

Annual Report 2005 - 2006

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Panasonic Battery India Co. Ltd.

34th ANNUAL REPORT

1st April 2005 to 31st March 2006

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BOARD OF DIRECTORS

Ajai K. Lakhanpal
Chairman

K. Hokazono (upto 31st July 2005)
Managing Director

Y. Sato (from 1st August 2005)
Managing Director

E. B. Desai

P. P. Shah

D. J. Thakkar

G. N. Punj

T. Kawabe (upto 21st May 2005)

T. Konda (from 21st May 2005)

Y. Yokoe

Auditors

K. C. Mehta & Co.
Chartered Accountants

Ashwin C. Shah

Dy. Gen. Manager -
Company Secretary

Solicitors

Mulla & Mulla and Craigie Blunt & Caroe

CORE MANAGEMENT TEAM

Ajai K. Lakhanpal

K. Hokazono (upto 31st July 2005)

Y. Sato

S. K. Khurana

P. Singhal

V. Diddee

K. Hashiguchi (from 17th August 2005)

Bankers

State Bank of India
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Registered Office

Makarpura Industrial Area, GIDC,
Vadodara-390 010, Gujarat.

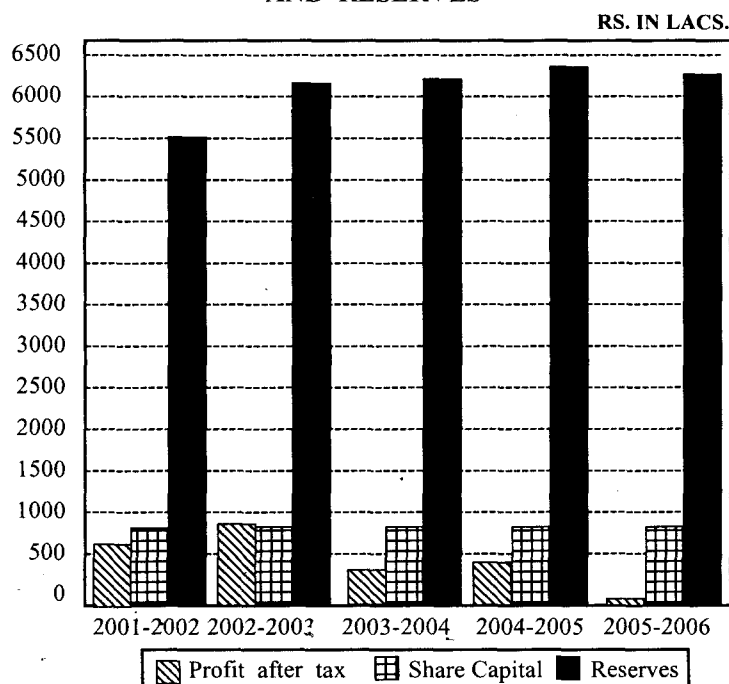
Works

- 1. Makarpura Industrial Area, GIDC,**
Vadodara - 390 010, Gujarat.
- 2. Plot No. 112, Sector III,**
Pithampur Industrial Area,
Dist. : Dhar (M.P.).

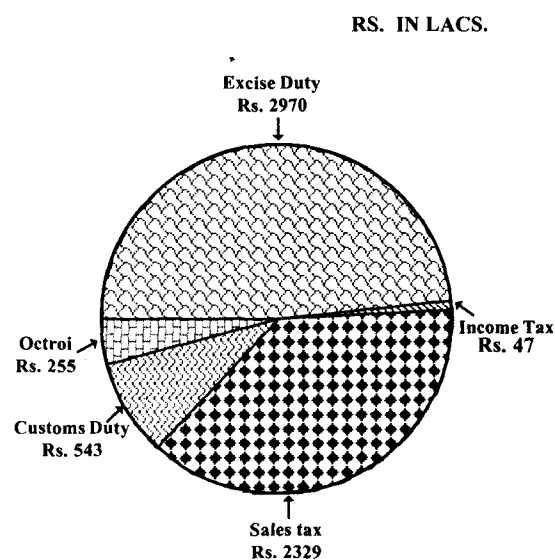
Panasonic Battery India Co. Ltd.

