

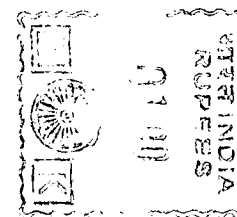


MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

SAB NIFE POWER SYSTEMS LTD.

MARKET LEADERS IN INDUSTRIAL DC POWER SYSTEMS

(Nickel Cadmium Pocket Plate Batteries, Battery Chargers, Switch Mode Rectifiers)



12th ANNUAL REPORT
1997 – 98

Board of Directors (as on July 22, 1998)

Dr. A J Prasad, Chairman & Managing Director
Mr. Arne Georgzen, Swed Fund
Dr. E G Mahadevan
Mr. S S Rao
Dr. Ram K Rao
Mr. Torbjorn Anulf, Saft Nife AB
Mr. Per-Eric Hakaansson, Saft Nife AB
Mr. A Subramanian (Wholetime Director)
Dr. Alvin J Salkind
Mr. Arne O Nilsson
Mr. Jean Pierre SINET (Alternate to Mr. Torbjorn Anulf)
Mr. Deepak Sahay (Alternate to Mr. Arne Georgzen)
Mr. M.S.S. Srinath (Addl. Director)

Company Secretary

Mr. C Purushotham

Auditors

Satyanarayana & Co.
Chartered Accountants
Amar Mansion, Ranigunj
Secunderabad 500 003

Bankers

State Bank of India
Jeedimetla IA Branch
Hyderabad

Registered Office

8-2-601, Road no.10
Banjara Hills
Hyderabad 500 034

Factory

Lalgadi Malakpet
Shamirpet Mandal
Rangareddy District 500 014
Andhra Pradesh, India

Shares Department

Sy.No.26, Kubera Towers
Trimulghery X Roads
Secunderabad - 500 050

SAB NIFE POWER SYSTEMS LTD.

Notice is hereby given that the Twelfth Annual General Meeting of SAB NIFE POWER SYSTEMS LIMITED will be held at the Surana Udyog Auditorium , Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad - 500 004, on Friday, the 4th day of September 1998 at 11.00 a.m., to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as on 31st march, 1998 and the Profit and Loss Account for the year ended on 31st March, 1998, together with the Directors Report and the Auditors Report thereon.
2. To declare dividend for the financial year ended 31st March, 1998
3. To appoint a Director in place of Mr Arne Georgzen, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr.S.S. Rao, who retires by rotation and also wishes not to be reappointed on health grounds. The company proposes to appoint Mr.M.S.S. Srinath in his place.
5. To appoint Auditors for the period till the conclusion of the next Annual General meeting and to Authorise the Board to fix their remuneration. M/s Satyanarayana & Co., Charatered Accountants, the retiring Auditors, eligible for re-appointment.

SPECIAL BUSINESS

- (A) TO CONSIDER AND IF THOUGHT FIT TO PASS WITH OR WITHOUT MODIFICATIONS THE FOLLOWING RESOLUTIONS AS ORDINARY RESOLUTIONS:

6. To appoint Dr.A.J. Prasad as Managing Director for five years with effect from 1st June, 1998.

"Resolved That, pursuant to the provisions of Sections 198, 269, 309, 310, 311, 314 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 and subject to such approvals as may be necessary, Dr.A.J. Prasad be and is hereby appointed as Managing Director of the company with effect from June 1,1998 to May 31, 2003, on the following terms as to remuneration:

SALARY : Rs.40,000 per month

PERIOD : June 1, 1998 to May 31, 2003 (5 Years)

COMMISSION : Subject to the overall limits laid down in Section 198 and 309 of the Companies Act, 1956 not exceeding two percent of the profits of the company as may be decided by the Board for each financial year.

PERQUISITES :

Perquisites will be allowed in addition to the salary and commission, restricted to an amount equal to Rs. 3.00 lacs per annum. The perquisites are classified into three categories A, B, C and the ceiling shall apply to category 'A'.

