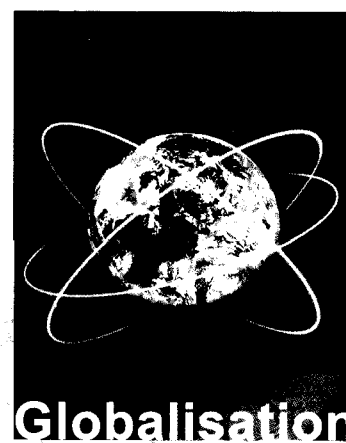


19th annual report 2004-05



H2LNIFE

THE **H2LNIFE** STORY

Time frame	1997 - 1991	1991 - 2005	Future 2005+
Scope of thinking	Small industry finding its feet.	Market consolidation and expansion of infrastructure	Thinking bigger
Financing	Term Loans	First Exposure to Capital market; raised 3 crores in 1992	Equity focused plans to Reduce Debt even further
Markets	Defence	Railways, Telecom, Industry also added.	Set up new Overseas factories to serve export market (EU, UAE, Malaysia, USA)(currently in UK and Malaysia)
New Products	Batteries	Added Electronics: for Industry (1990), Railway Signaling (1999), defence (2002)	Export of high value engineering services using network in Europe (UK, Germany, France, France, Italy)
Competitive Advantage	Knowledge of technology Management to gamble on Indian talent	(1) Spin off benefits of earlier strategy. (2) Competition could not imitate our approach.	Use existing size and market access to source design & sub-assemblies from small high-tech companies, both in India and Europe, to do systems integration. Increase sales/ Investment ratio.
Focus	(1) Import substitution of niche high-tech products. (2) Testing whether technology management is a good business idea.	(1) Product differentiation via R&D (new products) (2) Cost leadership via vertical Integration (old products)	(1) Value addition role in production of high-tech products, specially defence. (2) Engineering services Exports.



THE HBLNIFE STORY

BUSINESS MODEL: TECHNOLOGY MANAGEMENT

We have identified profitable business opportunities, where competition is limited because of gaps in technology, and developing the technology needed to enter the market at low risk and low cost.

We Plan on six to eight year horizon for commercialization. The company specializes in picking a product where market in India is too small for foreign companies to take up local production and where large Indian companies lack conviction for R&D.

GROWTH OPPORTUNITIES

DEFENCE: HBL's work in the area of defence electronics began in 2002. The next few years will see the yields of these initiatives.

Modern Equipment-----needs-----Electronics-----needs-----Batteries.

TELECOM

The growth in telecom sector is expected to be nearly 100% year after year, for the next three years. Batteries are needed for landlines and cellular and wireless systems.

HBL is the largest supplier of telecom batteries in India for Reliance, Nokia, Motorola, BSNL, Hutch and Airtel.

POWER SECTOR

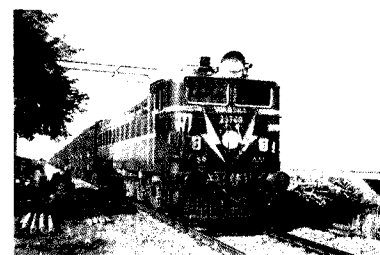
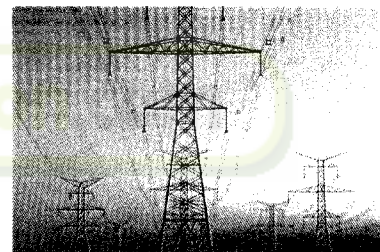
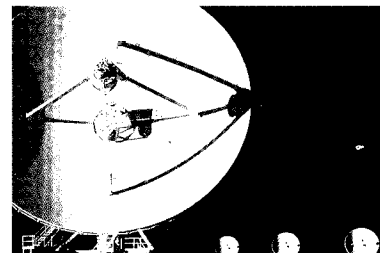
This sector is a major user of batteries and DC power systems from main generating Plants, power supply back up to auxiliaries, UPS, control & instrumentation, substation and switchgears in generation, transmission and distribution. HBL customers include BHEL, NTPC, SEB's and other private power utilities.

OTHER INDUSTRIAL SEGMENTS

The government has plans to electrify 100,000 villages through MNES (Ministry of Non-conventional Energy Sources). Each solar streetlight, home light and power plant needs batteries to store and supply the power. The other high growth industrial segment is UPS. This market is growing by 25-30% p.a. The heart of each UPS is a battery bank, which keeps the stand-by power stored.

