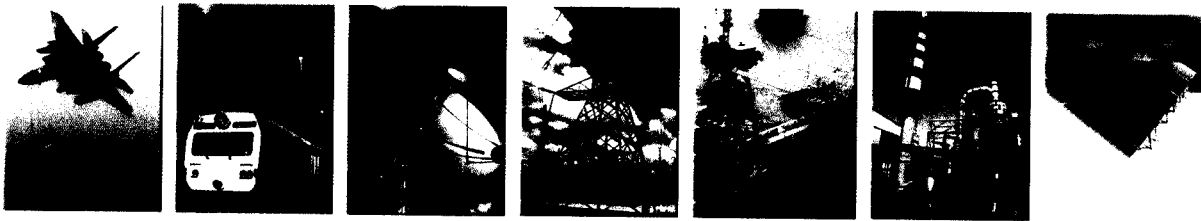
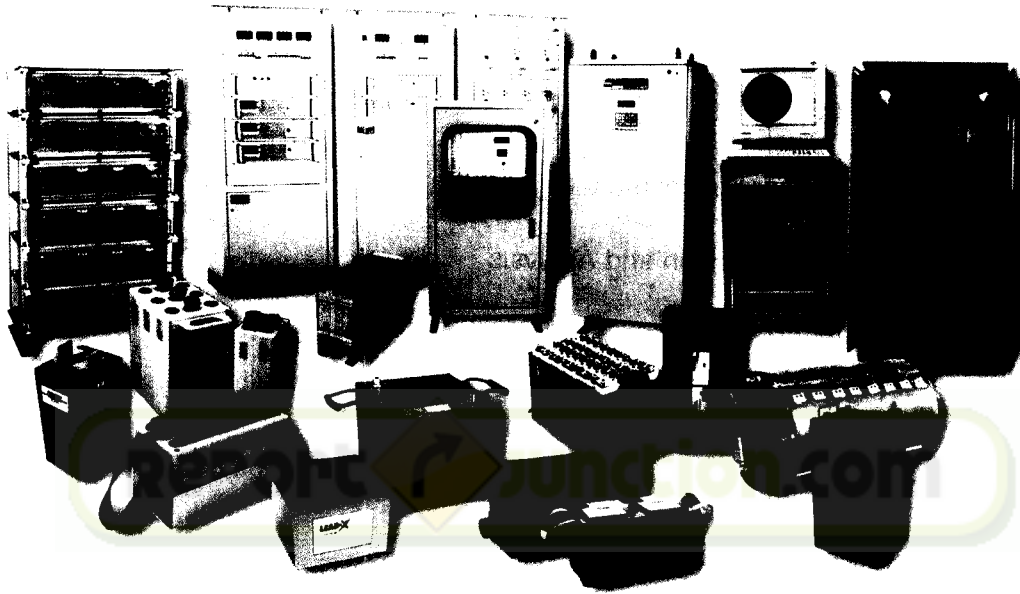


# 17th Annual Report

## 2002-2003



**H2LNIFE**  
www.h2lnife.com

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## **HBL NIFE POWER SYSTEMS LIMITED**

**(Formerly known as SAB NIFE POWER SYSTEMS LIMITED)**

### **Board of Directors as on June 20, 2003**

Dr. A J Prasad, Chairman & Managing Director  
Mr. Ashok Nagarkatti, Director (Battery Technology)  
Mr. L C Gangrade, Director (Operations)  
Mr. U M Rao, Director (Electronics)  
Mr. P Satish Kumar, Director (Finance)  
Mr. D Balasundaram  
Mr. M S Ramakrishna  
Ms. Kavita Prasad  
Dr. Bernd T Gans  
Mr. T T Srinath  
Dr. (Smt.) D Chitra Rao (IDBI nominee Director)

### **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 # 10  
Banjara Hills  
Hyderabad - 500 034

### **Bankers**

State Bank of India  
State Bank of Hyderabad  
IDBI Bank

**NOTICE**

NOTICE is hereby given that the ~~Seventeenth~~ **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 Saturday, the 23<sup>rd</sup> day of August, 2003 at 10.30 A.M. , to transact the following business.

