THE STANDARD BATTERIES LIMITED

51ST ANNUAL REPORT 1997-98

THE STANDARD BATTERIES LIMITED

Board of Directors

Mr. D. Khaitan, **Chairman**
Mr. T. R. Swaminathan
Mr. S. C. Joshi
Mr. A.V. Purushothaman
Mr. V. R. Sinha
Mr. F. J. Guzdar, **Whole-time Director**

Bankers
ANZ Grindlays Bank
Bank of India
State Bank of Mysore

Auditors
Messrs. Dalal Desai & Kumana
Mumbai

Cost Auditor
Mr. K. K. Rajendran
Mumbai

Registrars & Share Transfer Agents
M/s. IIT Corporate Services Ltd.,
IIT House,
Off: M. Vasanji Road,
Near J. B. Nagar,
Andheri (East),
Mumbai 400 059,
Tel.: No. 8225599.

Solicitors
Messrs. Crawford Bayley & Co.
Mumbai

Messrs. Udwadia Udeshi & Berjis
Mumbai

Registered Office
11/A, Giri Kunj,
N. S. Patkar Marg,
Mumbai - 400 007
Tel.: No. 3872629-30
Fax: No. 3804967.

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Notice of Adjourned 51st Annual General Meeting

NOTICE is hereby given that the Fifty-first Adjourned Annual General Meeting of the Company will be held as scheduled below :

DAY	:	TUESDAY
DATE	:	29th JUNE, 1999
TIME	:	11.30 a.m.
VENUE	:	Walchand Hirachand Hall, 4th Floor, Indian Merchants Chamber, IMC Building, Churchgate, Mumbai 400 020.

To Consider and transact the following unfinished business.

1. To receive, consider and adopt the Audited Statement of Accounts for the financial year ended 31st March, 1998 and the report of the Directors and Auditors thereon.
2. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :

   "RESOLVED THAT Messrs Dalal Desai & Kumana, Chartered Accountants, Mumbai be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be decided by the Board of Directors and they be paid in addition, the out of pocket and/or travelling expenses, that they may incur in carrying out their duties.

By Order of the Board of Directors,

B. N. Shah
Company Secretary

Mumbai
Dated: 12th May, 1999

Registered Office:
11/A, Girikunj,
N. S. Patkar Marg,
Mumbai 400 007.

Notes :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE IN HIS STEAD AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
2. An explanatory statement on items 1 & 2 is annexed.
3. Members are requested to bring their Copies of the Annual Report to the meeting.

Annexure to Notice

Explanatory Statement

Item Nos. 1 & 2

The accounts of the Company for the financial year ended 31st March, 1998 could not be placed before the members at the 51st Annual General Meeting held on 30th December, 1998 due to non completion of "Due Diligence exercise for Valuation of Net Current Assets as on 16th February, 1998 being the date of Sale / Transfer of the entire undertaking of The Standard Batteries Ltd. to Exide Industries Ltd. The said meeting was therefore adjourned Sine Die. Subsequent to the Completion of the Due Diligence" exercise for valuation of Net Current Assets, the accounts have now been finalised and have been audited. The accounts are now proposed to be placed before the members and approval of the same alongwith approval of appointment of Auditors is also sought from the members at the Adjourned 51st Annual General Meeting on 29th June, 1999.

By Order of the Board of Directors

B. N. Shah
Company Secretary

Mumbai
Dated: 12th May, 1999

Registered Office:
11/A,.Girikunj,
N. S. Patkar Marg,
Mumbai 400 007.

DIRECTORS' REPORT

To the Members of **The Standard Batteries Limited**

51st Annual Report

Your Directors are pleased to present herewith the 51st Annual Report of the Company, consisting of the Audited Accounts for the financial year ended 31st March, 1998 together with the Directors' Report and the Auditors' Report thereon.

FINANCIAL RESULTS

(Rs. in Lakhs)

	31st March 1998	31st March 1997
Turnover	**15536.37**	15341.20
Profit/(Loss) before Taxation	**(2339.77)**	406.33
Provision for Taxation	—	(45.00)
Profit/(Loss) after Taxation	**(2339.77)**	361.33
Add :/Less : Balance in Profit & Loss Account brought forward	**343.84**	(104.41)
Short provision of taxation of earlier years	—	(3.86)
Withdrawn from Investment Allowance Reserve	**64.30**	15.78
Withdrawn from Debenture Redemption Reserve	**137.58**	75.00
Withdrawn from Export Allowance Reserve	**27.60**	—
Transfer from General Reserve	**398.04**	—
Balance of Profit/(Loss) carried to Balance Sheet	**(1368.41)**	343.84

The reasons for delay in presenting these accounts were elucidated in the statement of Directors dated 30th November, 1998 circulated along with the Notice of 51st AGM held on 30th December, 1998.