CATEGORY 'A'

- i) **HOUSING** : House Rent allowance or the expenditure by the Company on hiring furnished accommodation will be subject to the ceiling of 60% of the salary, over and above 10% payable by the Managing Director.

The expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per the Income Tax Rules 1962. This shall however be subject to a ceiling of 10% of the salary.
- ii) **Medical reimbursement** : Membership or the subscription paid to any hospital and/or doctors schemes or an insurance company in India, and all hospital and medical expenses incurred for self and family subject to ceiling of one month's salary in a year or five month's salary over a period of five years.
- iii) **Leave Travel Concession** : For self and family once in a year incurred in accordance with any rules Specified by the Company.

- iv) Club Fees : Fees of clubs subject to maximum of two clubs, excluding admission and the membership fees.
- v) Personal Accident Insurance : Premium not to exceed Rs.4,000 per annum.

CATEGORY 'B'

- 1) Company's contribution to provident Fund and Superannuation Fund to the extent these either singly or put together are not taxable under the Income Tax Act. Gratuity payable shall not exceed half a month's salary for each completed year of service.
2. Encashment of Leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY 'C'

The Company shall provide a car with driver and telephone facility at the residence of the Managing Director. Provision of a car with driver for use on Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director

Notwithstanding any thing mentioned above, where, in any financial year during the currency of tenure of the Managing Director, the company has no profits or its profits are inadequate, it may pay the Managing Director remuneration by way of salary and perquisites not exceeding the limits specified above as minimum remuneration under Section 11 of Part II of Schedule XIII of the Companies Act, 1956.

Dr A.J. Prasad shall be entitled to leave on full pay and allowances as per the rules of the Company.

This appointment will be subject to a notice period of 6 months from either side.

THAT Dr.A.J. Prasad will not be entitled to any sitting fee for attending meetings of the Board or any Committee thereof."

7. To ratify the appointment of Mr S.S. Rao as Executive Director and remuneration payable to him

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 314 and other applicable provisions if any, read with Schedule XIII of the Companies Act, 1956 and subject to the approvals as may be necessary, Mr.S.S. Rao be and is hereby appointed as Executive Director for a period of one year with effect from November 1, 1997, on the following terms as to remuneration and also as minimum remuneration as set out hereunder.

- Salary : Rs.12,000/- per month
- Commission : As may be decided by the Board from time to time for each financial year or part thereof.
- Perquisites : Rs.13,000/- p.m the monetary value of which shall be according to the Income Tax Act, 1961.

However, perquisites which are expressly excluded in Schedule XIII of the Companies Act, 1956 like Company's contribution to Provident Fund, Superannuation/Gratuity, provision of car for use on Company's business, telephone at residence, club fees and reimbursement of expenses incurred exclusively for the business of the Company and such other perquisites permissible under Schedule XIII shall not be included in computation of the above ceiling to the extent permissible.

THAT Mr.S.S. Rao will not be entitled to any sitting fee for attending meetings of the Board or any committee thereof."

- (B) TO CONSIDER AND, IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION (s) THE FOLLOWING RESOLUTIONS AS SPECIAL RESOLUTIONS

8. To increase the Authorised Share Capital of the Company.

"Resolved That the Authorised Share Capital of the Company be and hereby increased from Rs.7,00,00,000 to Rs.10,00,00,000 by the Creation of 30,00,000 additional equity Shares of Rs.10/- each and that Clause V of the Memorandum of Association be amended accordingly."

9. To amend the Articles of Association

"RESOLVED THAT Article 4 (I) of the Articles of Association of the Company be deleted and be substituted by the Following :

"The Authorised Share Capital of the Company is Rs.10,00,00,000/- (Rupees Ten Crores only) divided into 1,00,00,000 equity shares of Rs.10/- (Rupees Ten only) each."