**ORDINARY BUSINESS:**

1. To receive, consider and adopt Audited Balance Sheet as at 31<sup>st</sup> March, 2003 and the Profit and Loss Account for the year ended on 31<sup>st</sup> March, 2003, together with the Directors' Report and the Auditors' Report thereon. and declaration of dividend.
2. To appoint a Director in place of Mr. M S Ramakrishna, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. D Balasundaram, who retires by rotation and is not seeking re-appointment. It is recommended not to fill the vacancy.
4. To appoint a Director in place of Mr. U M Rao, who retires by rotation and though eligible not offering himself for re-appointment. To appoint Gp. Capt. D Venkateswarlu (Retd.) as Director in place of Mr. U M Rao.
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 re-appoint Dr. A J Prasad as Managing Director:

"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 the 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, 2003 to May 31, 2008 on the following terms as to remuneration :

**SALARY :** Rs.6,00,000 per annum

**PERIOD :** 1<sup>st</sup> June, 2003 to 31<sup>st</sup> May, 2008

**COMMISSION :** Subject to the overall limits laid down in Section 198 and 309 of the Companies Act, 1956, Commission to be paid as a percentage of the profits of the Company for the year, calculated as follows:

Numerical value of percentage of commission shall be half of the numerical value of the EPS for the year; e.g. if EPS is 6 the Commission shall be 3%; and if the EPS is 4 the Commission shall be 2%.

**II) PERQUISITES :**

- a) House Rent Allowance or Provision of House Accommodation subject to a maximum monthly rent at 60% of the basic 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.

- b) Leave Travel Allowance : Actual traveling expenses incurred for self and dependents, not exceeding one-month basic salary for every year of service.
- c) Medical Reimbursement : Membership or the subscription paid to any hospital and/or doctor's 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.
- d) Club Fees : Fees of clubs subject to maximum of two clubs, excluding admission and the life membership fees.
- e) Personal Accident Insurance : Premium not to exceed Rs.4,000 per annum.

**HBL NIFE Power Systems Limited**

- f) 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.
- g) Encashment of Leave at the end of the tenure will not be included in the computation of perquisites.
- h) 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.
- i) Notwithstanding anything 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 II 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 company.

This appointment will be subject to termination with a notice 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 appoint Gp. Capt. D Venkateswarlu (Retd) as a Whole-time Director with effect from 23.08.2003.

**"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, Gp.Capt.D.Venkateswarlu be and is hereby appointed as a Whole time Director of the Company with effect from 23<sup>rd</sup> August, 2003 to 31<sup>st</sup> December,2005, on the following terms and conditions .

- i) Basic Salary : Rs.3,96,000/- per annum  
(In the time scale of Rs3,96,000-60,000-5,76,000)
- 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 month's 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.

This appointment will be subject to termination with 3 months notice from either side.

THAT Gp. Capt. D Venkateswarlu (Retd.) will not be entitled to any sitting fee for attending meetings of the Board or any Committee thereof."

By Order of the Board

C Purushotham  
Company Secretary

Place : Hyderabad  
Date : June 20, 2003

**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 18<sup>th</sup> August, 2003 to 23<sup>rd</sup> August, 2003 (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.

**DETAILS OF DIRECTORS BEING APPOINTED / RE-APPOINTED AT THE  
ENSUING ANNUAL GENERAL MEETING**

(In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Shri MS Ramakrishna	Gp. Cp. D.Venkateswarlu VSM(Retd.)
Date of Birth	6th September, 1954	28th December, 1945
Date of first appointment	22-1-2000	23-8-2003
Qualifications	Graduate in Commerce	B.Sc. B.Tech (Hons), IIT, Kharagpur M.Sc. (Aerospace) Cranfield University, UK.
Expertise in specific Functional area	Promoter, Founder Director of Karvy Group of Companies a renowned name in Capital markets. Director on other Companies rendering Professional guidance	Worked as Technical Officer in Indian Air Force for 20 years. Served the country as a Scientist in Defence R&D for 15 years. Recipient of Visisht Seva Medal from the President of India in 1988 and Dr. VM Ghatge Memorial Award from Aeronautical Society of India in 1994. Received Scientist of the year award from Defence R&D Orgn. in 1999.
Details of Other Directorships	Karvy Consultants Ltd. Karvy Securities Ltd. Karvy Stock Broking Ltd. Karvy Investor Services Ltd. East India Petroleum Ltd. Nitya Laboratories Ltd. Hyderabad Stock Exchange Ltd.	Kairos Engineering Limited
Details of Committee and Membership status	Chairman Audit Committee	Nil

