

16th Annual Report

2001-2002



H2LNIFE
energy solutions

HBL NIFE Power Systems Ltd



HBL NIFE POWER SYSTEMS LIMITED

(Formerly known as SAB NIFE POWER SYSTEMS LIMITED)

Board of Directors as on July 31, 2002

Dr. A J Prasad, Chairman & Managing Director

Mr. D Balasundaram

Mr. Ashok Nagarkatti, Wholetime Director

Mr. L C Gangrade, Wholetime Director

Mr. U M Rao, Wholetime Director

Mr. M S Ramakrishna

Ms. Kavita Prasad

Dr. Bernd T Gans

Mr. M.S.S.Srinath, Wholetime Director

Mr. P Satish Kumar, Wholetime Director

Mr. T T Srinath

Technical Advisory Committee

Dr Alvin J Salkind

Mr. Norman Bagshaw

Mr. Grady Lynn

Audit Committee

Mr. M S Ramakrishna, Chairman of the Committee

Mr. D Balasundaram

Ms. Kavita Prasad

Mr. T T Srinath

Company Secretary

Mr. C Purushotham

Auditors

M/s Satyanarayana & Co.,
Chartered Accountants
Secunderabad

Registered Office

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

Bankers

State Bank of India
State Bank of Hyderabad
IDBI Bank



HBL NIFE Power Systems Limited

NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of HBL NIFE POWER SYSTEMS LIMITED will be held at Surana Udyog Auditorium, Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad 500 004 on Thursday, the 26th day of September, 2002 at 3.30 P.M. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt Audited Balance Sheet as on 31st March, 2002 and the Profit and Loss Account for the year ended on 31st March, 2002, together with the Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Mr. Ashok Nagarkatti, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. L C Gangrade, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. M S S Srinath, who retires by rotation and though eligible is not offering himself for re-appointment. To appoint Mr. T T Srinath as director in place of Mr. M S S Srinath.
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 & Company, Chartered Accountants, the retiring auditors are eligible for re-appointment.

SPECIAL BUSINESS:

(A) TO CONSIDER AND IF THOUGHT FIT TO PASS WITH OR WITHOUT MODIFICATION THE FOLLOWING RESOLUTIONS AS ORDINARY RESOLUTIONS.

6. To appoint Mr. P Satish Kumar as Director of the Company.

“RESOLVED THAT Mr. P Satish Kumar, who was appointed as an Additional Director and whose term of office expires on the conclusion of this Annual General Meeting be and is hereby appointed as a Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation as per the provisions of Section 255 of the Companies Act, 1956.”

7. To appoint Mr. P Satish Kumar as Whole-time Director for 5 years with effect from 31.01.2002.

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 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, Mr. P Satish Kumar be and is hereby appointed as Director (Finance) of the Company with effect from 31st January, 2002 to 30th January, 2007 on the following terms and conditions

- i) Basic Salary : Rs.3,90,000/- per annum
(In the time scale of Rs.3,90,000-50,000-5,90,000)
- CCA Rs.12,000/- per annum
- ii) Perquisites :
 - a) House Rent Allowance or Provision of House Accommodation subject to a maximum monthly rent at 40% of the basic salary.
 - b) Salary of a Driver appointed by the appointee for engaging on official duties will be reimbursed by the Company.
 - c) Leave Travel Allowance – Actual travelling expenses incurred for self and dependents, not exceeding one month basic salary for every year of service;
 - d) Reimbursement of Medical Expenses incurred by self and dependents not exceeding Rs.15,000/- for every year of service.
 - e) Annual Leave with Salary as per the rules of the Company.
 - f) Companies contribution to Provident Fund and Gratuity as per the rules of the Company.
- iii) Provision of a car for the use of Company's business and a telephone at residence will not be considered as perquisites.
- iv) An amount subject to a maximum of Rs.3.00 lacs per annum may be credited to Valuable Employee Benefit Fund account of the appointee and/or may be paid as performance incentive. Interest at bank rate is payable annually on his VEBF balance in this fund account to the appointee. Amount credited in any year is paid out after a lock-in-period of 5 years, subject to other conditions.
- v) The appointment is subject to determination by giving three months notice by either party and other rules, regulations and Service rules of the Company.