GROWTH IN RAILWAY ELECTRONIC SIGNALLING

The Railways segment offers a growth opportunity with expansion in both tracks and routes. HBL has developed and is continuing to develop several electronic products to cater to this growth segment. The company also undertakes turnkey signaling works contracts.



CHAIRMAN'S MESSAGE

HBL NIFE products do not fall easily into any standard category, and HBL is therefore not easy to understand for investors. However, our customers know the company well.

Some of the policies and strategies that guide the company are universally accepted as necessary for healthy growth. These are :

- (a) Invest in knowledge to be ahead of competition.
- (b) Use capital sparingly & efficiently.
- (c) Focus on businesses where technology can give a competitive advantage.

In addition, HBL does a few things that most companies do not :

- (1) Develop the technology in India (including process, equipment and materials) to reduce capital costs.
- (2) Export the products (there are no collaboration agreements which create restrictions).
- (3) Diversify on the customer base. New products may be unrelated to the old; but the customer base remains the same : defence, aviation, railways, core industry (telecom, oil & gas, power)

Your company is best understood as a "research based manufacturing" company. Demand for our products is growing rapidly in all sectors in which we sell, and India's acceptance abroad has sustained growth in exports. HBL exports to the USA, Europe and China, plus other markets.

In 1976, Columbia University in New York accepted my doctoral thesis titled "Export of Technology from India". Hyderabad Batteries Limited was incorporated in 1977. Today almost everyone agrees with the core idea in that thesis : India's future is in engineering costs, (not labour) and industry should leverage this advantage to export. Even today, HBL continues to look ahead to plan for our future: specialized batteries have been the dominant part of our business, but more and more HBL will be recognized in railway signaling electronics, and in defence electronics.

Dr. A J Prasad
(Chairman)

HBLNIFE**HBL NIFE POWER SYSTEMS LIMITED****ATTENDANCE
SLIP**

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

NINETEENTH ANNUAL GENERAL MEETING, SATURDAY, 24TH SEPTEMBER, 2005, AT 4.00 PM

DP_Id*
Client_Id*
Reg. Folio No.
No. of Shares

NAME & ADDRESS OF THE REGISTERED SHAREHOLDER

* Applicable if shares are held in electronic form.

I Certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the Nineteenth Annual General Meeting of the Company at Surana Udyog Auditorium, Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad - 500 004.

.....
Member's/Proxy's Signature**Note : Please fill this attendance slip and handover at the ENTERANCE OF THE HALL****HBL NIFE POWER SYSTEMS LIMITED****HBLNIFE**

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

FORM OF PROXY

I/We, of
 in the district of being a member/member of HBL Nife Power Systems Limited hereby appoint
 of in the district of or failing him of
 in the district of

as my/our proxy to vote for me/us on my behalf at the **Nineteenth Annual General Meeting of the Company to be held on Saturday,
 24th September, 2005 at 4.00 pm.**

DP_Id*
Client_Id*
Reg. Folio No.
No. of Shares

Affix
 Re 1/-
 Revenue
 Stamp

Name:

Address:

Signature.....

* Applicable if shares are held in electronic form.

**Note : This form in order to be effective should be duly completed and must be deposited at the Registered Office or Secretarial
 Office of the Company, not less than 48 hours before the meeting.**





HBL NIFE POWER SYSTEMS LIMITED

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HBL 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. P Ganapati Rao
Ms. Kavita Prasad
Dr. Bernd T Gans
Dr. Prof. (Smt.) D Chitra Rao (IDBI Nominee Director)

Audit Committee

Mr. P Ganapati Rao, Chairman of the Committee
Ms. Kavita Prasad
Dr. Prof. (Smt.) D Chitra Rao

Company Secretary

Mr. C N V Ranga Kumar

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
State Bank of Indore

Factories:

Lalgadi Malakpet, Aliabad Village,
Shameerpeta Mandal, RR Dist.
And
Nandigaon Village, Kothur Mandal,
Mahaboobnagar Dist.

NOTICE

NOTICE is hereby given that the Nineteenth 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 24th day of September, 2005 at 4.00 p.m., to transact the following business.

ORDINARY BUSINESS :

1. To receive, consider and adopt Audited Balance Sheet as at 31st March 2005 and the Profit and Loss Account for the year ended on 31st March, 2005, together with the Director's Report and the Auditors' Report thereon.
2. To declare Dividend for the year ended 31st March, 2005.
3. To appoint a Director in place of Mr. P Satish Kumar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors for the financial year 2005-06 and to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the company 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:**

5. To appoint Mr. P Ganapati Rao as Director:

"RESOLVED THAT Mr. P Ganapati Rao, 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 by rotation as per the provisions of Section 255 of the Companies Act, 1956."

