B. Desai and Mr. P.P. Shah retire from the Board by rotation and being eligible offer themselves for reappointment. Pursuant to the requirement of the SEBI Committee on Corporate Governance on reappointment of the retiring Directors, a statement containing briefly, the details of the concerned Directors is attached hereto.

ITEM NO.5

There are in all twelve Directors of the Company at present, out of which only one-third can be non-retiring in view of the provisions contained in Section 255 of the Companies Act, 1956. Since quite a few of the Directors of the Company are whole-time Directors of the Company, appointed for a fixed period of years, to comply with the provisions of Section 255, some of them have to formally retire by rotation at the Annual General Meeting. Mr. Khurana is one of them in whose respect this resolution is being proposed. This resolution in which Mr. Khurana is interested is accordingly commended for acceptance.

ITEM NO.6 AND 8

In terms of the Collaboration Agreement with our foreign collaborators "Matsushita", they have recommended the appointment of Mr. Y. Sato as Executive Director of the Company w.e.f. 20th January 2003, in order to strengthen the Company's management for sales and marketing. Accordingly, Board of Directors has co-opted him on the Board as an additional Director and has designated him as Executive Director for a period of three years w.e.f. 20th January 2003 subject to all required approvals. Mr. Sato is a Graduate in Business Administration from Kwansei Gakuin University, Japan. He has been working with the Company's foreign collaborators at Japan and other overseas subsidiaries of "Matsushita" for last more than 19 years and has acquired considerable experience in the Company's line of business and particularly marketing management. His presence on the Board will be of considerable benefit to the Company and also the Directors in respect of their deliberations at Board Meetings. Considering the relevant provisions of the Act and the Articles he will have to be reappointed as Director liable to retirement by rotation as per resolution under item No. 6 and a separate resolution is being proposed for his appointment as Executive Director of the Company as in item No. 8 of the Notice. Since his period of stay in India, since the date of his arrival is less than twelve months, approval of the Central Government will be obtained in terms of the relevant provisions of the said Schedule XIII. After the said period of twelve months, his continuance as the Executive Director of the Company will be subject to the relevant provisions of the said Schedule. The details of his remuneration are as follows.

(A) **Salary:** Rs.47,500/- (Rupees forty seven thousand five hundred) per month.

(B) **Special Allowance:** Rs.38,000/- (Rupees thirty eight thousand only) per month.

(C) **Commission:** In addition to above salary and special allowance, commission payable to Mr. Sato shall be any amount subject to the upper limit of 0.5% of the net profits of the company in a particular financial year as may be determined by the Board of Directors every year.

(D) **Perquisites:**

(i) In addition to the salary, special allowance and commission, Mr. Sato shall be entitled to perquisites such as accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance expenses, together with utilities therefore such as gas, electricity, water, furniture, furnishings, repairs, servants' salaries and property tax; medical expenses for self and family including surgical and hospitalization expenses, medical/accident insurance, club fees, leave travel concession etc. in accordance with the Rules of the Company, if any, or as may be agreed to by the Directors and Mr. Sato; the monetary value of such perquisites not to exceed the amount equal to one year's annual salary and special allowance (Presently Rs.10.26 Lacs). For the purpose of calculating the above ceiling, perquisites shall be

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evaluated as per Income-tax Rules, wherever applicable and in the absence of any such Rules, the same shall be evaluated at actual cost.

(ii) Use of Company's car and telephone at residence.

(iii) Mr. Sato shall also be eligible for the following perquisites which shall not be included in computation of the ceiling on perquisites specified hereinabove.

(a) Contribution to Provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961;

(b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service;

(c) Leave: One month's leave on full pay and allowances for every eleven months of service. However, no encashment of leave shall be permitted at the end of the tenure.

(d) Children's education allowance: In case of children studying in or outside India, an allowance limited to a maximum of Rs.5,000/- per month per child or actual expenses incurred, whichever is less, such allowance being admissible upto a maximum of two children.

(e) Holiday passage for children studying outside India/family staying abroad by way of return holiday passage once in a year by economy class or once in two years by business class to children and to the members of the family from the place of their study or stay abroad to India, if they are not residing in India with Mr. Sato; and

(f) Passage benefits: Passage both ways to and from India for self and family by air.

