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HIGH ENERGY

BATTERIES (INDIA) LTD

THIRTY SEVENTH ANNUAL REPORT
1997-98





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. CHANDRASEKAR & 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 SHARE HOLDERS

NOTICE is hereby given that the 37th Annual General Meeting of HIGH ENERGY BATTERIES (INDIA) LIMITED will be held at 11 A.M. on **Wednesday the 12th August, 1998** at Hotel New Woodlands, 72-75 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 1998 and the Profit and Loss Account for the year ended 31st March, 1998
2. To declare dividend
3. To elect Directors :
 - a) To appoint a Director in the place of Sri. S. Viswanathan, who retires by rotation and being eligible, offer himself for re-election.
 - b) To appoint a Director in the place of Sri. R. Subbarayan, who retires by rotation and being eligible, offer 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. 60,000 plus out-of-pocket 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 4th August, 1998 to Wednesday, the 12th August, 1998, 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 Wednesday, the 12th August, 1998.

(By Order of the Board)

for HIGH ENERGY BATTERIES (INDIA) LIMITED,

Registered Office :

"Esvin House"

Perungudi

Chennai - 600 096

11th June, 1998

S.V. RAJU

Secretary



DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 37th Annual Report together with the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st March 1998.

OPERATIONS

The sales turnover for the year ended 31st March 1998 at Rs.1768.50 lakhs as against Rs.1309.32 lakhs for the previous year is the highest your Company had achieved since inception.

The working results for the year are as shown below:-

WORKING RESULTS

For the year ended

Particulars	1997-98	1996-97
	Rs.in lakhs	
Sales (including lease income) net	1768.50	1309.32
GROSS PROFIT before		
interest and depreciation	269.28	230.31
Less		
1. Interest	108.15	94.43
2. Depreciation	87.19	85.53
	195.34	179.96
PROFIT BEFORE TAX	73.94	50.35
Provision for Taxation	70.75	
Less: Transfer from		
General Reserve	44.25	
	26.50	21.00
NET PROFIT	47.44	29.35



DIRECTORS' REPORT TO THE MEMBERS (Continued)

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	47.44
ADD: Surplus from the previous year	30.56
Transfer from Investment Allowance Reserve (Utilised)	5.58
Income tax refund	2.16
	85.74

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	25.00
Proposed Dividend at 30%	26.89
Provision for Corporate Dividend Tax	2.69
Balance carried forward	31.16
	85.74

PERFORMANCE

Silver Zinc Batteries

The [REDACTED] may kindly recall that in our last year's Directors' Report it was mentioned that supply of INWGT(P), a sophisticated Naval battery, will commence on completion of sea trials. The requisite sea trials were completed during the period to the satisfaction of the Naval Authorities and the supply of the balance quantity is in progress and we hope to complete the order by September 1998.

A Simulated Sea Trial was carried out successfully on a complex Primary Battery which took more than 4 years for development.

We are glad to mention that our supply of batteries to Pilotless Target Aircraft has earned an award for participation in the indigenous programme from the Aeronautical Development Establishment, Bangalore.

As part of our cost reduction exercise, we have taken effective steps to fine tune the existing production facility by importing certain key equipment and erection of certain balancing equipment purchased indigenously which is expected to be commissioned before the current calendar year.

We are pleased to inform that the value of orders in hand is around Rs. 22 crores including order for Development which is valued at Rs. 10 crores.

DIRECTORS' REPORT TO THE MEMBERS (Continued)
Fibre Technology Nickel Cadmium (FTNC) Batteries

An order for a value of Rs. 40 lakhs for 1000Ah battery was received during the period and production taken up thereafter. We earnestly hope that markets for FTNC batteries will pick up in two years time.

Export Marketing

We exported Naval Batteries of PA300 and HR350 for a value of Rs.4 crores during the current year. Our relentless efforts in pursuing with prospective purchasers of our silver zinc batteries (HR45) are expected to result in a similar substantial export order shortly.

Valve Regulated Sealed Maintenance free Lead Acid (VRLA) Batteries

On economic considerations, we have discontinued the marketing of VRLA batteries.

FINANCE

To part finance the import of items of machinery referred to earlier, a letter of credit for US\$ 80,000 equivalent to Rs.32.00 lakhs was opened during March 1998 on UCO Bank. Equipment under the said letter of credit is expected to be received before September 1998.

A Term Loan of Rs. 11 lakhs was drawn from UCO Bank in March 1998 to meet the indigenous portion of the project.

Shareholders may recall that in the Directors' Report to the Members for the year 1994-95 a mention was made that our Company had acquired a high efficiency boiler under HP Agreement with M/s Wipro Finance Ltd. (Wipro) and leased out the same to M/s Ponni Sugars and Chemicals Ltd. (Ponni) under Lease Agreement. During the year, our Company on commercial considerations foreclosed the lease arrangement and the related HP transaction and a tripartite agreement between our Company, Ponni and Wipro was entered into in March 1998 and the lease agreement agreed to be foreclosed. The profit arising out of the foreclosure of Rs. 16.44 lakhs have been credited to "other income" in the books of accounts and the tax liability arising after the said foreclosure is adjusted out of the transfer from the General Reserve as the tax gains that have accrued in the earlier years have got credited to General Reserve.

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. 2.60 lakhs and Rs. 2.11 lakhs respectively. M/s Energy Investment Limited and M/s. Mathur Investment Company Limited propose to declare a dividend of 10% each for the year ended 31st March, 1998.

RESEARCH AND DEVELOPEMENT

Shareholders will be pleased to learn that development of most of the batteries is complete and HEB is hopeful of getting regular commercial orders from such development orders in the coming years which would mean that our efforts in developing various types of batteries have started yielding results.

As part of our R&D, we have, this year, developed and set up a Chiller plant for manufacturing negative electrodes. This plant facilitates production of negative electrodes with uniform thickness and thus limits rejection and wastages to the minimum.



DIRECTORS' REPORT TO THE MEMBERS (Continued)

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The information regarding Conservation of Energy and Technology Absorption as required under Section 217(i)(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.

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial.

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.

DIRECTORS

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

1. Sri. S. Viswanathan
2. Sri. R. Subbarayan

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 37th Annual General Meeting. They are eligible for re-appointment.

A resolution under Section 224A of the Companies Act, 1956 is being placed at the 37th 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-96
11-06-1998

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) RULE, 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 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. 17 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. 114 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	30.92
Recurring	40.26
Total	<u>71.18</u>
As a percentage to Turnover (net) 4.02 %	

5. Technology Absorption and Adoption

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

(For the Board of Directors)

Chennai-96
11-06-1998

S. VISWANATHAN
Chairman