

# 18th Annual Report 2003-2004



## **HBL NIFE**

**HBL NIFE Power Systems Limited**

[www.hblnife.com](http://www.hblnife.com)

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## **HBL NIFE POWER SYSTEMS LIMITED**

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

### **Board of Directors**

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

### **Audit Committee**

Mr. M S Ramakrishna, Member & Chairman of the Committee  
Ms. Kavita Prasad  
Dr. (Smt.) D Chitra Rao

### **Auditors**

M/s Satyanarayana & Co.,  
Chartered Accountants  
Secunderabad

### **Bankers**

State Bank of India  
State Bank of Hyderabad  
IDBI Bank

### **Registered Office**

8-2-601, Road # 10  
Banjara Hills  
Hyderabad – 500 034

### **Factories :**

Lalgadi Malakpet , Aliabad village,  
Shamirpet Mandal, RR Dist. Hyderabad.  
And  
Nandigaon village, Kothur Mandal,  
Mahabubnagar Dist.

**HBL NIFE Power Systems Limited****NOTICE**

NOTICE is hereby given that the Eighteenth 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 23<sup>rd</sup> day of September, 2004 at 4.00 P.M., to transact the following business.

**ORDINARY BUSINESS:**

1. To receive, consider and adopt Audited Balance Sheet as at 31<sup>st</sup> March, 2004 and the Profit and Loss Account for the year ended on 31<sup>st</sup> March, 2004, together with the Director's Report and the Auditor's Report thereon.
2. To declare Dividend for the year ended 31<sup>st</sup> March, 2004.
3. To appoint a Director in place of Ms. Kavita Prasad, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint a Director in place of Dr. Bernd T. Gans, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next meeting and to authorise the Board to fix their remuneration. M/s Satyanarayana & Co, 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 RESOLUTION AS ORDINARY RESOLUTION:

6. To revise the borrowing powers of the Board :

"RESOLVED THAT the Board of Directors of the Company be and are hereby authorized under Section 293(1)(d) of the Companies Act, 1956 to borrow money from time to time up to a limit not exceeding in aggregate an amount of Rs.100.00 crores (Rupees one hundred crores only) notwithstanding that the money to be borrowed by the Company together with the money already borrowed by the Company (apart from temporary loans obtained from the Company's bankers from time to time in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves i.e. to say reserves not set apart for any specific purpose."

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

7. "RESOLVED THAT in conformity with the provisions of Sections 309 and 314 of the Companies Act, 1956, the Agreement with Dr.A.J.Prasad be renewed for a further period of five years from 1-4-2004 for payment of 3% royalty on the sales of Silver Oxide and Zinc Batteries for providing technology to the Company for manufacture of those Batteries . "

By Order of the Board

Place : Hyderabad  
Date : July 30, 2004

Dr.A J Prasad  
Chairman & Managing Director

**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 office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 16<sup>th</sup> of September, 2004 till 23<sup>rd</sup> of September, 2004 (both days inclusive).
4. The dividend, if declared, will be paid to those members whose names appear on the register of members of the company as on 23.09.2004
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 the Director	Ms Kavita Prasad	Dr. Bernd T. Gans
Date of Birth	11.12.1971	15.12.1940
Date of first appointment	28.09.2000	27.09.2001
Qualifications	Graduate in Commerce, Post-Graduate in Diploma in Computer Application from NIIT	
Expertise in specific Functional area	Exports and International Marketing	Vice-President (Merger & Acquisitions) M/s Daimler Chrysler Stuttgart, Germany
Details of other Directorships	Beaver Engineering Limited Kairos Engineering Limited HBL NIFE (M) SDN. BHD HBL NIFE (UK) Limited.	-NA-
Details of Committee and Membership status	Audit Committee Shareholders Grievance Committee Share Transfer Committee	-NA-

## EXPLANATORY STATEMENT

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

### Item No. 6

The Company is expecting large turn over and it is already evident and demonstrated in the first quarter results. The Company's turnover is expected to increase manifold and the capital requirements are increasing. In order to meet the existing demand for the Company's products your Directors proposed to increase the Bank borrowings, hence this resolution.

Your Directors commend the Resolution for the approval of the Shareholders as an ordinary resolution.

None of the Directors are interested in this resolution.