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The Board is authorised to determine the actual amount of the above incentive, every year, depending upon overall profitability and individual special contributions."

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

8. Amendment of Articles of Association for Postal Ballot:

"RESOLVED THAT pursuant to Section 31 and other applicable Provisions, if any, of the Companies Act, 1956, and the Provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and is hereby altered in the following manner :

Insert the following heading and Article along with the margin notes as Article 72.A after Article 72:

72A. Notwithstanding anything contained in the Articles of Association of the Company, the Company do adopt the mode of passing a resolution by the members of the Company by means of a postal ballot and / or other ways as may be prescribed by the Central Government in this behalf in respect of the following matters instead of transacting such business in a General meeting of the Company :

- i) Any business that can be transacted by the Company in General Meeting; and
- ii) Particularly, resolution relating to such business as the Central Government, may by notification, declare to be conducted only by postal ballot.

The Company shall comply with procedure for such postal ballot and / or other ways as Prescribed by the Central Government in this regard."

9. Appoitment of Mr. M S S Srinath as Executive Vice President (Marketing) :

"Resolved that pursuant to the Provisions of Section 314(1-B) of the Companies Act and other applicable Provisions of Companies Act and other Laws and Articles of Association of the Company, Mr. M S S Srinath, be and hereby appointed as Executive Vice President (Marketing) for the Company for a period of five years from the date of approval by the Central Government or any other date as may be specified in this regard, on a time-scale and the terms as given below.

- i) **Basic Salary** : Rs.3,60,000/- per annum
(In the time scale of Rs.3,60,000-50,000-5,60,000)
- CCA** Rs.12,000/- per annum
- ii) **Perquisites** :
 - a) House Rent Allowance or Provision of House Accommodation subject to a maximum monthly rent at 50% of the basic salary;
 - b) Salary of a Driver appointed by the appointee for engaging on official duties will be reimbursed by the Company;
 - c) Leave Travel Allowance – Actual travelling expenses incurred for self and dependents, not exceeding one months basic salary for every year of service;
 - d) Reimbursement of Medical Expenses incurred by self and dependents not exceeding Rs.15,000/- for every year of service;
 - e) Annual Leave with Salary as per the rules of the Company.
 - f) Companies contribution to Provident Fund and Gratuity as per the rules of the Company.
 - g) Provision of a car for the use of Company's business and a telephone at resident will not be considered as perquisites
- iii) The appointment is subject to determination by giving three months notice by either party and other rules, regulations and Service rules of the Company.

By Order of the Board

Place : Hyderabad

Date : July 31, 2002

C. Purushotham

Company Secretary



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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.
2. Proxies, in order to be effective, should be completed, stamped and signed and must be deposited at the Registered Office or Investor Service Department of the Company not less than 48 hours before the commencement of the meeting.
3. The Explanatory Statement, as required by Section 173(2) of the Companies Act, 1956 in respect of item No.6 to 7 set out above is annexed hereto.
4. The Register of Members and Share transfer books of the Company shall remain closed from 17th September, 2002 to 26th September, 2002 (both days inclusive).
5. Members desirous of making nomination in respect of their shareholding may approach the Company for obtaining prescribed form and return the same duly filled in and signed for registration with the Company.
6. Members are requested to intimate immediately to the Company, quoting Registered Folio Number, Change in the address, if any, with the Pin Code Number.
7. Members attending the meeting are requested to bring with them the Attendance slip attached to the Annual Report duly filled in and signed and hand over the same at the entrance of the hall.

Brief particulars about new directors proposed for appointment at the ensuing Annual General Meeting.