| FINANCIAL HIGHLIGHTS | | (Rs. in Lacs) | | | | |
|--|-----------|---------------|-----------|-----------|-----------|--|
| | 2005-2006 | 2004-2005 | 2003-2004 | 2002-2003 | 2001-2002 | |
| OPERATING RESULTS : | | | | | | |
| Turnover | 2,03,60 | 1,95,33 | 1,56,05 | 1,83,94 | 1,71,67 | |
| Profit before Interest, Depreciation & Tax | 4,74 | 10,41 | 8,73 | 17,99 | 15,15 | |
| Profit before tax | (90) | 5,35 | 5,56 | 11,97 | 8,73 | |
| Profit after tax | 11 | 4,04 | 3,96 | 8,66 | 5,89 | |
| Dividend | 1,30 | 2,54 | 2,54 | 2,54 | 1,50 | |
| Retained Earnings | (1,19) | 1,50 | 1,42 | 6,12 | 4,39 | |
| FIXED ASSETS : | | | | | | |
| Gross | 1,07,58 | 98,42 | 1,15,16 | 1,04,31 | 1,03,82 | |
| Net | 35,81 | 32,06 | 43,67 | 37,93 | 44,05 | |
| SHAREHOLDERS' FUNDS : | | | | | | |
| Share Capital | 7,50 | 7,50 | 7,50 | 7,50 | 7,50 | |
| Reserves & Surplus | 62,95 | 64,14 | 62,65 | 61,23 | 55,10 | |
| Net Worth | 70,45 | 71,64 | 70,15 | 68,73 | 62,60 | |
| RATIO : | | | | | | |
| Sales/Total Assets (No. of Times) | 2.57 | 2.38 | 1.90 | 2.27 | 2.49 | |
| Operating Profit/Capital Employed (%) | 6.42 | 13.68 | 11.67 | 24.15 | 21.94 | |
| Profit Before Tax/Sales (%) | (0.44) | 2.74 | 3.56 | 6.51 | 5.09 | |
| Return on Net Worth (%) | 0.16 | 5.64 | 5.64 | 12.60 | 9.41 | |
| Return on Invesment (%) | (1.21) | 7.03 | 7.43 | 16.17 | 12.91 | |
| Net Worth per Equity Share (Rs.) | 93.93 | 95.52 | 93.53 | 91.64 | 83.47 | |
| Debt Equity Ratio (On long term loans) | 0.05:1 | 0.06:1 | 0.07:1 | 0.08:1 | 0.08:1 | |
| Earning Per Share (Rs.) | 0.15 | 5.39 | 5.28 | 11.55 | 7.86 | |

PROFIT AFTER TAX, SHARE CAPITAL AND RESERVES



CONTRIBUTION TO EXCHEQUER- RS. 6144 LACS



Panasonic Battery India Co. Ltd.

NOTICE

NOTICE is hereby given that the THIRTY FOURTH Annual General Meeting of the members of Panasonic Battery India Co. Ltd. will be held at Mahatma Gandhi Nagargruh, Near Jubilee Baug, Vadodara-390 001 on Tuesday, 18th July 2006 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 2006, 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 2006.
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 Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.
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 Managing 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 not liable to retire by rotation."

7. To consider and, if thought fit, to pass the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 260, 269 and 309 and all other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto, and subject to approvals of the concerned authorities, if any necessary, and subject to the relevant guidelines issued by the Central Government from time to time, approval of the

Company be and is hereby given to the appointment of Mr. Y. Sato as Managing Director of the Company for a period of five years w.e.f. 1st August 2005 uptil 31st July 2010, on the terms as to remuneration and otherwise as embodied 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 draft Agreement initialled by the Chairman for the purpose of identification and submitted to this meeting 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/- with proportionate increase in the perquisites relatable to monthly salary, but subject to the limitations in that behalf as per Schedule XIII of the said Act, and as specified in the said Agreement and broad details of which are given in the Explanatory Statement in respect of this item of Notice with liberty to agree to 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 by affixing its Common Seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company."

By Order of the Board
For Panasonic Battery India Co. Ltd.
ASHWIN C. SHAH
Dy.General Manager -
Company Secretary.

Registered Office:
Makarpura Industrial Area,
GIDC, VADODARA - 390 010.
19th May 2006.