### Item No: 7

Dr. A J Prasad, who is an expert engineer and has for long provided technology for the manufacture of Silver Oxide and Zinc Batteries to the Company from the beginning of the manufacture of these Batteries by erstwhile HBL Limited, which was merged with the Company with effect from 1.4.1999. Under the Scheme of Amalgamation all the agreements of the amalgamated company ie. HBL Limited are binding on the amalgamating company. Accordingly the Company continued payment of 3% royalty on sale of Silver Oxide and Zinc batteries till 31-3-2004 by which date the agreement expired. Since Silver Oxide and Zinc Batteries are one of the key businesses of the Company, and Company requires continuous on going improved technology, for which Dr. A J Prasad has been working. It is proposed to renew the said agreement for a further period of five years effective from 1-4-2004 on the same terms and conditions.

Except Dr. A J Prasad, Mrs. Kavita Prasad no other Director is interested in this resolution.

By Order of the Board

Place : Hyderabad  
Date : July 30, 2004

Dr.A J Prasad  
Chairman & Managing Director

**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, 2004. The financial performance is presented below.

	Rs.Lacs	
	2003-04	2002-03
Sales(gross)	19238	20271
Operating Profit before int & dep.	2340	2953
Other Income	209	164
Finance Cost	677	889
Depreciation & Misc. expenses	625	484
Extra-ordinary losses/non-recurring cost	—	362
Provision for tax & tax adjustment	216	283
Deferred tax liability	164	70
Net Profit	867	1029
Transfer to General Reserve	710	500
Earnings per Share (Rs.)	4.31	5.13
Dividend Provided	12%	15%

**Performance Review:**

Due to delayed receipt of orders from MOD and other major customers, the Company's turnover has been less than that in the last year. However, the export turnover increased from Rs.18.37 crores (2002-03) to Rs.36.47 crores.

Due to severe competition the selling prices of Lead Acid Batteries were under pressure while raw-material prices increased in both domestic and international markets. The net effect has been 4% increase in the material cost to sales ratio.

The combined effect of decrease in turnover and increase in material cost, is decrease in overall profit before tax by 15.74% over the previous year.

**Dividend:**

Your Directors are pleased to recommend a dividend of Rs.1.20 Per equity share of Rs.10/-fully paid up @ 12% (Previous Year 15%) for the Financial Year 2003-04, subject to the approval of the members at the ensuing Annual General Meeting. The proposed dividend (including Corporate Dividend Tax) will absorb Rs.272 lacs.

**Future Prospects:**

Company's future outlook is encouraging considering the good order book position. The turnover and the profitability for the current year (2004-05) is expected to register a quantum jump, in view of the increase in turnover and profit first quarter which are as under:

Turnover	Rs 47.64 Cr (previous year Rs 31.14 Cr)
Profit before tax	Rs 2.45 Cr ( previous year Rs 0.81 Cr)

**Foreign Ventures:**

As informed to you at the last AGM, your company has promoted overseas companies in UK and Malaysia. The details of investments are given in the attached Annual Accounts of Overseas companies. Business commenced in the wholly owned subsidiary at UK during the year under review. The Malaysian venture commenced business during the current year.

**Merger:**

As approved by you in the last General Meeting, the Hon' ble High Court of Andhra Pradesh vide its Order dated 27<sup>th</sup> February, 2004 has approved the Scheme of Amalgamation for the merger of the Company's subsidiary, M/s Compact Power Sources Private Limited (CPS) with your Company and the merger formalities have been completed.

**Directors' Responsibility Statement:**

In Compliance with the Provisions of Section 217(2AA) of the Companies Act,1956,your Directors confirm that:-



**HBL NIFE Power Systems Limited**

- (i) In preparing the Annual Accounts, all applicable Accounting Standards have been followed, along with proper explanation relating to material departures;
- (ii) 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 that period;
- (iii) 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) The Annual Accounts have been prepared on a going Concern basis.

**Corporate Governance:**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section titled "Report on Corporate Governance" is attached to the Annual Report.

**Consolidation of Accounts :**

In accordance with the requirements of Accounting Standard AS-21 prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its Subsidiaries is annexed to this Annual Report. The consolidated Accounts cover the following subsidiaries :

- a) Bhagirath Energy Systems Pvt. Ltd., Nepal
- b) HBL Nife(UK) Limited, UK
- c) HBL NIFE (M) SDN BHD., Malaysia

A statement pursuant to Section 212 of the Companies Act, 1956 in respect of the said subsidiaries is appended to the Balance Sheet.

