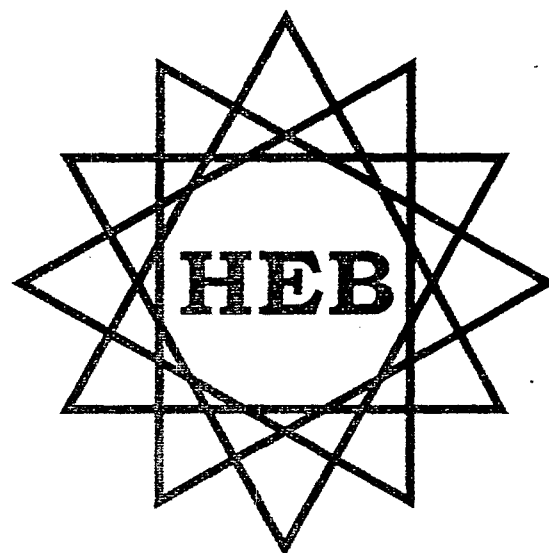


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HIGH ENERGY

BATTERIES (INDIA) LTD

THIRTY SIXTH ANNUAL REPORT
1996-97





CHAIRMAN	:	SRI S. VISWANATHAN
VICE CHAIRMAN	:	SRI N. GOPALARATNAM
DIRECTORS	:	SRI R. SUBBARAYAN SRI C.R. PATTABHI RAMAN SRI R. VAIDYANATHAN SRI S. PARAMANANDHAN
MANAGING DIRECTOR	:	SRI D. JAYARAMAN
SECRETARY	:	SRI S.V. RAJU
AUDITORS	:	M/s R. SUBRAMANIAN & CO. Chartered Accountants, Chennai
INTERNAL AUDITORS	:	M/s CHANDRASEKHAR & SURESH Chartered Accountants, Chennai
BANKERS	:	UCO BANK, Trichy CANARA BANK, Trichy INDIAN BANK, Trichy
REGISTERED OFFICE	:	"ESVIN HOUSE", Perungudi CHENNAI-600 096
PLANT	:	Pakkudi Road MATHUR 622 515 Pudukkottai District

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NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the 36th Annual General Meeting of HIGH ENERGY BATTERIES (INDIA) LIMITED will be held at **11-00 AM on Saturday, the 23rd August, 1997** at Hotel New Woodlands, 75-76, Dr Radhakrishnan Salai, Mylapore, Chennai-600 004 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, Auditors' Report and Audited Balance Sheet of the Company as at 31st March, 1997 and the Profit and Loss Account for the year ended 31st March, 1997.
2. To declare dividend.
3. To elect Directors:
 - a) To appoint a Director in the place of Sri N. Gopalaratnam, who retires by rotation and being eligible, offers himself for re-election.
 - b) To appoint a Director in the place of Sri C.R. Pattabhi Raman, who retires by rotation and being eligible, offers himself for re-election.
4. To consider and, if thought fit, to pass the following Resolution as a SPECIAL RESOLUTION with or without modification:

"RESOLVED THAT pursuant to Section 224 A of the Companies Act, 1956, M/s R. Subramanian & Co., Chartered Accountants, Chennai, the retiring Auditors be and are hereby re-appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting on a remuneration of Rs.45,000/- plus out-of-pocket expenses for actual travelling and other expenses in connection with the Company's Audit."

NOTES:

- A. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the Meeting.
- B. The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, the 19th August, 1997 to Saturday, the 23rd August, 1997 both days inclusive.
- C. Members are requested to immediately intimate any change in their respective address registered with the Company.
- D. Dividend, when declared, will be paid to the Members whose names are on the Register of Members as on Saturday, the 23rd August, 1997.

(By Order of the Board)
for HIGH ENERGY BATTERIES (INDIA) LIMITED).

Registered Office:
"Esvin House"
Perungudi
Chennai 600 096
27th June, 1997

S.V. RAJU
SECRETARY



DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 36th Annual Report together with the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st March, 1997.

OPERATIONS

The sales turnover (net of excise duty and sales tax) for the year ended 31st March, 1997 was Rs.13.09 crores as against a turnover of Rs.14.74 crores for the previous year. Due to non-receipt of the Letter of Credit from the foreign importer in respect of batteries manufactured and kept ready in stock, the finished goods as at 31st March, 1997 is up by Rs.2.80 crores over the figures of the previous year. Consequently, sales are lower and profits arising out of stock on hand get shifted to the next year i.e., 1997-98. This factor together with the incidence of Triennial salary revision to Employees of the Company were the twin elements which depressed the profits for the year.

