

Panasonic

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Annual Report 2007 - 2008

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Panasonic Battery India Company Limited

36th Annual Report (2007-08)**Panasonic Battery India Co. Ltd.****CORPORATE INFORMATION****BOARD OF DIRECTORS**

Mr. Ajai K. Lakhanpal
Chairman

Mr. S. K. Khurana
Managing Director

Mr. E. B. Desai
Director

Mr. P. P. Shah
Director

Mr. D. J. Thakkar
Director

Mr. G. N. Punj
Director

Mr. H. Ogami
Director

Mr. M. Kurokawa
Director

COMPANY SECRETARY

Ms. Nisha Hindocha

CORE MANAGEMENT TEAM

Mr. Ajai K. Lakhanpal

Mr. S. K. Khurana

Mr. K. Ishimoto

Mr. P. Singhal

STATUTORY AUDITORS

M/s. K. C. Mehta & Co.
Chartered Accountants, Vadodara

SOLICITORS

Mulla & Mulla and Craigie Blunt & Caroe

BANKERS

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

REGISTRAR & SHARE TRANSFER AGENT

Intime Spectrum Registry Ltd.
308, 1st Floor, Jaldhara Complex,
Opp. Manisha Society,
Manisha Ckawkadi, Old Padra Road,
Vadodara - 390 015, Gujarat.

REGISTERED OFFICE

GIDC, Makarpura,
Vadodara - 390 010, Gujarat.
Tel. No.: +91 265 2642 661/2638 888
Fax no.: +91 265 2638 892/90
Website: www.panasonicbattery.in

WORKS

1. GIDC, Makarpura, Vadodara - 390 010, Gujarat.
2. Plot No. 112, Sector III, Pithampur Industrial Area, Dist. Dhar, Madhya Pradesh.

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36th Annual General Meeting of the Company is scheduled to be held on Friday, 18th July, 2008 at 10:30 a.m. at Mahatma Gandhi Nagargruh, Near Jubilee Baug, Raopura, Vadodara - 390 001.

As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the meeting.

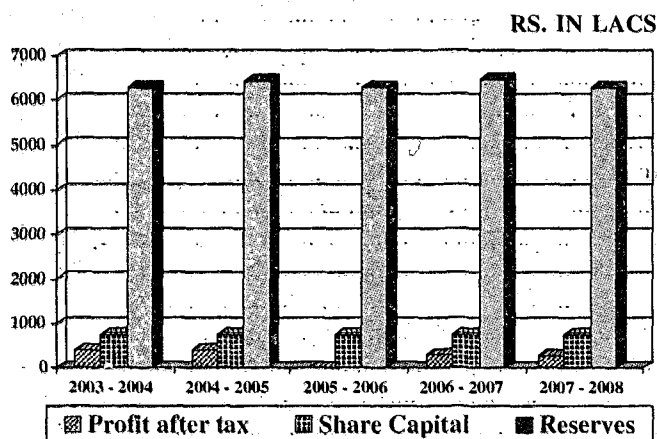
Panasonic Battery India Co. Ltd.