(g) Reimbursement of actual expenses incurred in packing, forwarding, loading/unloading as well as freight, insurance, duty, clearing charges, transportation, installation etc. expenses in connection with the moving of the personal effects as well as unaccompanied baggage for self and family.

(h) Reimbursement of entertainment, hotel and other expenses actually and properly incurred for the legitimate business of the Company.

Perquisites at (f) and (g) hereinabove shall be for joining duty in India and also on leaving the employment of the Company.

EXPLANATION: "Family" means the spouse, dependent children and dependent parents of the managerial person.

Minimum Remuneration:
Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Sato, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above subject to the restrictions set forth in Section II of Part II of Schedule XIII of the Companies Act, 1956.

Mr. Sato shall not be paid any sitting fees for attending the meetings of the Board or any Committee thereof.

Inspection:
Copy of the draft agreement relating to the appointment of Mr. Sato is available for inspection by the members of the Company at its Registered Office between the hours of 3.30 p.m. to 5.30 p.m. on any working day upto and inclusive of the date of the ensuing Annual General Meeting.

Memorandum of interest:
Mr. Sato is deemed to be interested in this resolution pertaining to his appointment.

Abstract:
The above Explanatory Statement concerning Mr. Sato together with the relevant resolution in the accompanying Notice may be treated as an abstract circulated to the members pursuant to Section 302 of the Companies Act, 1956.

Accordingly the Board recommends the resolution set out in this item of the Notice for your approval.

ITEM NO. 7
M/s. R.M. Chokshi & Co., Chartered Accountants, Mumbai vide their letter dated 21st May 2003, have expressed their unwillingness to be reappointed as Auditors of the Company. It is therefore proposed to appoint M/s. K.C. Mehta & Co., Chartered Accountants, who are based in Vadodara as the Statutory Auditors in their place and on the terms stated in the resolution under the above item of the Notice.

Although Section 224(2B) of the said Act dealing with such a case does not refer to any such Notice being given in respect of the appointment of new Auditors, the matter would also be governed by the provisions of Section 225 of the Act, in terms of which, special Notice is required for a resolution at an Annual General Meeting appointing as Auditor a person other than a retiring Auditor. Accordinlgy, such a special Notice has been received by the Company from a member of his intention to move the resolution appointing M/s. K.C. Mehta & Co., Vadodara, as the new Auditors of the Company as in the accompanying Notice.

M/s. K.C. Mehta & Co., Vadodara, have given a Certificate for their eligibility and willingness to act henceforth as the Company's Statutory Auditors, if appointed by the members at the ensuing Annual General Meeting.

None of the Directors is interested in the resolution.

By Order of the Board
For Matsushita Lakhanpal Battery India Ltd.
ASHWIN SHAH
Dy.General Manager - Company Secretary

Registered Office:
Makarpura Industrial Area,
GIDC, VADODARA - 390 010.
24th May, 2003.

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REPORT OF THE DIRECTORS
FOR THE YEAR ENDED ON 31ST MARCH, 2003
TO THE MEMBERS OF MATSUSHITA LAKHANPAL BATTERY INDIA LTD.

The Directors have pleasure in presenting their Thirty First Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2003.

2. FINANCIAL RESULTS:

	RUPEES'000s	
	As at 31st March, 2003	As at 31st March, 2002
Sales Turnover	**183,93,65**	171,66,84
Operating Profit (before interest, depreciation & tax)	**17,99,68**	15,15,50
Profit before Tax	**11,96,90**	8,72,69
Less:		
Provision for Taxation (Net of Deferred Tax Assets)	**3,49,97**	2,49,10
Add/(Less):		
Provision for taxation of earlier Years (Net of refund/Demand)	**19,26**	(34,36)
Profit after Tax	**8,66,19**	5,89,23
Add:		
Profit brought forward from previous year	**13,80**	8,57
Net available surplus for appropriation	**8,79,99**	5,97,80
APPROPRIATIONS		
a) Dividend	**2,25,00**	1,50,00
b) Corporate Tax on Dividend	**28,83**	—
c) General Reserve No.1 (Statutory)	**90,00**	64,00
d) General Reserve No.2	**5,00,00**	3,70,00
e) Surplus carried to Balance Sheet	**36,16**	13,80
	8,79,99	5,97,80