Mr. P Satish Kumar :

Qualifications : B.Com., FCA

Experience : Having wide experience in financial management and expertise in direct taxes. He was a consultant for about two years before joining HBL group in 1988. He has been working with HBL Group Companies since 1988, in various capacities. Though he was out of the group for a brief period during 1994-96, he has been overseeing the group's finances and hence his services are required at the Board level for Company's growth.

Mr. T T Srinath :

Qualifications : Post Graduate from XLRI, Jamshedpur

Accredited "T" Group Sensitivity Trainer (Indian Society for Applied Behavioural Sciences, the Indian Associate of The National Training Laboratory, USA).

Certified Master Coach (certified by Dr. Skiffington, Sydney, Australia).

Experience : A self-employed entrepreneur for the last 21 years, successfully running a Manufacturing Company and a Service Business.

He is also an effective Trainer in Human Resources Development. Conducted many training camps in India and abroad. He is also a visiting faculty at the Madras School of Social works offering special programme on 'Experimental Skill Building' and a Consultant Facilitator for M/s Pegasos Human Resources Development Centre Private Limited, Bangalore.

EXPLANATORY STATEMENT

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

Item No. 4

Mr. M S S Srinath, the retiring director is not seeking re-appointment and it was proposed to appoint Mr. T T Srinath in his place as director. This Change is required to comply with SEBI regulations on Corporate Governance. Mr. T T Srinath is an entrepreneur having wide range of experience in Industry and he is a well known consultant on HRD. His details are enclosed for the information of the members.

Notice has been received for his appointment under section 257 of the Companies Act, 1956.

Your Directors commend the Resolution for the approval of the Shareholders.

None of the directors are interested in the resolution

Item No. 6 and 7

Mr. P Satish Kumar was appointed as an Additional Director on the Board and was appointed as a Whole-time Director in charge of Finance with effect from 31-01-2002 for a period of five years. He is a Chartered Accountant and also worked for the Company for several years as General Manager and Vice-President, in charge of Finance. The Company requires his services. The Company has received a notice from a Member under section 257 of the Companies Act, 1956 proposing Mr. P Satish Kumar as a candidate for the office of the Director. His Bio-data is enclosed for the information of the Members.

The particulars of remuneration are given in the resolution. The terms of appointment are within the norms as per Schedule XIII of the Companies Act, 1956.

Your Directors commend the Resolution for the approval of the Shareholders.

None of the Directors other than Mr. P Satish Kumar may be deemed to be interested or concerned in this resolution.

Item No. 8

The Companies (Amendment) Act, 2000, has included a new Section 192A which provides for passing of resolution by way of Postal Ballot in respect of the list of businesses as notified by the Central Government, in case of a Public Limited Company. In order to incorporate the latest amendments to the Companies Act, 1956, it is necessary to alter the Articles of Association of the Company. As per the provisions of Section 31 of the Companies Act, 1956, the approval of the shareholders by way of Special Resolution is required to amend the existing Articles of Association of the Company.

None of the Directors are interested in the above resolution

Item No.9

Mr. M S S Srinath is proposed to be appointed as an Executive in the Company with the designation of Executive Vice President (Marketing). He has been handling the Marketing department as a Whole-Time director. In order to Comply with the SEBI regulations on Corporate Governance with respect to the maximum number of Whole-time directors on the Board, Mr. Srinath has resigned. To avail his services and utilise his experience, it was proposed to appoint him as an Executive in the Company. Since he is related to Dr. A J Prasad, CMD and Ms. Kavita Prasad, Director, members consent by passing a Special Resolution is required for his appointment as Executive Vice President (Marketing), with the remuneration and terms as set out in the resolution. The consent will be subject to the approval of the Central Government under section 314(1-B) of the Companies Act, 1956.

Only Dr. A J Prasad and Ms. Kavita Prasad are interested in this resolution.

By Order of the Board

Place : Hyderabad
Date : July 31, 2002

C. Purushotham
Company Secretary



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DIRECTORS' REPORT

Dear Members,

We, the Board of Directors of your Company, are pleased to present this report for the Financial year ended on 31st March, 2002. The financial performance is presented below.