FINANCIAL HIGHLIGHTS

Rs. in Lacs

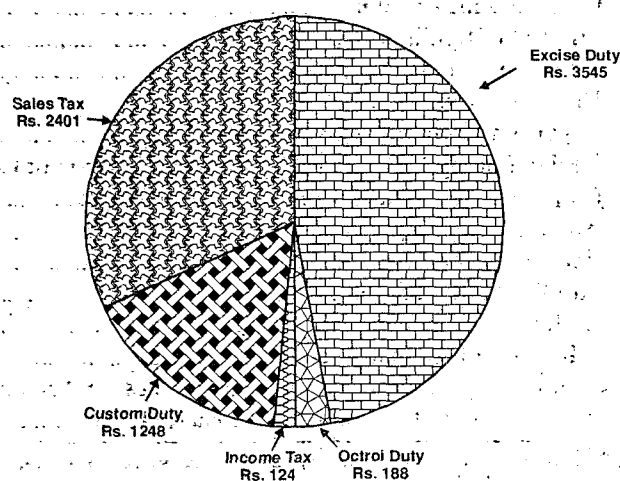
	2007-2008	2006 -2007	2005 - 2006	2004 - 2005	2003 - 2004
OPERATING RESULTS					
Turnover	1,99,72	2,29,01	2,03,60	1,95,33	1,56,05
Profit before Interest, Depreciation & Tax	9,00	6,55	4,74	10,41	8,73
Profit before tax	4,08	2,14	(90)	5,35	5,56
Profit after tax	3,05	3,01	11	4,04	3,96
Dividend	2,63	1,32	1,30	2,54	2,54
Retained Earnings	42	1,69	(1,19)	1,50	1,42
FIXED ASSETS					
Gross	1,07,90	1,06,44	1,07,58	98,42	1,15,16
Net	30,04	33,29	35,81	32,06	43,67
SHAREHOLDER'S FUND					
Share Capital	7,50	7,50	7,50	7,50	7,50
Reserves & Surplus	61,63	64,64	62,95	64,14	62,65
Net Worth	69,13	72,14	70,45	71,64	70,15
RATIO					
Sales/Total Assets (No. of Times)	2.66	2.82	2.57	2.38	1.90
Operating Profit/Capital Employed (%)	12.63	8.68	6.42	13.68	11.67
Profit Before Tax/Sales (%)	2.04	0.94	(0.44)	2.74	3.56
Return on Net Worth (%)	0.04	0.04	0.16	5.64	5.64
Return on Investment (%)	12.68	8.97	(1.21)	7.03	7.43
Net Worth per Equity Share (Rs.)	92.17	96.18	93.93	95.52	93.53
Debt Equity Ratio (On Long term loans)	0.03:1	0.05:1	0.05:1	0.06:1	0.07:1
Earning per Share (Rs.)	4.07	4.01	0.15	5.39	5.28

PROFIT AFTER TAX, SHARE CAPITAL AND RESERVES



CONTRIBUTION TO EXCHEQUER RS. 7572 LACS

RS. IN LACS



36th Annual Report (2007-08)**NOTICE**

NOTICE is hereby given that the 36th Annual General Meeting of the members of Panasonic Battery India Co. Ltd. will be held at Mahatma Gandhi Nagargruh, Near Jubilee Baug, Raopura, Vadodara – 390 001 on Friday, 18th July 2008 at 10:30 a.m. to transact, with or without modifications, as may be permissible, the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2008 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, 2008.
3. To appoint a Director in place of Mr. D. J. Thakkar, who retires from office by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. G. N. Punj, 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.

SPECIAL BUSINESS

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

“RESOLVED THAT in partial modification of the Resolution passed by the members of the Company at the 35th Annual General Meeting held on 12th July, 2007 and pursuant to the provisions of Sections 198, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 for the time being in force, consent of the Company be and is hereby accorded to the revised remuneration with effect from 1st October, 2007 for the remaining period of his tenure of office expiring on 30th September, 2011 to Mr. S. K. Khurana, the Managing Director of the Company on the terms as to revised remuneration as set out in the draft addendum to the Agreement expressed to be made between the Company of the One Part and Mr. Khurana of the Other Part, a copy of which draft addendum to the Agreement initialed by the Chairman for the purpose of identification and submitted to this meeting, with further liberty to the Board of Directors to revise his remuneration from time to time as they deem fit within the limits of Schedule XIII of the Companies Act, 1956.”

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

“RESOLVED THAT in partial modification of the Resolution passed by the members of the Company at the 35th Annual General Meeting held on 12th July, 2007 and pursuant to the provisions of Sections 198, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 for the time being in force, consent of the Company be and is hereby accorded to the revised remuneration with effect from 1st October, 2007 for the remaining period of his tenure of office expiring on 5th January, 2012 to Mr. Ajai K. Lakhanpal, the Chairman and Whole-time Director of the Company on the terms as to revised remuneration as set out in the draft addendum to the Agreement expressed to be made between the Company of the One Part and Mr. Lakhanpal of the Other Part, a copy of which draft addendum to the Agreement initialed by the Managing Director for the purpose of identification and submitted to this meeting, with further liberty to the Board of Directors to revise his remuneration from time to time as they deem fit within the limits of Schedule XIII of the Companies Act, 1956.”