**Auditors' Report:**

Board noted the Auditors report. All the relevant information and required explanations were provided in the Accounts and the notes attached there to. The observations by the Auditors, and replies by the Board are as under:

- (a) Application of short term funds for long term uses Rs.713 lakhs;  
The Company has deferred the declaration and payment of dividend for two financial years 2000-01; and 2001-02 and ploughed back the profits in those two years. Part of the ploughed back profits were kept in separate deposit account, which were utilized to part finance to the long term uses during the year.
- (b) Fixed Assets Register and verification thereof:  
The Company is in the process of updating the Fixed Assets Register and the verification there of is planned in a phased manner.
- (c) Strengthening of Internal Audit System :  
The Company has appointed a firm of Chartered Accountants as Internal Auditors since October, 2002. Their scope of work has been enhanced to strengthen the Internal Audit System.

**Directors:**

Mr. T T Srinath resigned as Director w.e.f. 29.4.2004. Mr. L C Gangrade and Mr. D Venkateswarlu have retired as Directors on 30.7.2004 but continue to be employed by the Company.

Ms. Kavita Prasad and Dr. Bernd T. Gans, Directors, retiring by rotation and being eligible, offer themselves for re-appointment.

**Auditors:**

M/s Satyanarayana & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. Audit Committee has recommended for the re-appointment of M/s Satyanarayana & Co. Chartered Accountants as Auditors of the Company at the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their appointment, if made, by the Company for the year 2004-05 will be within the limit prescribed under Section 224(1-B) of the Companies Act, 1956. Your Board of Directors recommend their re-appointment.

**Cost Auditors:**

The Company law Board vide their letter no. 62/64/CAB/2000, dt. 25-03-2004 appointed M/s K Narasimha Murthy & Co., Cost Auditors, Hyderabad under section 233B of Companies Act, 1956 for the financial year 2003-04.

**Personnel & Industrial Relations:**

Your Company continues to enjoy cordial relations with the employees.

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

**HBL NIFE Power Systems Limited****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 and 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.

By Order of the Board

Place : Hyderabad  
Date : July 30, 2004

Dr.A J Prasad  
Chairman & Managing Director

**ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR 2003-04****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 recycling of Heat and use of alternate fuels such as LPG are being implemented.
- B. Technology Absorption: We have in-house R&D facilities. We may avail the Consultancy Services from experts for strengthening our technology, as and when needed. We are in the process of absorbing the technology so developed.
- C. Foreign Exchange Earnings and Outgo:  
(cash basis)

Rs.Lacs

	2003-04	2002-03
1. Value of Imports on C.I.F.basis,		
Raw Materials, Components & Spares	1451	1943
Capital Goods	20	70
2. Expenditure in Foreign Currency		
Commission on export Sales	23	81
Travelling	28	35
Royalty	15	14
Others (including advances to Suppliers)	133	128
3. Investments	64	38
4. Foreign Exchange Earnings		
FOB value of exports	2264	1906
Sale of investments	—	69

By Order of the Board

Place : Hyderabad  
Date : July 30, 2004

Dr.A J Prasad  
Chairman & Managing Director



**HBL NIFE Power Systems Limited**
**Statement pursuant to Section 212 of the Companies Act, 1956  
relating to subsidiary companies**

<b>Name of the subsidiary company</b>	<b>Bhagirath Energy Systems Pvt. Ltd.</b>	<b>HBL NIFE (UK) LTD.,</b>	<b>HBL NIFE (M) SDN.BHD MALAYASIA</b>
<b>Financial year of the subsidiary company ended on</b>	<b>31st March,2004</b>	<b>31st March,2004</b>	<b>31st March,2004</b>
No. of Shares in the subsidiary company held by HBL NIFE Power Systems Limited.	172160 (Nepal Rs.100)	47000 * (UK POUND 1)	160000 (RM 1)
Extent of interest	100% Rs.Lacs	100% Rs.Lacs	80% Rs.Lacs
The net aggregate losses of the subsidiary companies so far as concerns the members of HBL NIFE Power Systems Limited.			
(I) Dealt with in the accounts of HBL NIFE Power Systems Limited amounted to:			
(a) for the subsidiary's financial year ended 31st March, 2004	Nil	Nil	Nil
(b) for previous financial years of the subsidiary since it became subsidiary of HBL NIFE Power Systems Limited.	Nil	Nil	Nil
(II) Not dealt with in the accounts of HBL NIFE Power Systems Limited amounted to:			
(a) for the subsidiary's financial year ended 31st March, 2004	(9.83)	(53.47)	(14.17)
(b) for previous financial years of the subsidiary since it became subsidiary of HBL NIFE Power Systems Limited.	(0.32)	(10.77)	(2.01)