3. DIVIDEND:

The Directors recommend declaration of dividend at Rs. 3 per Equity Share (previous year Rs.2.00 per Equity Share) on 75,00,000 Equity Shares for the year ended 31st March, 2003. The dividend, when approved, will entail payment to shareholders of Rs. 225 lacs. It will be tax free in the hands of recipients and Company will have to pay Corporate tax thereon in the sum of Rs.28.83 lacs.

4. MANAGEMENT DISCUSSION AND ANALYSIS:

A. Business Overview:

The Company's turnover at Rs.183.94 crores recorded an increase of about 7% over that of the previous year. The Operating Profit for the year (before interest, depreciation and tax) recorded about 19% increase over the previous year. This has been mainly due to rigorous cost reduction as well as productivity enhancement measures implemented by the Company in addition to the reduction in the raw material prices in the global market. The profit before tax for the year, after absorbing Rs.40 lacs towards Voluntary Retirement Schemes was Rs.11.97 crores.

During the year sales quantity of your Company has increased by about 9% to 417 million pieces. Production quantity was 432 million pieces which is 47 million pieces more than previous year.

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B. Industry Structure and Development:

Battery Industry has for quite some time shown the signs of higher growth rate and both D segment and AA segment are estimated to grow further in the coming years. Infact double digit growth is expected in AA segment in the coming years. Looking at the spurt in demand in the recent past, the Company has started import and marketing of AAA size batteries in India to cater to the growing requirement of the Customers. However per capita consumption continues to remain low as compared to several developing countries. However, strong growth opportunities would attract new players in the market, and liberalised imports may lead to influx of imported batteries, particularly Chinese batteries.

Your Company also anticipates intensified competition in the domestic market. Further, in the coming year Value Added Tax (VAT) will result in a net increase in tax outgo, thus creating pressure on the bottom line.

In order to meet these challenges and to benefit from growth opportunities, your Company has taken aggressive steps in the areas of new product development, product up-gradation, cost reduction etc. By continuing such efforts in this direction, your Directors are confident of bringing in significant improvement on all fronts.

C. Research & Development:

Increased globalization has made the sale of products and retainment of customers, highly competitive. The need of the hour is high customer satisfaction and value for money from the product. Keeping the above objective as paramount, the research and development activities were focused into attending major customer complaints/suggestions in order to retain customer satisfaction. Your Directors are pleased to inform that the above efforts have lead to considerable reduction of customer complaints. Your company has started launching products of better quality and new aesthetic look as per customer requirements. In particular, we have developed batteries for special applications operatable at different environmental condition to cater defence requirement. Similarly, efforts have been made to make cost effective products through design changes without affecting the quality.

Pursuant to the applicable Rules read with Section 217(1)(e) of the Companies Act, 1956, details relating to Conservation of Energy, Technology Absorption, Foreign Exchange earning and out-go are given in the Annexure forming part of this Report.

D. Exports:

Your Company has continued, during the year under review, to put in all possible efforts to boost exports. It has earned valuable foreign exchange to the tune of Rs.7.59 crores (previous year Rs. 8.72 crores). Price continues to be a key factor and the international events have cast a shadow. Despite this, fresh initiatives are planned to improve the Company's export activities.

5. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to an amendment to Section 217 of the Companies Act, 1956, your Directors give hereunder the Directors' Responsibility Statement pertaining to the accounts of the Company:-

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation statement relating to material departures.
2. The Directors 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, 2003 and of the Profit & Loss Account of the Company for the year ended on that date.
3. The Directors have taken proper and sufficient care 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 fraud and other irregularities.
4. These accounts have been prepared on a going concern basis.

6. CORPORATE GOVERNANCE:

A separate Section on Corporate Governance is included in the Annual Report and the certificate from the Company's auditors confirming the compliance of conditions on Corporate Governance as stipulated by Clause 49 of the Listing Agreement with Stock Exchange is annexed thereto.

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