**By Order of the Board
For Panasonic Battery India Co. Ltd.,**

**Nisha Hindocha
Company Secretary**

Mumbai, May 23, 2008

Panasonic Battery India Co. Ltd.

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 Items Nos. 6 & 7 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, 2008 to Friday, 18th July, 2008 (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 17th August, 2008 to those members whose names appear on the Company's Register of Members at the close of business on 18th July, 2008.
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 years 1995-96 to 1999-2000 have been transferred to Investor Education and Protection Fund pursuant to Sections 205A and 205C of the Act. And that of 2000-2001 will be transferred by end of August, 2008.
 - c) Shareholders who have not en-cashed their dividend warrants for the year 2000-2001 are requested to claim the amount immediately from the Company before the end of July, 2008 and for the years from 2001-2002 to 2006-07, are requested to claim the same at the earliest.
6. Members are requested to notify immediately:
 - (a) any change in their residential address;
 - (b) Income-Tax permanent Account Number (PAN); and
 - (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 at least 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 reappointed 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. 6 & 7

The members at their 35th Annual General Meeting held on 12th July, 2007 had approved the appointment of Mr. S. K. Khurana as the Managing Director of the Company for a period of five years with effect from 1st October, 2006 to 30th September, 2011 on inter alia the terms as to remuneration as set out therein, which included a monthly salary of Rs.82,500/- and equivalent amount of perquisites (not to exceed Rs. 10 lacs p.a.) and Special allowance of Rs.33,333.33/- per month with liberty to the Board to sanction annual increments in the monthly salary, subject to the upper limit of Rs.30,000/- per increment, as also increase in his monthly special allowance in such amount, as the Board thinks fit from time to time. Mr. Khurana is a B.E. (Mechanical) F.I.E. Chartered Engineer and has been working with your Company since 1st December, 1972 in different capacities including as Senior Executive President – Technical & Manufacturing, before being appointed as the Managing Director. His experience, and in

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particular, contribution in implementing policies in administration, sales & marketing and value engineering areas are quite worthy of note. Considering not too profitable financial position of the Company at the time of his appointment as the Managing Director, Mr. Khurana had voluntarily preferred not to avail of the aforesaid special allowance and it was decided by the Board to review the same when the profitability position of the Company improves in future.

At the same Annual General Meeting of the Company held on 12th July, 2007 the members had also approved the reappointment of Mr. Ajai K. Lakhanpal as Chairman and Whole-time Director of the Company for a period of five years commencing from 6th January, 2007 and expiring on 5th January, 2012 on the terms inter alia as to remuneration as set out therein which included a monthly salary of Rs.82,500/- with an equivalent amount of perquisites (not to exceed maximum amount of annual salary) with liberty to the Board to sanction annual increments in the monthly salary, subject to the upper limit of Rs.30,000/- per increment. The Shareholders whilst approving the payment of remuneration to Mr. Lakhanpal had also authorized the Board of Directors to revise his remuneration from time to time.

Due to special exertions and efforts on the part of the Chairman, as also the Managing Director, the profitability position of the Company has improved remarkably in the last couple of years, as is obvious from the Annual Accounts of the Company, for the year ended 31st March, 2008. It was therefore felt by the Board that considering not only their contribution but the general trend in industry in respect of the remuneration packages of such senior personnel in the corporate sector, Mr. Khurana's basic monthly salary be revised from Rs.82,500/- to Rs.1,12,500/- and special allowance which was approved by the members be also increased to Rs. 40,000/- per month and that the perquisites shall be restricted to maximum amount of annual salary.