		Rs.Lakhs
	2001-02	2000-01
Sales(gross) & other income	17658	17869
Operating Profit	2671	2816
Finance Cost	881	901
Depreciation & Misc.expenses	422	325
Provision for tax & tax adjustment	237	179
Deferred tax adjustment	(23)	-
Net Profit	1154	1411
Transfer to General Reserve	1500	1500
Earnings per Share(Rs.)	5.75	7.03

Performance Review:

You will be glad to know that your Company did well during the year inspite of severe competition from local and foreign sources and consequent reduced price realisations. This was possible due to the efforts put in by your directors and the staff for cost reductions and improved productivity.

Current products will continue to face tough markets and your directors are confident of achieving better results when new products currently under development are commercialised during next two years.

Dividends:

Your directors could not recommend any dividend for the year in view of on-going development projects and construction of new buildings at our Nandigaon complex.

Market Analysis & Future Prospects:

This information is provided in the attached report on 'Management Discussion and Analysis of the Performance during 2001-02'.

Investments:

As a part of our business strategy, we acquired controlling interest in M/s. Compact Power Sources Pvt. Limited, who manufacture Cap Lamps and Batteries for mining industry. This Company which is a subsidiary of your Company will be merged with your company in due course.

Foreign Ventures:

Your Company has been allotted shares in M/s. HBL Engineering Pte. Ltd, Singapore (a wholly owned subsidiary) during the year. We have also established a 100% subsidiary in UK during April, 2002. You will be glad to note that we are planning to incorporate another Joint Venture in Malaysia and a Company in USA during 2002-03.

It is unfortunate that the Joint Venture established in Korea failed due to the severe competition from neighboring countries. We incurred loss in the form of unrealisable sale proceeds and loss of investment. Since the net worth had eroded completely, your directors recommended the write off of the investment of Rs.149.43 Lakhs, during this year. Accordingly, it was written-off during first quarter of 2002-03.

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You will be glad to note that your Company has established a wholly owned subsidiary in NEPAL to Process and supply Components for our Company. This arrangement will ensure consistent material quality and cost reduction. This subsidiary has commenced commercial production in April '02 and achieved a turnover of Rs.7.4 mil up to mid July '02.

Setting-up of 100% EOUs:

The EOU planned to set-up for exporting Nickel Cadmium batteries was deferred due to the sudden slump in aviation business in USA consequent upon the September 11th attacks. We are expecting the business to pick-up this year. After careful study of the market your directors wish to recommence the EOU.

Buy-Back of Company's Shares:

In order to provide liquidity to the share holders of the Company, Your Directors passed a resolution for the buy-back of 28,15,000 shares of Rs.10/each, at a price of Rs.27/-per share. Public notice was given On 27th April,2002 and Public Announcement was made on 15th June,2002,as per the provisions of Companies Act,1956 and SEBI Buy-Back regulations. Draft offer was submitted to SEBI for their approval and the approval is awaited.

Directors' Responsibility Statement:

In Compliance to the Provisions of Section 217(2AA) of the Companies Act,1956,your Directors wish to place on record that:-

- (i) that in preparing the Annual Accounts, all applicable Accounting Standards have been followed:
- (ii) that the Accounting Policies adopted are consistently followed and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company at the end of the Financial Year and the Profit and Loss Account of the Company for the Financial Year under review:
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities and
- (iv) that the Annual Accounts have been prepared on a going Concern basis.

Corporate Governance:

Corporate Governance regulations under the Listing Agreement became applicable to your Company from 31st March,2002.The report required under these regulations is attached to this report.

Consolidation of Accounts :

The Consolidated Annual Accounts of your Company with the Subsidiary Companies is annexed to the Annual Report. The consolidated Accounts covers the following subsidiaries :

- a) Compact Power Sources Pvt.Ltd, Chennai, India
- b) Bhagirath Energy Systems Pvt. Ltd, Nepal
- c) HBL Engineering Pte. Ltd, Singapore.