6. To Ratify the appointment of Mr. Ashok Nagarkatti as whole time director

"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 approvals of members and other approvals as may be necessary, Mr. Ashok Nagarkatti be and is hereby re-appointed as a Whole time Director of the Company with effect from 1st April, 2005 to 31st March, 2010, on the following terms and conditions.

Basic Salary : Rs. 6,00,000/- per annum

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) Salary of one Servant at the residence of appointee will be reimbursed by the Company.
- d) Leave Travel Allowance – Actual traveling expenses incurred for self and dependents, not exceeding one months basic salary.
- e) Reimbursement of Medical Expenses incurred by self and dependents not exceeding Rs.15,000/-.
- f) Annual Leave with Salary as per the rules of the Company.
- g) 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.
- vi) Incentive:

An amount subject to a maximum of Rs.3.00 lakhs per annum may be credited to Valuable Employee Benefit Fund account of the appointee. Interest at bank rate is payable annually on his balance in this fund account to the appointee. Amount credited in any year is paid out after a lock in period of 3 years, subject to the other conditions.

The Board is authorized to determine the actual amount of the above incentive, every year, depending upon over all Company's profit and individual's special contributions.

7. To Increase salary of Mr. Ashok Nagagarkatti, whole time director

"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 approvals as may be necessary, the overall remuneration of Mr. Ashok Nagagarkatti, Whole-time Director of the Company be revised as detailed below for the First year effective from 1st June 2005 to the ten months ending on 31.3.2006 with an annual overall incremental value of Rs.100,000/- per year to be made applicable from 1st April 2006.

HBL NIFE Power Systems Limited

- i) Basic Salary : Rs. 7,14,480/- per annum
CCA : Rs. 12,000/- per annum

II) PERQUISITES :

- House Rent Allowance or Provision of House Accommodation subject to a maximum monthly rent at 50% of the basic salary.
- Local Conveyance for official duties will be reimbursed by the Company not exceeding Rs.90,000/- per annum.
- Leave Travel Allowance – Actual traveling expenses incurred for self and dependents, not exceeding one months basic salary per annum.
- Reimbursement of Medical Expenses incurred by self and dependents not exceeding Rs.15,000/- per annum.
- Magazine Allowance: For purchase the magazines by the employee not exceeding Rs.30,000/- per annum.
- Reimbursement of a servant salary to be appointed at home not exceeding Rs.3000/- per month.
- Companies contribution to Provident Fund and Gratuity as per the rules of the Company.
- Provision of a car for the use of Company's business and a telephone at residence will not be considered as perquisites.

8. To Increase salary of Mr. P Satish Kumar, whole time director

“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 approvals as may be necessary, the overall remuneration of Mr. P Satish Kumar, Whole-time Director of the Company be revised as detailed below for the First year effective from 1st April 2005 with an annual overall incremental value of Rs.60,000/- per year to be made applicable from 1st April 2006.

- i) Basic Salary : Rs. 5,09,580/- per annum
CCA : Rs. 12,000/- per annum

II) PERQUISITES :

- House Rent Allowance or Provision of House Accommodation subject to a maximum monthly rent at 40% of the basic salary.
- Local Conveyance for official duties will be reimbursed by the Company not exceeding Rs.90,000/- per annum.
- Leave Travel Allowance – Actual traveling expenses incurred for self and dependents, not exceeding one months basic salary per annum.
- Reimbursement of Medical Expenses incurred by self and dependents not exceeding Rs.15,000/- per annum.
- Magazine Allowance: For purchase the magazines by the employee not exceeding Rs.30,000/- per annum.
- Reimbursement of a servant salary to be appointed at home not exceeding Rs.3000/-per month.
- Companies contribution to Provident Fund and Gratuity as per the rules of the Company.
- Provision of a car for the use of Company's business and a telephone at residence will not be considered as perquisites.

By Order of the Board

Place : Hyderabad
Date : June 29, 2005

C N V Ranga Kumar
Company Secretary

Notes:

- 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.
- 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.
- The Explanatory Statement, as required by Section 173(2) of the Companies Act, 1956 in respect of item No.5 to 8 set out above is annexed hereto.
- The Register of Members and Share transfer books of the Company shall remain closed from 19th September, 2005 to 24th September, 2005 (both days inclusive).
- 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.
- Members are requested to intimate immediately to the Company, quoting Registered Folio Number and Change in the address, if any, with the Pin Code Number.
- 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.