So far as Mr. Lakhanpal is concerned, the Board felt that his basic monthly salary be increased from Rs.82,500/- to Rs.1,12,500/- per month, and in line with the payment of special allowance to the Managing Director and considering his very long association with the Company, he be also paid a special allowance of Rs.1,15,000/- per month and that the perquisites shall be restricted to maximum amount of annual salary.

With the revision of the aforesaid components of the remuneration, the respective amounts of contributions to the provident fund and superannuation fund would also increase proportionately.

Specific approval of the members is now sought to the above revision in the remuneration payable to Mr. Khurana and Mr. Lakhanpal in line with the modern corporate trend.

It is in the above circumstances, that the resolutions mentioned in these items of the Notice are proposed to be passed and recommended by the board for your acceptance.

Any member desirous of having inspection of the special resolutions passed at the aforesaid 35th Annual General Meeting held on 12th July, 2007 or the draft addendum to the Agreement referred to in the resolution may do so on any working day during office hours upto the date of the ensuing Annual General Meeting of the Company.

Mr. S. K. Khurana is interested in the resolution relating to him.

Mr. Ajay K. Lakhanpal is interested in the resolution relating to him. Mr. G. N. Punj who is his nephew may also be deemed to be concerned with the resolution, although he is not deemed to be a relative within the meaning of section 6 of the Companies Act, 1956.

None of the other Directors are in any way concerned or interested in the said resolutions.

The aforesaid Explanatory Statement concerning Mr. S.K. Khurana and Mr. Ajai K. Lakhanpal setting out the terms of revision of their respective remuneration may also be treated as Abstracts required to be circulated to the members under Section 302 of the Companies Act, 1956.

Statement containing the information/disclosures as required under sub-clause (iv) under the proviso to sub-paragraph (B) of paragraph 1 under section II of Part II of Schedule XIII has been attached hereto but it does not form part of the Explanatory Statement.

**By Order of the Board
For Panasonic Battery India Co. Ltd.,**

**Nisha Hindocha
Company Secretary**

Mumbai, May 23, 2008

Panasonic Battery India Co. Ltd.

Disclosures to be given under sub-clause (iv) under the proviso to sub-paragraph (B) of paragraph 1 under section II of Part II of Schedule XIII.

(I) General Information

Nature of Industry	Manufacture of Dry Cell Batteries.	
Date of incorporation or expected date of commencement of commercial production	24 th May, 1972 Commercial production commenced many years ago.	
Financial performance based on given indicators.	Gross Sales Profit/(Loss) after Tax Rate of Dividend (proposed) Earning Per Share (in Rs.)	2007-08 (Rs. In Lacs) 1,99,72 3,05 30% 4.07
Export performance and net foreign earning	Foreign Exchange Earned Foreign Exchange Used Net Foreign Exchange Used	2007-08 (Rs. In Lacs) 79 59,15 58,36
Foreign Investments or collaborators, if any	No. of share held by Foreign collaborators/FIIs/ NRI Shareholding as on 31.3.2008 42,30,561 shares The Company has Foreign Collaboration with Matsushita Electric Industrial Co. Ltd., Osaka, Japan. They hold 51%.	

(II) Information about the appointee

Background Details		
Name of the Appointee	Mr. Ajai K. Lakhanpal	Mr. S. K. Khurana
Age	65 years	60 years
Qualifications	Higher National Diploma (Business Studies) from London	BE (Mechanical) F.I.E Chartered Engineer
No. of Equity shares held in the Company	1,00,000*	4,024*
Expertise/Employment records	He has been associated with the Company right from its inception as one of the promoters. He has contributed to the overall growth of the Company during his long association with the Company.	He has been working with the Company since 1 st December, 1972 in different capacities, last being as Sr. Executive President – Technical & Manufacturing before being appointed as Managing Director. He has acquired considerable experience in the Company's line of business.
Other Directorships held	Lakhanpal Holdings Pvt. Ltd.*	None*
Board Committees	Chairmanships Nil Memberships Investors' Grievance Committee – Panasonic Battery India Co. Ltd.*	Chairmanships Nil Memberships Investors' Grievance Committee – Panasonic Battery India Co. Ltd.*
Past Remuneration – 2007-08 as approved by the members at the last Annual General Meeting of the Company held on 12 th July, 2007	Salary – Rs. 9,90,000 (p.a.) Perquisites – Rs. 9,60,667 (p.a.) Contribution to PF & superannuation funds – Rs. 2,67,300 (p.a.)	Salary – Rs. 9,90,000 (p.a.) Perquisites – Rs. 9,64,258 (p.a.) Contribution to PF & superannuation funds – Rs. 2,67,300 (p.a.) Special allowance for Rs.4,00,000 (p.a.) was approved by the shareholders, but it was voluntarily not availed by Mr. Khurana.