10. To Issue Share warrants on preferential basis.

"Resolved that in accordance with Section 81 (1A) and other applicable provisions if any of the Companies Act, 1956 and in accordance with the existing Guidelines of the Securities and Exchange Board of India (SEBI) and subject to all consents and permissions required by law and subject to such conditions and modifications as may be imposed and accepted by the Board of Directors of the Company (hereinafter referred as 'The Board' which term shall include any committee which the Board of Directors of the Company may constitute), the consent of the Company be and is hereby accorded to the Board of Directors to offer to HBL Limited (HBL), and Dr. A.J.Prasad, family and his associates and/or their nominees, (hereinafter referred to as "Dr.AJP & Associates") on private placement basis 35,68,700 equity shares of the Company, of the face value of Rs.10/- each (hereinafter referred to as the Private issue) for cash as follows:

- a. The issue price of the shares of face value of Rs.10/- each comprised in the Private issue shall be in accordance with the existing SEBI Guidelines and determined by the Statutory Auditors of the Company.
- b. The Board be and is hereby authorised to allocate the equity shares comprised in the issue amongst the various members of the Dr. AJP & Associates and upon such allocation shall issue to the respective members of Dr. AJP & Associates warrants or such other documents as the Board may decide, signifying the number of equity shares to which they are entitled in such denominations as may be found convenient setting out the principal terms and conditions of the offer of shares as laid down by the existing SEBI Guidelines and the procedure by which the holders of the said warrants/documents may pay for and take delivery of the equity shares of the face value of Rs.10/- each to which they are entitled in exchange for the warrants/documents on the express conditions that if the said equity shares are not so taken up and paid for in full within 18 months from the date of issue of the warrants, the warrants/documents shall lapse to the extent of shares not so taken up and paid for. The said warrants/documents are hereinafter referred to as the Basic Warrants/Documents.
- c. In the event that prior to the allotment of equity shares to the members of the Dr. AJP & Associates by exchange with the Basic Warrants/Documents, any further equity shares are issued and allotted by the Company to the holders of its existing equity shares as rights (hereinafter referred to as the said Rights Shares') and /or as Bonus Shares (hereinafter referred to as said Bonus Shares) the holders of the Basic Warrants/Documents shall be issued by the Board such additional warrants/documents (hereinafter referred to as the Additional Warrants/Documents') entitling the holders to the extent of and subject to their taking up and paying for the shares offered under the Basic Warrants/Documents, to further equity shares in the same proportion as though the shares represented by the Basis Warrants/Documents, had been issued and paid for, and at the same price as the said Rights Shares are offered and allotted to the holders of existing shares of the Company and/or shall be allotted the said Bonus Shares in the same proportion as the holders of the existing equity shares of the Company and this resolution shall be deemed to have authorised the Board in terms of Section 81 (1A) of the Companies Act, 1956 to offer and/or issue and/or allot as many equity shares of the face value of Rs.10/- each of the Company as are required to satisfy the allotment of equity shares in respect of the Additional Warrants/Documents over and above the 35,68,700 equity shares comprised in the Private issue and all such equity allotted in exchange for Basic and Additional Warrants shall rank pari passu in all respects with the existing equity shares of the Company except that with respect to dividend declared for the financial year of the Company in which the said equity shares are allotted they shall qualify for dividend only on a pro rata basis from the date of allotment".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions and matters arising out of, and incidental to the proposed offer and issue of equity shares and to take all steps which the Board in its absolute discretion, considers necessary, proper or expedient for implementing this resolution."

"Resolved further that the board be and is hereby authorised to make on its own accord or to accept such amendments, modifications variations and alterations as the Government of India, Securities and Exchange Board

of India and/or Financial Institutions may stipulate in that behalf and to amend, modify, vary or alter all or any of the same of the Private issue on such terms as the Board may in the absolute discretion decide within the Guidelines of the Securities and Exchange Board of India."