The working results for the year are as shown below:

WORKING RESULTS

Particulars	For the year ended	
	31.3.1997	31.3.1996
	Rs.in lakhs	
Sales (including lease income) net	1309.32	1473.68
GROSS PROFIT before interest and depreciation	230.31	305.32
LESS		
1. Interest	94.43	81.56
2. Depreciation	85.53	92.12
	179.96	173.68
PROFIT BEFORE TAX	50.35	131.64
Provision for Taxation	21.00	---
NET PROFIT	29.35	131.64

DIVIDEND

Your Directors recommend a dividend of 30% absorbing a sum of Rs.26.89 lakhs.

AMOUNT AVAILABLE FOR APPROPRIATION

	Rs. in lakhs
NET PROFIT for the year	29.35
ADD: Surplus from the previous year	31.63
Transfer from Investment Allowance Reserve (utilised)	2.17
	63.15



DIRECTORS' REPORT TO THE MEMBERS (Continued)

Your Directors propose the following appropriations:	Rs.in lakhs
Transfer to General Reserve including compulsory transfer to Reserve required under Sec.205(2A) of the Companies Act, 1956	3.00
Proposed Dividend at 30%	26.89
Provision for Corporate Dividend Tax	2.70
Balance carried forward	30.56
	<u>63.15</u>

PERFORMANCE

Silver Zinc Batteries

Shareholders may kindly recall that in the Directors' Report for the last year, mention was made that supply of INWGT (P) a sophisticated Naval battery, would be made as soon as the sea trial was completed.

We are glad to inform the Members that the Simulated Sea Trial (SST) was carried out and the performance was found to be satisfactory. The Directorate of Naval Armament Inspectorate (DNAI) is expected to conduct further trials on these batteries before July 1997 and we have been permitted to undertake manufacture of the remaining quantity of 58 batteries incorporating the modifications made by us in the revised version named VHARTI. Two more types of primary batteries are in advanced stages of type approval. We expect to receive the Bulk Production Clearance (BPC) of the above batteries before the end of the current financial year. Orders from Naval Science Technological Laboratory, Vizag (NSTL) for secondary version of the INWGT was received during the period under review. The same is under execution.

Directors are pleased to inform the Members that the value of the orders on hand is around Rs.32 crores including orders for development valued at Rs.15 crores.

Fibre Technology Nickel Cadmium (FTNC) Batteries

Directors are pleased to inform that we have made a major breakthrough by supplying FTNC 525 Ah batteries of value of Rs.1 crore to IFFCO, Phulpur under International Competitive Bidding (ICB) through M/s Instrumentation Limited, Jaipur in record time of 6 months. The batteries are currently under commissioning.

Export Marketing

Orders for export of Naval batteries PA300 and HR350 for the value of Rs.4 crores was received during the period under review. Batteries of value exceeding Rs.3 crores have already been manufactured and are awaiting despatch.

Valve Regulated Sealed Maintenance free lead Acid (VRLA) Batteries

We have imported and sold, on trial basis, a few batteries during the year under review. We are further exploring the possibility of marketing this product during the current year.

EXPANSION

We are pleased to inform you that the expansion programme has been completed increasing the production capacity to 24 lakhs Ah per annum. The total cost of the expansion programme was Rs.120 lakhs which was met out of internal accruals.

DIRECTORS' REPORT TO THE MEMBERS (Continued)**SUBSIDIARIES**

The wholly-owned subsidiaries of the Company viz. M/s Energy Investment Limited and M/s Mathur Investment Company Limited have earned after tax profits of Rs. 2.59 lakhs and Rs.1.91 lakhs respectively. M/s Energy Investment Limited and M/s Mathur Investment Company Limited propose to declare a dividend of 10% and 5% respectively for the year ended 31st March, 1997.

RESEARCH AND DEVELOPMENT

Our regular development programme on various primary silver zinc batteries are under progress. Pending sea trials, we expect to receive the bulk production clearance towards the end of the financial year. On the FTNC front, we have, on hand, a developmental order for a 1000Ah battery.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The information regarding Conservation of Energy and Technology Absorption as required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed and forms part of this Report.

PERSONNEL AND INDUSTRIAL RELATIONS

Information as required by Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended by the Companies (Amendment) Act, 1988 is annexed.

Industrial relations continued to be cordial.