*as on 31st March, 2008

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Recognition or awards	-	-
Job Profile and his suitability	Keeping in view his rich experience and long association with the Company, his continuance on the Board as Chairman and Whole-time Director is in the Company's interest. With his extensive experience he has played an instrumental role in advising the Board in making the turn around of the Company possible.	Under his leadership the Company has made a turnaround. He has managed to mitigate overheads thus improving the bottom line of the business operations of the Company. Very dexterously, he combines contemporary management techniques with real life practical approach.
Remuneration Proposed	As set out in the Explanatory statement attached to the Notice.	
Comparative remuneration profile with respect to the industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)	Considering the gross sales of the Company for the financial year 2007-08 Rs. 1,99,72 lacs and the projected increase in sales for the financial year 2008-09 by around 20% and considering Mr. Lakhanpal's and Mr. Khurana's experience and the contributions to the business and also high levels of remuneration in India of personnel at these levels, remuneration proposed is commensurate with the remuneration packages of similar senior level personnel's in the Industry. Remuneration Committee consisting of three non-executive independent Directors have approved the proposed remuneration.	
Pecuniary relationship directly or indirectly with the Company, or relationship with the Managerial Personnel, if any	Does not have any pecuniary relationship with the Company except to the extent of remuneration drawn by him as Chairman and Whole-time Director and as a member to the extent of his shareholding in the Company.	Does not have any pecuniary relationship with the Company except to the extent of remuneration drawn by him as Managing Director and as a member to the extent of his shareholding in the Company.

(III) Other Information

Reasons for loss or inadequate profits	Dry Battery Industry has registered a decline of 4% over previous year. R-20 (UM-1) segment is continuously losing its ground. It has declined by 28% over previous year. R-20 contribution to total dry battery sales, which was over 50%, has fallen down to 34%. This is expected to further fall down, as the appliances of R-20 are declining day by day. Also the increased zinc prices have narrowed down the profit margins. Dumping of cheap AA and AAA size Dry batteries from China and Indonesia has further intensified the competition and has adversely affected the profit margins.
Steps taken or proposed to be taken for improvement	The Company is focusing its full efforts for increasing its revenue accordingly the Company has undertaken various steps viz. products merchandizing; brand building exercise; and Display In Shops Activity (DISHA). The Company is also putting in all its efforts in reducing costs at the same time not compromising on the quality of its products. The Company has taken concrete steps in the areas of manpower rationalization, productivity improvement, reduction in fixed and variable costs in all the areas of operations for improving the profitability of the Company.
Expected increase in productivity and profits in measurable terms.	The Company is likely to increase its turnover as well as profits by around 20% during the year 2008-09 as compared to 2007-08.

Panasonic Battery India Co. Ltd.

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED ON 31ST MARCH, 2008

To

The Members of Panasonic Battery India Co. Ltd.

The Directors have pleasure in presenting their 36th Annual Report together with the Audited Accounts of the Company for the year ended on 31st March, 2008.