11. To approve payment of commission to Directors (other than working Directors) for five years with effect from the financial year 1998-99

"RESOLVED THAT pursuant to provisions of Sec.309 (4) read with Sec.310 of the Companies Act, 1956 and other necessary approvals, the Company hereby approves the payment of commission to the Directors of the Company (other than Managing/whole time Director) at the rate of one percent of the net profits of the Company computed in accordance with provisions of Sec.198, 349 and 350 of the Companies Act for a period of five years commencing from the year April 1998 to March 1999 to be divided between Directors in such manner as the Board of Directors may from time to time determine".

By order of the Board

Place : Hyderabad
Date : July 22, 1998

C PURUSHOTHAM
Company secretary

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EXPLANATORY STATEMENT

(Pursuant to Section 173 (2) of the Companies Act, 1956)

Item No. 6

Dr.A.J. Prasad is a core promoter and a permanent Director on the Board. He was appointed as Managing Director at the 8th Annual General Meeting held on 26th September, 1994, for a period of 5 years. Thus, he retired as Managing Director on 28th August, 1996 as per the resolution. It was not considered necessary to re-appoint him as Managing Director in 1996 since Mr.S.S. Rao was holding the post of whole-time Director.

Mr.S.S. Rao retired as executive Director on health grounds on 31st May, 1998. Therefore the Board considered the matter and requested Dr. A.J. Prasad to be the Managing Director and on his consent he was appointed as Managing Director at the Board meeting held on 29th May, 1998, effective from 1st June, 1998 for 5 years, as per the terms set out in the resolution.

The terms of appointment are as per the norms of Schedule XIII of the Companies Act, 1956.

The Board recommends for the approval of the resolution by the members.

None of the Directors other than Dr.A.J. Prasad, Mr. M.S.S. Srinath and Dr. Ram K.Rao are interested in the resolution

Item No. 7

Mr.S.S. Rao was appointed as a Whole-time Director for a period of 3 years effective from 1st November, 1994 at the Annual General Meeting held on 26th December 1995. After the expiry of his tenure on 31st October 1997, it was considered by the Board and he was re-appointed as Whole-time Director, designated as Executive Director for a period of one year, at the Board meeting held on 24th November, 1997, as per the terms set out in the resolution, subject to the approval of the members at this meeting.

None of the Directors other than Mr.S.S. Rao are interested in this resolution.

Item No. 8 & 9

In view of the proposed preferential allotment of equity shares, it is necessary to alter the Memorandum and Articles of Association to give effect to the increase in the Authorised Capital to Rs.10,00,00,000/-. This needs the approval of the shareholders by way of special resolution.

None of the Directors are interested in this Resolution.

Item No. 10

The company has an excellent opportunity to consolidate its position as a leader in the emerging market for Switch Mode Rectifiers. The demand for this product is growing very rapidly. Being an electronics product, the financial input needed is largely in the area of Working Capital which cannot be obtained from traditional term financing sources. The Board noted the need for funds and the options available. It was decided that equity must be enlarged.

In this context it was noted that listing on the National Stock Exchange requires a minimum equity of Rs.10 crores, and that the benefits of this listing justified enlarging the equity to the round number of Rs.10 crores.

A rights issue was considered infeasible in the present state of the capital market; further, the cost and time delays ruled out this option.

The offer of the core promoter, Dr. A.J.Prasad, to invest was accepted to be the best solution. Keeping in mind the past commitment of Dr. Prasad (and his associates including HBL Ltd) for establishing the battery business of the company, and the valuable contributions made by Dr. Prasad in creating the Switch Mode Rectifiers business as a new undertaking, the Board resolved in favour of a preferential allotment.

It is accordingly proposed to issue to the Dr. AJP & Associates, 35,68,700 warrants entitling them to exchange these warrants for equity shares of Rs.10/- each at a price to be determined, in accordance with the Securities and Exchange Board of India Guidelines in relation to preferential issues dated 4th August, 1994, by the Statutory Auditors of the Company.

The issue of warrants shall be subject to necessary consents if any, being obtained from Financial Institutions.

Your Directors commend the Resolution for your approval:

SAB NIFE POWER SYSTEMS LTD.