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, 4, 6 and 7 of the accompanying Notice is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 4th July 2006 to Tuesday, 18th July 2006 (both days inclusive) for the purpose of determining payment of dividend.

Panasonic Battery India Co. Ltd.

4. Dividend on Equity Shares as recommended by the Directors, if declared at this Annual General Meeting, will be paid on or before 16th August 2006 to those members whose names appear on the Company's Register of Members at the close of business on 18th July 2006.
5.
 - a) All unclaimed dividends upto the financial year ended on 31st March, 1995 (paid in 1995) have been deposited with the General Revenue Account of the Central Government and shareholders may claim the same from the Registrar of Companies, Gujarat.
 - b) Unclaimed dividends for the year 1995-96, 1996-97 and 1997-98 have been transferred to Investor Education and Protection Fund pursuant to Section 205A and 205C of the Act.
 - c) Shareholders who have not encashed their dividend warrants for the years from 1998-99 to 2004-05, are requested to claim the amount from the Company immediately.
6. Members are requested to notify immediately:
 - (a) any change in their residential address.
 - (b) Income-Tax permanent Account Number (PAN).
 - (c) Bank details - Name and address of the Bank; A/c No.; type of A/c.
7. **Members are requested to bring their copies of the Annual Reports along with duly filled attendance slip to the meeting.**
8. 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.
9. As required by the Listing Agreement with the Stock Exchange the relevant details in respect of the Directors proposed to be re-appointed are set out in the Corporate Governance report forming part of Directors' Report.

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 re-appointment. Pursuant to the requirement of the SEBI Committee on Corporate Governance on re-appointment of the retiring Directors, a statement containing briefly, the details of the concerned Directors is given in report on Corporate Governance, forming part of Directors' Report.

ITEM NO. 6 & 7

In terms of the Collaboration Agreement with "Matsushita"

of Japan, they have recommended appointment of Mr. Y. Sato as Managing Director of the Company w.e.f. 1st August 2005 in place of Mr. K. Hokazono. Accordingly, Board of Directors has co-opted him on the Board as an Additional Director and has designated him as Managing Director for a period of five years w.e.f. 1st August 2005 subject to required approvals, if any. Mr. Sato is a Graduate in Business Administration from Kwansei Gakuin University, Japan. He has been working with your Company w.e.f. 20th January 2003 in different capacities, last being as Sr. Executive President - Sales & Marketing. Before that he has been working with the Company's foreign collaborators at Japan and other overseas subsidiaries of "Matsushita" for 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 appointed as Director not liable to retirement by rotation as per resolution under item No. 6 and a separate resolution is being proposed for his appointment as Managing Director of the Company as in item No. 7 of the Notice. Since he has completed stay in India for a period of twelve months, approval of Central Government is not required for his appointment as Managing Director and his appointment will be subject to the relevant provisions of Schedule XIII of the Act. The details of his remuneration are as follows.

(A) Salary: Rs.1,30,000/- (Rupees one lac thirty thousand) per month with liberty to the Board to sanction annual increments in his monthly salary in such amount as the Board think fit subject to the upper limit of Rs.30,000/- per increment with appropriate increase in the perquisites related to such monthly salary.

(B) Commission: In addition to salary, commission payable shall be an amount subject to the upper limit of 1% of the net profits of the Company in a particular financial year as may be determined by the Board of Directors every year.

(C) Perquisites:

- (i) In addition to the salary 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 hospitalisation 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

Panasonic Battery India Co. Ltd.

such perquisites not to exceed the amount equal to one year's annual salary i.e. Rupees fifteen lacs sixty thousand per annum. For the purpose of calculating the above ceiling, perquisites shall be 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, Super-annuation 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.

Compensation for loss of office:

The Managing Director shall be entitled to compensation for loss of office or for early retirement from the office (except where he himself terminates the Agreement as per his will) in accordance with the provisions of Section 318 of the Companies Act, 1956.

The Board considers that the remuneration including perquisites proposed to be paid to Mr. Sato compares favourably with the remuneration paid to personnel in companies of similar size and magnitude in the country and is commensurate with his duties and responsibilities as the Managing Director. The Board accordingly recommends this Resolution for your acceptance.