1. FINANCIAL RESULTS

	(Rupees in Lacs)	
	As at 31 st March, 2008	As at 31 st March, 2007
Sales Turnover	1,99,72	2,29,00
Operating Profit (before interest, depreciation & tax)	9,00	6,54
Profit/(Loss) before Tax	4,08	2,14
Less: Provision for Taxation (Net of Deferred Tax)	1,24	83
Add/(Less): Provision for taxation of earlier Years (Net of refund/Demand)	21	1,70
Profit after Tax	3,05	3,01
Add: Profit brought forward from previous year	11	37
Net available surplus for appropriation	3,16	3,38
APPROPRIATIONS		
a) Proposed Dividend	2,25	1,13
b) Corporate Tax on Proposed Dividend	38	19
c) General Reserve No.1 (Statutory)	41	25
d) General Reserve No.2	0	1,70
e) Surplus carried to Balance Sheet	12	11
	3,16	3,38

2. DIVIDEND

In view of the better operational profits of the Company in difficult market conditions, the Directors recommend declaration of dividend at Rs.3.00 per Equity Share (previous year Rs.1.50 per Equity Share) on 75,00,000 Equity Shares for the year ended on 31st March, 2008. The dividend, when approved, will entail payment to shareholders of Rs.2,25.00 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.38.24 lacs.

3. MANAGEMENT DISCUSSION AND ANALYSIS

A. Business Overview

The Company's turnover for the year at Rs.1,99,72 lacs has decreased by over 12% as compared to the previous year. Profit before tax for the year, after absorbing Rs.4,26 lacs towards Voluntary Retirement Schemes was in the sum of Rs.4,08.38 lacs as against profit of Rs.2,14.15 lacs during the previous year.

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During the year sales quantity of Dry Cells has decreased by about 6% to 431 million pieces. Production quantity was 458 million pieces which is about 27 million pieces less than in the previous year.

The Company is making rigorous efforts to increase its revenue by innovative product merchandizing and focusing on "Panasonic" brand building across the country through Display in Shops Activity (DISHA).

In order to mitigate the effects of increased prices of basic raw materials, the Company has taken major initiatives to control costs by manpower rationalisation, productivity improvement and reduction in fixed and variable costs in all the areas of operations. Through innovative Value Engineering, consumption of basic raw-material viz. zinc has reduced drastically leading to substantial reduction in variable cost. Simultaneous efforts on other fronts like effective price negotiations with suppliers and global sourcing of raw-materials have also helped us in reducing the input costs.

Your Directors are optimistic that the efforts initiated will give a competitive edge to the Company.

B. Industry Structure and Development

Dry Battery Industry has declined by 4% over previous year. R-20 (UM-1) is continuously losing its ground. It has declined by 28% over previous year. R-20 contribution to total dry battery sales, which was over 50%, has fallen down to 34%. This is expected to further fall down, as the appliances of R-20 are declining day by day.

Opportunities and Threats

India being an emerging market, the consumption of Dry Batteries is likely to increase beyond 2 pieces per capita. The penetration of FM station, ACs, TVs, will help to fuel growth in AA and AAA segment. Emerging digital equipment's open opportunity in Alkaline, Rechargeable and Lithium segments.

Increased input costs are a matter of concern for the Industry as it puts pressure on the profit margins. Cheap Chinese batteries as well as the development of alternative energy resources like solar batteries, re-chargeable batteries, etc. are a threat to the dry battery Industry.

Risks & concerns

Usage pattern of appliances is the deciding pattern for battery Industry. Changing consumer behaviour towards battery operated appliances will be a determining factor.

Outlook

Penetration of more battery operated appliances should improve the battery consumption. The concept of compactness with mobile energy need should help more battery operated appliances to emerge.

"Panasonic" Brand

During the year the Company made various initiatives for promotion of "Panasonic" brand. The initiatives were undertaken under "DISHA" (Display in Shop Activity) by holding meetings at different locations across the country, which were attended by stockists and members of front line sales force.

DISHA (Display in Shop Activity)

Dry battery is an impulse purchase product. So shop display is very important. It is gratifying that over 50% of the shops covered by us in India carry our inshop hangers where Panasonic products are displayed. Efforts are being made for further improvement on this front.