Change in the interest of HBL NIFE Power Systems Limited, Not Applicable since all the accounts are drawn between the end of the subsidiary's financial year and upto 31st March,2004

\* Pending allotment of shares by HBL NIFE(UK) Ltd.,

By Order of the Board

Place : Hyderabad  
Date : July 30, 2004

Dr.A.J.Prasad  
Chairman & Managing Director

**HBL NIFE Power Systems Limited****REPORT ON CORPORATE GOVERNANCE****Company's Philosophy**

The Company strongly believes that good Corporate Governance is a pre-requisite for enhancing shareholders' long-term value. The Company's policies and practices are aimed at efficient conduct of business and effectively meeting its obligations to shareholders. The Company has been consistently improving transparency and accountability to all its stakeholders.

**Board of Directors**

Composition and Category of Directors as on 31<sup>st</sup> March, 2004 :

<b>Name &amp; designation</b>	<b>Category</b>	<b>No.of meetings attended</b>	<b>No.of other Director-ships</b>	<b>Attendance at last AGM</b>
Dr.A.J.Prasad Chairman & Managing Director	Promoter & Executive Director	6	3	Yes
Ashok Nagarkatti Whole-time director	Independent Executive Director	2	Nil	No
L.C.Gangrade (Note 1) Whole-time director	Independent Executive Director	Nil	Nil	No
P.Satish Kumar Whole-time director	Independent Executive Director	7	1	Yes
M.S.Rama Krishna Director	Independent non-executive Director	6	5	No
Dr.Bernd T.Gans Director	Independent non-executive Director	—	Nil	No
M.Kavita Prasad Director	Non-executive Director	7	4	Yes
Dr.(Mrs)Desai Chitra Rao Director (Note 2)	Independent non-executive Director	5	No	NA
T T Srinath(Note 3) Director	Independent Non-executive Director	2	1	No
D Venkateswarlu (Note 1) Director	Independent Executive Director	—	1	No

Notes : 1. Resigned w.e.f. 30.07.2004; 2. IDBI Nominee w.e.f. 30.05.2003; and 3. Resigned w.e.f 29.04.2004

We shall continue to comply with the code of Corporate Governance in respect of Composition of the Board.

**Meetings of the Board of Directors**

During the financial year 2003-04, there were seven meetings of the Board of Directors on:

- i) 24<sup>th</sup> April, 2003      ii) 29<sup>th</sup> May, 2003,      iii) 26<sup>th</sup> June, 2003  
vi) 31<sup>st</sup> July, 2003      v) 30<sup>th</sup> October, 2003      vi) 28<sup>th</sup> November, 2003 and; vii) 28<sup>th</sup> January, 2004.

**Remuneration Committee :**

No committee has been formed.

**Details of Remuneration paid to executive directors during the year 2003-04**

<b>Name</b>	<b>Designation</b>	<b>Remuneration paid Rs.</b>
Dr. A J Prasad	Chairman & Managing Director	7,87,600
L C Gangrade	Director (Operations)	10,50,000
Ashok Nagarkatti	Director(Battery Technology)	10,32,000
P Satish Kumar	Director (Finance)	6,64,800
*D Venkateswarulu	Director	3,81,220
**U M Rao	Director(Electronics)	4,46,000
Total		43,61,620
Add: Commission on profit to Dr.AJPrasad		29,45,000
<b>Grand Total</b>		<b>73,06,620</b>

\* From September, 2003; \*\* April 2003 to August, 2003

Non-Executive Directors were paid only sitting fee for the Board meetings attended by them at the rate of Rs.1,000/- per meeting.

Mrs. Kavita Prasad has been paid Rs.2.40 lakhs as rental charges for the office premises owned by her, which was under lease to the Company.