DIVIDEND

Your Directors regret their inability to recommend any dividend due to the loss incurred by the Company during the year under review.

ANALYSIS OF RESULTS 1997-98

Recessionary trends in industry in general and in the automotive sector in particular took a firm hold in the year under review. Acute recession in the automotive industry resulted in a severe negative impact on the lead acid battery manufacturing companies. Out of the seven organised sector manufacturers, only one company was profitable and the rest were either offered for sale, incurring losses or divested assets. Your Company had significantly succeeded to become the second largest manufacturer in the lead acid battery business. However, it had to, apart from the effect of recession, concurrently absorb large interest and depreciation costs of the new plant at Taloja. Substantial new investments were required to be made where the payback period was considered unremunerative and not in the interest of the shareholders. The Directors explored alternatives including a joint venture with M/s. Johnson Controls of USA and strategic alliances with others including with Exide Industries Ltd. The culmination of these efforts was an offer from M/s. Exide Industries Ltd. to buy the lead acid battery business of the Company including assignment of existing collaborations with The Furukawa Battery Co., of Japan and others, subject to the concurrence of these collaborators.

Under an agreement dated 21st November 1997, the Company's entire manufacturing of lead acid batteries and Miners' Caplamp businesses comprising of assets both tangible, intangible and including net current assets, was sold on a slump sale basis to M/s. Exide Industries Ltd. This sale was subject to all necessary approvals being obtained which were completed on 16.2.98. The essential terms of sale were that the fixed assets were sold for Rs. 100 crores and the net current assets were to be valued by a firm of auditors and then paid for to the Company. Concurrently, all 1037 (One Thousand Thirty Seven) active employees barring four were to be transferred to the rolls of M/s. Exide Industries Ltd. Sale proceeds realised were mainly applied for repayment of loans raised earlier and interest thereon to Financial Institutions and Banks. Certain current assets/liabilities which are not transferable were retained by the Company. Thereafter, the Company executed certain orders on the insistence of specific customers and the Company continued to carry on certain trading activities.

A scenario of uncertainty was generated by the Agreement dated November 21, 1997 and due to an earlier Press Report datelined July 22, 1997 alluding to sale of the Company's battery business, production and sales, were adversely affected for almost 6 months in the year under review due to distributors/dealers progressively cutting and cancelling orders on the Company. This, coupled with the higher charge for interest and depreciation on the investment for the Taloja facility, resulted in an increase in operating losses for the year to Rs. 35.31 crores. The loss reduced to Rs. 23.40 crores by the profit on slump sale and other extra-ordinary items. However, a major element still unresolved which may affect this result is the outcome of an arbitration proceeding commented upon later in this report.

SETTLEMENT WITH EXIDE

Net Current Assets (NCA) of the Company were transferred at a value which was to be determined by a firm of Chartered Accountants (the firm). The firm has assigned a value of Rs. 18.75 crores to NCA and this valuation is not considered fair by the Company. The Company therefore, is in the process of initiating arbitration proceedings as stipulated in the agreement for resolution of the matter.

Profit on sale of business reflected in the accounts is based on the value of NCA at Rs. 18.75 crores assigned by the firm and is subject to adjustments based on outcome of the arbitration. Concurrently, a settlement is due to be signed with certain employees of the Company belonging to the erstwhile Datta Samant group relating to the dispute emanating from the strike/lock-out during the year 1992-93.

FUTURE PLAN OF THE COMPANY

Pending finalisation of the arbitration with M/s. Exide Industries Ltd. and of other related issues, decision with regard to the future disposition of the Company will be recommended for approval to the shareholders in an Extra-ordinary AGM to be called for this purpose.

TOTAL QUALITY MANAGEMENT

The Company obtained the prestigious QS 9000 certification for the Taloja Plant in November 1997. The Company was amongst the first 12 in the Indian Automotive Industry to achieve this distinction.

COLLABORATORS

The Directors place on record their sincere thanks to the Collaborators — The Furukawa Battery Co. Ltd., Japan, Oldham UK, Oldham SA, France, Hagen Batterie AG, Germany and Johnson Controls Inc. (USA) for their continued co-operation and support.

INDUSTRIAL RELATIONS

During the year, industrial relations remained cordial.

DIRECTORS

Mr. R. K. Bhargava resigned from the Board with effect from March 19, 1998. The Board places on record its deep appreciation for the services rendered by Mr. R. K. Bhargava during his tenure as Director of the Company.