Inspection:

Draft of the Agreement referred to in the resolution is open for inspection at the Registered Office of the Company between the hours of 3.30 p.m. and 5.30 p.m. on all working days except weekly and other holidays upto and inclusive of the date of this Annual General Meeting or any adjournment thereof.

Memorandum of interest:

Mr. Y. Sato is interested in this resolution as it relates to his appointment.

Abstract:

The aforesaid Explanatory Statement setting out the terms of appointment of Mr. Sato may be treated as an Abstract circulated to the members under Section 302 of the Companies Act, 1956.

Pursuant to the requirement of the SEBI Committee on Corporate Governance on appointment of the Director, a statement containing briefly, the details of Mr. Y. Sato is given in report on Corporate Governance, forming part of Directors' Report.

By Order of the Board
For Panasonic Battery India Co. Ltd.
ASHWIN C. SHAH
Dy. General Manager -
Company Secretary.

Registered Office:
Makarpura Industrial Area,
GIDC, VADODARA - 390 010.
19th May 2006.

Panasonic Battery India Co. Ltd.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED ON 31ST MARCH 2006 TO THE MEMBERS OF PANASONIC BATTERY INDIA CO. LTD.

The Directors have pleasure in presenting their Thirty Fourth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2006.

2. FINANCIAL RESULTS:

| | RUPEES '000s | |
|--|---------------------------|---------------------------|
| | As at 31st March, 2006 | As at 31st March, 2005 |
| Sales Turnover | 2,03,60,47 | 1,95,33,21 |
| Operating Profit (before interest, depreciation & tax) | 4,74,03 | 10,41,49 |
| Profit/(Loss) before Tax | (90,19) | 5,35,21 |
| Less: | | |
| Provision for Taxation (Net of Deferred Tax) | 9,42 | 1,57,91 |
| Add/(Less): | | |
| Provision for taxation of earlier years (net of refund/demand) | 1,10,75 | 26,58 |
| Profit after Tax | 11,14 | 4,03,88 |
| Add: | | |
| Profit brought forward from previous year | 67,58 | 13,11 |
| Amount withdrawn from General Reserve No. 2 | 90,00 | 0 |
| Net available surplus for appropriation | 1,68,72 | 4,16,99 |
| APPROPRIATIONS | | |
| a) Proposed Dividend | 1,12,50 | 2,25,00 |
| b) Corporate Tax on Proposed Dividend | 15,78 | 29,41 |
| c) Short provision of Corporate Dividend Tax of earlier years | 2,15 | 0 |
| d) General Reserve No.1 (Statutory) | 1,00 | 45,00 |
| e) General Reserve No.2 | 0 | 50,00 |
| f) Surplus carried to Balance Sheet | 37,29 | 67,58 |
| | 1,68,72 | 4,16,99 |

3. DIVIDEND:

Keeping in view the adverse financial position, the Directors recommend declaration of dividend at Rs.1.50 per Equity Share (previous year Rs.3.00 per Equity Share) on 7500000 Equity Shares for the year ended 31st March 2006. The dividend, when approved, will entail payment to shareholders of Rs.112.50 lacs. It will be tax free in the hands of recipients and the Company will have to pay Corporate tax thereon in the sum of Rs.15.78 lacs.

4. MANAGEMENT DISCUSSION AND ANALYSIS:

A. Business Overview:

The Company's turnover for the year at Rs.203.60 crores has grown by 5% as compared to the previous year. There was a loss before tax for the year, after

absorbing Rs.23.93 lacs towards Voluntary Retirement Schemes in the sum of Rs.(90.19) lacs as against profit of Rs.535.21 lacs during the previous year.

The impact of unprecedented increase in zinc prices over the last one year has resulted in substantial increase in input costs during the year. However, improved productivity, cost reduction activities tighter controls on asset utilization and working capital management helped to minimise the loss.

During the year the Company incurred capital expenditure of Rs.840 lacs towards investment in capacity expansion/upgradation. The capacity increased to 794 million pieces during the year under review as against that of 613 million pieces during the previous year. The Company has commissioned production of UM-4U (AAA size) Dry Cells at

Panasonic Battery India Co. Ltd.

Vadodara factory and UM-1P (D Size) Dry Cells at Pithampur factory.

During the year sales quantity of Dry Cells has increased marginally by 0.2% to 447 million pieces. Production quantity was 437 million pieces which is 12 million pieces less than in the previous year.