Dr. A.J. Prasad, Mr. M.S.S. Srinath and Dr. Ram K. Rao be deemed to be concerned or interested in this special Resolution to the extent of the warrants that may be offered to Dr. AJP & Associates.

No Other Director is concerned or interested in this Resolution.

Item No. 11

Members of the Company have approved for the payment of commission @ 1% of the net profits as allowed by the Company Law, to the Directors other than the whole-time Directors for a period of 5 years effective from the year 1993-94, at the Annual General Meeting held on 26th September, 1994. Since the approval expires by the end of the financial year 1997-98 further approval of the Members is required in this regard. In view of the effective involvement of the Directors for the growth of the Company which is evident from the remarkable performance, it is desirable to remunerate the non-working Directors by way of commission at one percent of the net profits as allowed under Section 309 (4) of the Companies Act, 1956.

All the Directors of the Company may be deemed to be interested in this resolutions to the extent of commission payable to them as proposed.

Place : Hyderabad
Date : July 22, 1998

C. PURUSHOTHAM
Company Secretary

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxy forms to be valid shall be lodged with the Company not later than 48 hours before the meeting
2. The relevant explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of special business set out above is annexed hereto.
3. The Register of Members and share transfer books of the Company shall remain closed from 31st August, 1998 to 4th September, 1998 (both days inclusive).
4. Members are requested to bring the Annual Report with them for the Annual General meeting. No copies of Annual Reports will be distributed at the meeting.
5. As a measure of austerity and in accordance with the regulations, no gifts will be distributed at the Annual General Meeting.

SAB NIFE POWER SYSTEMS LTD.

DIRECTORS REPORT

Dear Shareholders,

01. Your Directors take the pleasure of presenting you the 12th Annual Report and the Audited Accounts of the Company for the financial year ended on 31st March, 1998.

02. Financial Results :

We submit here below the financial results for the year 1997-98

		(Re.Lacs)
	1997-98	1996-97
Turnover	2667.75	1957.61
Operating Profit	613.73	294.07
Interest, Depreciation and Misc. expenses Charged	143.99	170.93
Provision for Income Tax	140.00	50.00
Income Tax adjustment for the earlier years	4.84	12.19
Net Profit	324.90	60.95
Provision for Dividend	64.31	

03. OPERATIONS :

The operational results of your Company have shown excellent performance during the year as promised by the Directors in their earlier report. There is substantial increase in the turnover and the operating profit as percentage of turnover also increased from 15% to 23% during the year. Your Directors are confident that the performance will be further improved in the coming years with the efforts being put in.

04. EXPANSION :

Initiatives over several years led by Dr. A.J.Prasad, Chairman of the company, have succeeded in establishing your company as a leader in an important and rapidly growing new market for Switch Mode Rectifiers. The markets include Telecom, Industry and exports. The company has achieved this position in the face of domestic and foreign competition.

To cater to the production of this product, a new undertaking has been established at Kothur Mandal, Mahaboobnagar Dt, during fiscal 1998-99. The location has several tax benefits because it is a notified backward area eligible to sales tax, income tax and other incentives.

This expansion also needs substantial funds for Working Capital immediately. To save time, the company has rented space but needs to build its own facilities as soon as possible.

05. DIVIDEND :

In view of the encouraging results your Directors are pleased to recommend a dividend of 10% on the fully paid up shares.

06. MARKET AND FUTURE OUTLOOK :

The market for both Batteries and Power Electronics is promising on both domestic and export sectors.

07. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS AND FOREIGN EXCHANGE FLOW:

This information as required by the Companies (Disclosures of particulars in the Reports of Board of Directors) Rules 1988, are given in the Annexure appended to this report.

08. INDUSTRIAL RELATIONS :

Your Company enjoys cordial relations with its employees and the Directors thank all the employees and the Trade Unions for sharing responsibility in the growth of your Company

09. DIRECTORS :

Mr M.S.S. Srinath has been appointed as Additional Director of your Company effective from 24th November,