Mr. S. Krishna Moorthy resigned from the Board with effect from June 29, 1998. The Board places on record its deep appreciation for the services rendered by Mr. S. Krishna Moorthy during his tenure as Director of the Company.

Mr. A. V. Purushothaman has been appointed in the casual vacancy caused by the resignation of Mr. S. Krishna Moorthy. Mr. A. V. Purushothaman represents General Insurance Corporation of India on the Board.

Mr. H. V. Goenka has resigned from the Board with effect from June 30, 1998. The Board places on record its deep appreciation for the services rendered by Mr. H. V. Goenka during his tenure as Director of the Company.

Mr. S. K. Oza has resigned from the Board with effect from December 10, 1998. The Board places on record its deep appreciation for the services rendered by Mr. S. K. Oza during his tenure as Director of the Company.

Mr. V. R. Sinha has been reappointed as Managing Director of the Company for a further period of one year from July 27, 1998. However, subsequently, he resigned as Managing Director with effect from October 01, 1998 but will continue as a Director. The Board places on record its deep appreciation for the services rendered by Mr. V. R. Sinha during his tenure as Managing Director of the Company.

Mr. F. J. Guzdar has been appointed as Whole-time Director of the Company with effect from October 01, 1998 consequent to the resignation of Mr. V. R. Sinha as Managing Director of the Company.

DEPOSITS

The aggregate of deposits held as on March 31, 1998 was Rs. 56.01 lakhs of which Rs. 0.67 lakhs were unclaimed as on that date. Out of the above, deposits aggregating to Rs. 47.69 lakhs have since been refunded.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS

In terms of the notification of the Central Government, the necessary particulars in regard to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in Annexure-I, forming part of this report.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company at its Registered Office.

AUDITORS

Messrs. Dalal Desai & Kumana, Chartered Accountants, Mumbai, the existing Auditors of the Company retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

As the Financial Institutions, Nationalised Banks and General Insurance Companies hold more than 25% of the subscribed share capital of the Company, the re-appointment of Messrs. Dalal Desai & Kumana, as auditors of the Company require the passing of a Special Resolution pursuant to Section 224A of the Companies Act, 1956 which will be proposed at the forthcoming adjourned Annual General Meeting.

The Company has obtained from the retiring Auditors, certificate to the effect that their re-appointment, if made, as aforesaid, will be in accordance with the limits specified in Sub-section (1-B) of Section 224 of the Companies Act, 1956.

AUDITORS' OBSERVATIONS

The observations of the Auditors are clarified in the appropriate notes to the Accounts.

ACKNOWLEDGEMENTS

The Directors wish to thank the Government of India and various State Government Authorities, Public Financial Institutions, the Bankers, Auditors and Solicitors of the Company for the guidance, advice and assistance rendered by them from time to time. The Directors also thank the employees for their continued co-operation and the shareholders for the support to the Company.

For and on behalf of the
Board of Directors,

F. J. Guzdar
Whole-time Director

Mumbai,

Dated: 12th May, 1999.

Annexure I to Directors' Report

PARTICULARS IN REGARD TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS

(A) CONSERVATION OF ENERGY :

Efforts to conserve energy were continued at all locations. The Taloja factory is operating the state-of-the-art design and uses natural lighting and ventilation to a maximum extent. Futher propane gas is being used at Taloja in place of LPG eliminating the need to vaporise during winter and rainy season.

(B) RESEARCH & DEVELOPMENT :

1.	Specific areas in which R&D carried out by the Company.	: Development of new products; Product/Process cost optimisation and quality improvement through Innovation design and value engineering technique; New process innovation and improvement in existing process; Import substitution.
2.	Benefits derived as a result of the above R & D.	: Extension in product range leading to cost effective products which in turn enhance Company's competitiveness and market share.
3.	Expenditure on R & D	: (Rs. in Lakhs)
	a) Capital	—
	b) Recurring	8.32
	c) Total	8.32
	d) Total R & D Expenditure as a percentage of total turnover.	0.06%

Technology absorption, adaptation and Innovation :

1.	Efforts in brief made towards technology absorption, adaptation and innovation.	: The technology absorbed and adapted from Foreign Collaborators in the earlier years were updated by continuous interaction with them.
2.	Benefits derived as a result of the above efforts, e.g. Product Improvement, Cost Reduction, product development, Import Substitution.	: Introduction of new products with superior technology, focus on quality for customer satisfaction and cost reduction through better monitoring of various processes.
3.	a) Technology Imported.	: The Company imported technology from Oldham-France, for Industrial Batteries, Oldham, U.K., for "T" type Mining Batteries. Hagen Batterie AG., Germany for Submarine Batteries, Furukawa Battery Co. Ltd., Japan for Automotive Batteries and Johnson Controls Inc., USA for batteries for Ford cars.
	b) Year of Import	: 1985-86 onwards.
	c) Has technology been fully absorbed.	: Absorption of technology is an ongoing process.
	d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plan of action.	: 2/3 Wheeler batteries were planned for manufacture at the Taloja Plant, where suitable facilities had been provided.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans.	: The Company is exploring new markets in General Currency Areas.