DIRECTORS

In accordance with Article 106 of the Articles of Association of the Company, the following Directors are retiring by rotation

1. Sri N. Gopalaratnam
2. Sri C. R. Pattabhi Raman

and being eligible, they offer themselves for re-appointment.

AUDITORS

M/s R. Subramanian & Co., Chartered Accountants, Chennai would retire at the conclusion of the 36th Annual General Meeting. They are eligible for re-appointment.

A resolution under Section 224A of the Companies Act, 1956 is being placed at the 36th Annual General Meeting for this purpose.

ACKNOWLEDGEMENT

Your Directors wish to thank

- a) the Defence Forces, DRDO Laboratories, ISRO and Ministry of Defence for the whole-hearted support and encouragement received from them for our indigenisation efforts on sophisticated high energy batteries; and
- b) the Bankers for extending timely financial support for the successful operation of the Company.

Your Directors wish to place on record the excellent work done by the Executives and other employees of the Company under the dedicated leadership of Sri D. Jayaraman, Managing Director.

(For the Board of Directors)

Chennai
27-06-1997

S. VISWANATHAN
CHAIRMAN



DIRECTORS' REPORT TO THE MEMBERS (Continued)

DISCLOSURE IN TERMS OF SECTION 217 (1) (e) OF THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

Your Company is not an industry specified in the Schedule.

B. TECHNOLOGY ABSORPTION

1. Research and Development (Totally In-house)

- i) Development of High Rate Silver Oxide Zinc batteries for underwater propulsion in Primary and Secondary areas.
- ii) Development of space quality High Rate Silver Zinc Cells.
- iii) Development of Primary activated Reserve Type Silver Oxide Zinc batteries for Missile applications.
- iv) Development of Aircraft Nickel Cadmium aerobatic batteries and batteries for communication sets.
- v) Development of Silver Chloride Magnesium sea water activated batteries for torpedo propulsion and batteries for Sonobuoy application.
- vi) Development of Fibre Technology Nickel Cadmium batteries for Rail Road, Standby power and UPS applications.
- vii) Development of process for treatment of separator systems.

2. Benefits derived as a result of above R&D

- i) The batteries developed have eliminated imports in their respective categories and thus they have saved foreign exchange outgo which is estimated at Rs.11 crores net of imports for this year alone. The net savings in Foreign Exchange outgo exclusively due to our in house R&D efforts resulting in import substitution amounts to an impressive aggregate of Rs.97 crores, including current year.
- ii) Upgradation of technology to match the advancement in developed countries.
- iii) Indigenisation.

3. Future Plan of Action

To continue Research and Development in the areas mentioned in Para B1.

4. Expenditure on R&D during the year

	Rs. in lakhs
Capital	27.25
Recurring	54.91

Total	82.16

As a percentage to Turnover (net) 6.28%

5. Technology Absorption and Adoption

During the year under review, no foreign technology has been procured.

(For the Board of Directors)

Chennai
27-06-1997

S. VISWANATHAN
CHAIRMAN



ANNEXURE TO DIRECTORS' REPORT

STATEMENT REQUIRED TO BE FURNISHED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975, AS AMENDED BY THE COMPANIES (AMENDMENT) ACT, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 1997.

S. No.	Name of the Employee	Designation/ Nature of Duties	Remuneration Received (Gross)(Rs.)	Qualification and Experience	Date of commencement of employment	Age/ Years	Last Employment held Designation/ Organisation
I	EMPLOYEES OF THE COMPANY WHO WERE EMPLOYED THROUGHOUT THE FINANCIAL YEAR AND IN RECEIPT OF REMUNERATION FOR THE YEAR WHICH IN THE AGGREGATE WAS NOT LESS THAN Rs.3,00,000/-.						
	NIL						
II	EMPLOYEES OF THE COMPANY WHO WERE EMPLOYED FOR PART OF THE FINANCIAL YEAR AND IN RECEIPT OF REMUNERATION AT A RATE WHICH IN THE AGGREGATE WAS NOT LESS THAN Rs.25,000/- PER MONTH.						
01	Roland F. Chireau	Vice President (Research & Development)	10,76,234	Master of Science in Chemicals Engg. (Brooklyn, USA) 52 Years	14-12-85	70	Senior Technical Executive Yardney Electric Corporation, USA

NOTE :

1. Mr. Roland F. Chireau is not related to any Director.
2. Remuneration includes Salary, Allowances and reimbursement of Medical expenses.
3. Mr. Roland F. Chireau's employment is contractual.