B. Industry Structure and Development:

The Indian Dry Battery Industry witnessed tough times during the year 2005-06. The unprecedented rise in raw material prices had a cascading effect on product costs and reduction in margins. Demand for batteries grew by 4% compared to previous year. This is quite less than the average growth in various other sectors of the Indian economy. As in the past few years, the growth was mainly in AA and AAA segments. AAA segment is growing at much faster rate due to increasing use of gadgets requiring smaller sizes of battery. However, compared to other segments, the volume is still small.

Opportunities and Threats:

Battery industry today is between two critical paths. On one side, the per capita consumption of batteries in India is still very low compared to developed economies, however, the demand will continue to rise with increase in usage of portable gadgets. Segments like AA and AAA are expected to post double digit growth rates in the coming years.

On the other side, the raw material price increase, mainly in zinc, is eroding the operating margins. For instance, the price of zinc, which is a major raw material used in the manufacturing of batteries, has risen more than three times in the last 15 months. The consumer in India has not been burdened by corresponding increase in prices to this extent. On the market front, competition is likely to be intense across all segments.

Your Company, however, does not expect this scenario to continue for long. Even though the prices of raw materials are continuously increasing, a part of this burden will be negated by increase in product prices in line with competition and the rest shall be accomplished through company-wide cost reduction exercise.

Risks & concerns:

In the short run, the main concern is raw material prices which are likely to continue to increase before they stabilize. Fuel costs also have a direct impact on overall costs.

Outlook:

In the past couple of years, the penetration of electronic gadgets has been increasing. Demand for

these consumer goods will continue to rise. With only 2.3 per capita consumption of batteries, there is still a potential for growth in the long run.

Internal Control System:

Internal audit is done by an independent firm of Chartered Accountants. Internal audit and other controls are reviewed periodically by the Audit Committee and have been found to be adequate.

Developments in human resources and industrial relations:

Directors wish to place on record their appreciation to all employees for their sustained efforts and valuable contribution. The total number of employees at the year end was 1048 (previous year 1081). Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is not given since none of the employees of the Company is covered under the provisions of the said Act/Rules.

During the year 23 employees availed themselves of the VRS.

Relations with the employees at both the factories and other branches continued to be cordial during the year.

C. Research & Development:

Today time demands revolutionary manufacturing technology and environmentally safe products apart from high level of customer satisfaction. Keeping the above object as need of the hour, the Research and Development activities were focused into designing technology for superior product and low manufacturing cost step by step in order to retain the customer. Development of environment friendly products like "AA" and "AAA" is a step in this direction.

Your Directors would also like to inform that, high level of customer satisfaction led Defence Organisation to authorize the factory to self-certify the products supplied to defence. Similarly, efforts have been made to develop environment friendly products by substituting toxic material from the products.

Pursuant to the applicable Rules read with Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 has been given in the Annexure forming part of this Report.

D. Exports:

Efforts continue to boost exports. It has earned foreign exchange to the tune of Rs.83.73 lacs

Panasonic Battery India Co. Ltd.

foreign exchange to the tune of Rs.83.73 lacs (previous year Rs.153.06 lacs). Price continues to be a key factor. Despite this, fresh initiatives are planned to improve exports.

5. DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors state that:

1. in the preparation of the annual accounts, all applicable accounting standards have been followed;
2. accounting policies as listed in Schedule-13 to the Financial Statements have been selected and applied consistently and reasonable and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Company as on 31st March 2006 and of the Profit / (Loss) of the Company for the year ended on that day;
3. proper and sufficient care for maintenance of adequate accounting records has been taken in accordance with the provisions of the Act, so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
4. the annual 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 Secretary in practice, confirming the compliance of conditions on Corporate Governance as stipulated by Clause 49 of the Listing Agreement with Stock Exchange is annexed thereto.

7. DEPOSITS:

During the year under review the Company has not accepted/renewed deposits from Public/Shareholders. 1 (One) Deposit matured but not claimed by the depositor and remained unclaimed over a period of seven years has been transferred to Investors' Education & Protection Fund of Central Government during the year. 18 (Eighteen) Deposits amounting to Rs.1,67,000/- are still unclaimed by the depositors as on 31st March 2006.