Total foreign exchange used and earned:

i)	Used	: Rs. 136.45 Lakhs
ii)	Earned	: Rs. 67.69 Lakhs

Auditors' Report

To
The Members of The Standard Batteries Limited

We have audited the attached Balance Sheet of The Standard Batteries Limited as at 31st March, 1998 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto, incorporating the audited accounts of the Company's Madras Branch. We have also considered the Branch Auditors' report while preparing this report.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and information and explanations given to us, during the course of audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to in paragraph (1) above we report that:—

   2.1 We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   2.2 In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books.

   2.3 The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account and audited branch accounts.

   2.4 This report is subject to following notes to the accounts:

   a) note 4 regarding profit on sale of undertakings accounted in books being subject to adjustments on final determination of value of net current assets;

   b) note 5 regarding provisions having not been made for i) diminution in value of Investments of Rs. 75 lacs in equity shares of a company, ii) liability which may arise on settlement of labour disputes, iii) doubtful advances of Rs. 85.63 lacs;

   c) note 7 regarding balances in accounts referred to in the said note being subject to confirmation and reconciliation;

   The impact of matters referred to in (a) to (c) above, on the operational results of the year and net worth of the company, though likely to be significant, is not presently quantifiable.

   2.5 In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and the other notes to accounts and subject to matters stated in para 2.4 above, give information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

   i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1998.

   ii. in the case of Profit and Loss Account, of the Loss for the year ended on that date.

For and on behalf of
DALAL DESAI & KUMANA
Chartered Accountants

VIJAY N. BHATT
Partner

Mumbai,
Dated: 12th May, 1999.

Annexure to the Auditors' Report

(Referred to in paragraph 1 of our Report of even date).

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Fixed assets were physically verified by the management at the time of sale of undertakings. As explained to us, no serious discrepancies were noticed on such verification. In our opinion, frequency of verification is reasonable.

2. The fixed assets of the Company were not revalued during the year.

3. The stocks of finished goods, raw materials, stores and spares have been physically verified during the year by the management at reasonable intervals. Due to sale of undertakings, there were no stocks of finished goods, raw materials, stores and spares as at the year end.

4. The procedures followed by the management for physical verification of stocks were, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.

5. The discrepancies noticed on physical verification of stocks as compared to book records, were properly dealt with in the books of account.

6. As there were no stocks as at the year end, there are no comments under clause 4A(vi) of the order, regarding the basis of valuation of stocks.

7. The Company has not taken or granted any loans secured or unsecured, from/to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.

8. Loans or advances in the nature of loans have been given to employees who repaid the principal amounts and interest wherever applicable as stipulated, except in respect of loans of Rs. 12.04 lakhs against which the company has made provisions of Rs. 5.00 lakhs in accounts. We are informed that adequate steps are being taken to recover the balances.

9. In our opinion, internal control procedures for the purchase of stores, raw materials including components, plant and machinery, equipments and other assets and for the sale of goods were not commensurate with the size of the Company and the nature of its business.

10. There were no transactions for purchase of goods and materials and sale of goods, materials and services made by the Company in pursuance of contracts or arrangements with parties recorded in the register maintained under Section 301 of the Companies Act, 1956.

11. The Company has a system of determining unserviceable or damaged stores, raw materials, traded and finished goods. Adequate provisions were made in the accounts for the loss arising on the items so determined.

12. The Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder with regard to deposits accepted from the public.

13. In our opinion, the Company has maintained reasonable records for the sale and disposal of realisable scrap. As informed to us the Company does not have any by-products.

14. The Company has no internal audit system during the year.

15. The Company had maintained books of account in respect of the products where the maintenance of cost records has been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956. However, we have not carried out any detailed examination of such accounts and records to determine whether they are correct and complete.

16. The Company has regularly deposited Provident Fund dues and Employees' State Insurance dues with the appropriate authorities expect for delays in certain cases. There were no arrears as at the year end.