**EXPLANATORY STATEMENT****(Pursuant to Section 173(2) of the Companies Act, 1956)****Item No. 4 & 7**

Mr. U M Rao, the retiring director will not be seeking re-appointment and it was proposed to appoint Gp. Capt. D Venkateswarlu (Retd.) in his place as Director. Notice has been received for his appointment under section 257 of the Companies Act, 1956. His appointment will be liable to determination by retirement of directors by rotation. Your Directors commend the Resolution for the approval of the Shareholders.

Further it is proposed to appoint Gp. Capt. D Venkateswarlu (Retd.) as a Whole time Director, to take charge of the Electronics wing of the Company, which was hitherto being handled by Mr. U M Rao.

Gp. Capt. Venkateswarlu (Retd.) is a qualified Engineer in Electronics with a engineering degree from IIT Kharagpur, and experience in the Indian Air Force and Defence Research and Development Organisation. He was a recipient of the Presidents Award for his development work at DRDO. He is an independent director unconnected with the Promoters nor having any other pecuniary interest in this Company, or in any of its Subsidiaries.

None of the directors are interested in the resolution.

**Item No. 6**

Dr. A J Prasad was appointed as Managing Director of the Company for five years, upto 31<sup>st</sup> May, 2003, at the Annual General Meeting held on 4<sup>th</sup> September, 1998. He has been re-appointed as the Managing Director at the Board meeting held on 29<sup>th</sup> May, 2003, for another five years with effect from 1<sup>st</sup> June, 2003 till 31<sup>st</sup> May, 2008, subject to the approval of the Share holders at the ensuing Annual General Meeting.

Dr. Prasad is the Main Promoter of the Company and holds (along with his relatives and associate Company) over 80% of the Share Capital. He is a Permanent Director on the Board. He is a well-known technocrat and expert in management. He is dedicated to the Company for full time and has no other notable assignments than to build the business of the Company to the International Standards.

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 Dr. A J Prasad, Mrs. Kavita Prasad may be deemed to be interested or concerned in this resolution.

By Order of the Board

Place : Hyderabad

Date : June 20, 2003

C Purushotham

Company Secretary

**HBL NIFE Power Systems Limited****DIRECTORS' REPORT**

**Dear Members,**

Your Board of Directors take pleasure in presenting the Annual Report for the Financial year ended on 31<sup>st</sup> March, 2003. The financial performance is presented below.

	Rs.Lakhs	
	2002-03	2001-02
Sales(gross)	20271	17508
Operating Profit before interest & depreciation	2953	2521
Other Income	164	150
Finance Cost	889	881
Depreciation & Misc. expenses	484	422
Extra-ordinary losses/non-recurring cost	362	-
Provision for tax & tax adjustment	283	237
Deferred tax liability	70	(23)
Net Profit	1029	1154
Transfer to General Reserve	500	1500
Earnings per Share (Rs.)	5.13	5.75
Dividend Provided	15%	-

**Performance Review:**

You will be glad to note the increase in turnover and in Operating Profit for the year under review. You might have observed the quantitative increase in Sales and business in new Products which only helped in maintaining the Profit level. The EPS would have been Rs.6.93, but for the charging off of employee VRS expenditure of Rs.279 Lakhs and accounting for the losses on Sales of investments (Rs.83 lakhs). The Prices and the margins are in decreasing trend due to severe competition in the domestic market. We need to introduce new Products & increase exports to maintain/further improve the financials. That is the reason your Company is investing in time and money to explore overseas markets. Further details on Performance review are given in the report of 'Management Discussion and Analysis of Performance,' attached to this report.

**Dividends:**

Your directors are pleased to recommend dividend of Rs.1-50 Per equity Share of Rs.10/-fully Paid up(15%), for the Financial Year 2002-03, subject to the approval of the members at the ensuing Annual General Meeting.