The statement required as per Provisions of 212(1) of the Companies Act, 1956 is annexed to this report.

Auditors' Report:

The explanation for the qualification made in the Auditors' Report is provided in note no(B)7. of Notes to the Accounts (schedule 20). Since RBI permission for the writing off of the Investment in Korean Joint Venture was pending, it was not considered in the Accounts for the year under review. However, the Board has passed a resolution to provide for the loss during this year(2002-03).

Directors:

Mr. P Satish Kumar, in-charge of our Finance & Accounts and Commercial was appointed as an Additional Director and Whole-time Director w. e. f. 31st January, 2002, subject to the confirmation by the members at the ensuing AGM

Mr. T T Srinath was appointed as an additional director on 31st July, 2002, who will hold the office till the conclusion of the ensuing Annual General Meeting and notice under Section 257 of the Companies Act was received for the regular appointment of these two additional directors at the ensuing AGM.

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Mr. M S S Srinath, who is retiring on rotation at the ensuing AGM will not be seeking re-appointment as a director. Hence, he will cease to be a whole-time director thereafter.

These changes were required to comply with the SEBI regulations on Corporate Governance. The additional directors are independent directors.

Mr. Ashok Nagarkatti & Mr. L C Gangrade are also retiring on rotation at the ensuing AGM and being eligible, offer themselves for re-appointment.

Auditors:

M/S Satyanarayana & Co., Chartered Accountants, Auditors of the Company retire at the forthcoming Annual General Meeting and are eligible for re-appointment. Audit Committee has recommended for the re-appointment of M/S Satyanarayana & Co as our Auditors at the ensuing AGM.

Personal & Industrial Relations:

Your Director believe that, being a R&D based Company, the employees of the Company are its main assets and they need continuous education and training to improve their efficiencies. As part of these continuous efforts, first batch of 13 of the important and promising employees were chosen for Management training at ICFAI, Hyderabad. It is a part time program which will not disturb the regular functions of the employees.

Your Company implemented VRS for its employees and many employees availed the scheme. Your Company continues to enjoy cordial relations with the employees.

There were no employees covered by the provisions of sub-section (2A) of Section 217 of the Companies Act,1956 read with the Companies (Particulars of Employees)Rules,1975,as amended.

Conservation of Energy,Technology Absorption and Foreign Exchange Earnings & Outgo:

The information required under Section 217(1)(e) of the Companies Act,1956,read with Rule 2 of the Companies(Disclosure of Particulars in the Report of the Board of Directors)Rules,1988,are given in a separate statement attached hereto and forms part of this report.

Acknowledgements:

Your Directors thank all the Company's Bankers and Financial Institutions who are supportive to the Company, the concerned Central and State Government departments, agencies for their co-operation and the employees for their hard work. Your Directors also place on record their appreciation for the confidence reposed by the Share holders in the management.

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For and on behalf of the Board

Place:Hyderabad
Date :July 31,2002

Dr.A.J.Prasad
Chairman and Managing Director

**HBL NIFE Power Systems Limited****ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR 2001-02**

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

- A. Conservation of Energy: Operations of the Company are not energy intensive. However, energy saving devices such as re-cycling of Heat and use of alternate sources of energy, that is LPG are being implemented
- B. Technology Absorption: We have in-house R&D facilities. We may avail the Consultancy Services from overseas experts for strengthening our technology.
- C. Foreign Exchange Earnings and Outgo: (cash basis)

	2001-02	2000-01
1. Value of Imports on C.I.F. basis		
Raw Materials, Components & Spares	1676	2386
Capital Goods	79	39
2. Expenditure in Foreign Currency		
Commission on export Sales	75	74
Travelling	29	35
Dividend	-	24
Royalty	4	-
Technical Know-how	10	10
Others(including advances to Suppliers)	40	32
3. Foreign Exchange Earnings		
FOB value of exports	2056	1352

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