8. STATEMENT PURSUANT TO LISTING AGREEMENT:

Equity Shares of the Company are listed at Bombay Stock Exchange Ltd.. The Company has already paid annual listing fee for the year 2006-07 to the Stock Exchange.

9. DIRECTORS:

Mr. Y. Sato has been appointed as Managing Director of the Company effective from 1st August 2005, in place of Mr. K. Hokazono. The Board places on record its appreciation for the valuable services and guidance rendered by Mr. Hokazono during the tenure of his office as Managing Director of the Company.

Mr. E.B. Desai and Mr. P.P. Shah retire by rotation and, being eligible, offer themselves for re-appointment. The Board recommends their re-appointment.

10. AUDITORS:

Messrs. K.C. Mehta & Co., Chartered Accountants, Vadodara retire, and being eligible, offer themselves for re-appointment.

11. ACKNOWLEDGEMENTS:

Your Directors wish to record their deep appreciation to Matsushita Electric Industrial Co. Ltd., Japan and Matsushita Battery Industrial Co. Ltd., Japan for their valuable support and co-operation. They also wish to thank ICICI Bank Ltd., State Bank of India, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Madhya Pradesh State Industrial Development Corporation Ltd. for the continued support extended by them, as well as the Wholesalers/Stockists and Suppliers.

The Directors also wish to place on record their sincere thanks to the Shareholders for the confidence reposed by them in the Company.

FOR AND ON BEHALF OF THE BOARD

AJAI K. LAKHANPAL
CHAIRMAN

19th May 2006.

Panasonic Battery India Co. Ltd.

ANNEXURE TO THE DIRECTORS' REPORT

PARTICULARS AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED ON 31ST MARCH 2006

FORM A

A. CONSERVATION OF ENERGY

: Not given as the Company is not covered under the list of specified industries. However, efforts to conserve and optimize the use of energy through improved operational methods and other means will continue.

FORM B

A. DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT (R&D).

- | | |
|--|---|
| 1. Specific areas in which R&D carried out by the Company | 1. Introduction of UM-4U (AAA) extra long life dry battery. 2. Development of mercury free dry cell in zinc chloride technology. 3. Development of product and packaging in line with ROHS & EU directives (under progress). 4. Customer satisfaction through reduction in market complaint. 5. Development of new models of economy plastic torch. |
| 2. Benefit derived as a result of above R&D | 1. Introduction of new products at low manufacturing cost. 2. Environment friendly products and packaging. 3. Better customer satisfaction. |
| 3. Future plan of action | Make competitive cost. Make Environment conscious company. Enhancing customer satisfaction. |
| 4. Expenditure on R&D: (Rs. In lacs) | |
| (i) Capital | : Rs.00.01 |
| (ii) Recurring | : Rs.68.72 |
| (iii) Total | : Rs.68.73 |
| (iv) Total R&D expenditure as a Percentage of total turnover | : 0.34% |

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- | | |
|---|--|
| 1. Effort in brief made towards technology absorption, adaptation and innovation | 1. Development of environment friendly paste type dry battery (in progress). 2. Introduction of cost effective mercury free paper lined dry cell. |
| 2. Benefit derived as a result of the above efforts (e.g. Product improvement, cost reduction, product development, import substitution, etc) | 1. With the above efforts new environment friendly products developed in line with ROHS guidelines. 2. New technology with emphasis on cost reduction. Better cost effective and cheaper dry battery. |
| 3. Imported technology (imported during the last 5 years reckoned from the beginning of the financial year): | a) Technology imported "UM-4U (AAA)" extra long life dry battery. b) Year of import 2005 c) Has technology been fully absorbed? Continuing |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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| 1. Activities relating to export initiatives taken to increase exports; development of new export markets for products and services; and export plan | 1. This year also the company was able to earn foreign exchange by supplying dry batteries to foreign customers as per their requirement. 2. Foreign exchange was earned by exporting spare parts to several dry cell manufacturing companies such as Tanzania, Poland etc. 3. Efforts are in progress to develop new foreign customers in addition to sustaining existing customer with good quality and service. |
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FOR AND ON BEHALF OF THE BOARD
AJAI K. LAKHANPAL
CHAIRMAN

19th May 2006.