**Market Analysis & Future Prospects:**

This information is provided in the attached report on 'Management Discussion and Analysis of the Performance during 2002-03'.

**Foreign Ventures:**

As informed in our earlier report, Sales Companies are established in UK, Malaysia and Egypt. The details of investments are given in the Annual Accounts attached. Business commenced at these Sales Companies during the current year.

**HBL NIFE Power Systems Limited**

We did not loose our entire investment Rs.149.43 lakhs, in our Korean venture as was expected last year. Our CMD could negotiate for selling the holding for Rs.68.74 lakhs, thus mitigating the loss to Rs.80.69 lakhs. We have closed the Venture in Singapore due to unfavourable conditions. Our total expenditure on this venture was only Rs.2.11 lakhs.

**100% EOUs:**

You will be glad to note that the EOU set-up for exporting Nickel Cadmium batteries has already bagged sizeable Orders and it will start exports during this year. But the EOU planned for Lead-Acid batteries could not be progressed due to unfavourable market conditions and has been deferred.

**New Products/Segments:**

Your directors are pleased to inform you that your Company entered into a new area of business, that is taking up Works Contracts for Railway Signaling. This is a new line of activity.

We have started supplying Bullet Proof Vests, a new product commercialized during the year under review.

**New Units:**

In line with our endeavour to explore the possibilities to reap the benefits provided by the government, we have established a new unit(factory)in Assam for the manufacture and supply of Batteries. The unit will have certain benefits of Excise refunds, Sales tax holiday, freight rebates and Income tax exemption.

**Merger:**

Your Board has approved the Scheme of Amalgamation for the merger of the Company's subsidiary, M/s Compact Power Sources Private Limited(CPS) with our Company, subject to the approval of members and High Court. As per the Scheme Cash will be paid to the other shareholders of CPS, hence avoiding any change in the Share holding Pattern of our Company. The merger will benefit your Company by the addition of new specialized Product line(Miners Cap Lamps) and CPS holds necessary Product approvals.

**Buy-Back of Company's Shares:**

Your Directors thought of providing liquidity to the share holders by the Buy-back proposal. But it was unfortunate that SEBI refused permission for the proposal. Hence the proposal was dropped.

**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:**

The report on Corporate Governance required under the regulations is attached to this report.

**Consolidation of Accounts :**

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

- a) Compact Power Sources Pvt. Ltd,
- b) Bhagirath Energy Systems Pvt. Ltd, Nepal

**HBL NIFE Power Systems Limited**

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

**Auditors' Report:**

Board noted the Auditors report. All the relevant information and required explanations were provided in the Accounts and the notes attached. There are no observations of the Auditors which require special discussion by the Board.

**Directors:**

Dr. (Mrs)Desai Chitra Rao was appointed by IDBI as their nominee on the Board with effect from 13<sup>th</sup> May,2003 and she will hold the office at the discretion of IDBI.

Mr. D Balasundaram, Mr. U M Rao and Mr. M S Ramakrishna are retiring on rotation at the ensuing Annual General Meeting. Only Mr. M S Ramakrishna is offering him-self for re-appointment, Gp. Capt. D Venkateswarlu (Retd.) is proposed to be appointed in place of Mr. U M Rao. The Board places on record its appreciation for the valuable services rendered by Mr. U.M.Rao, during his tenure. Board also appreciates the guidance given by Mr. D Balasundaram as a Director on the board. The vacancy caused by the retirement of Mr. D Balasundaram will not be filled up at the ensuing AGM. Notice under section 257 of the Companies Act is received for the appointment of Gp. Capt. D Venkateswarlu (Retd.) as a director at the AGM.

**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 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 take this opportunity to thank all the Company's Bankers and Financial Institutions, the concerned Central and State Government departments ,agencies for their support & co-operation. The Board has special appreciation for the employees for their dedicated services. Board thank all its Shareholders for the confidence reposed in the Management.

For and on behalf of the Board

Place: Hyderabad  
Date : June 20,2003

Dr. A J Prasad  
Chairman and Managing Director