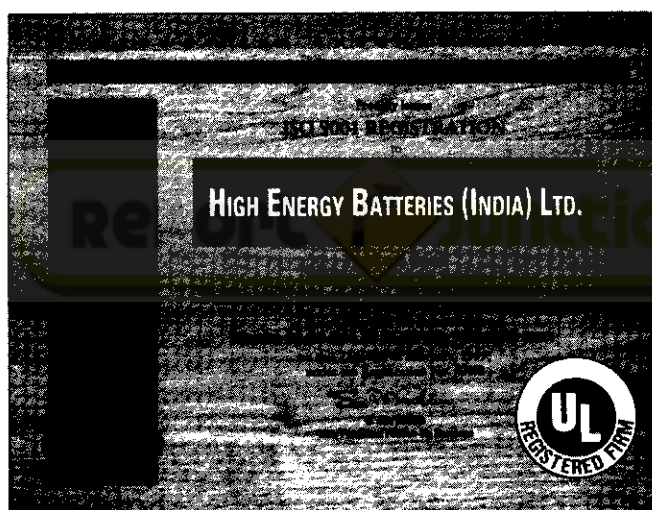
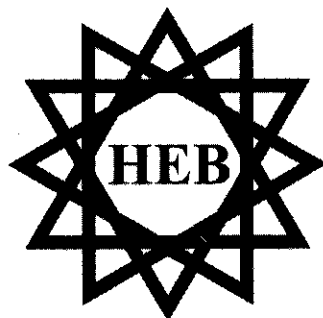


HIGH ENERGY

BATTERIES (INDIA) LTD



THIRTY EIGHTH ANNUAL REPORT
1998-1999



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 SHARE HOLDERS

NOTICE is hereby given that the 38th Annual General Meeting of HIGH ENERGY BATTERIES (INDIA) LIMITED will be held at **11 A.M. on Thursday, the 29th July, 1999** 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, 1999 and the Profit and Loss Account for the year ended 31st March, 1999
2. To declare dividend
3. To elect Directors :
 - a) To appoint a Director in the place of Sri. R. Vaidyanathan, who retires by rotation and being eligible, offer himself for re-election.
 - b) To appoint a Director in the place of Sri. S. Paramanandhan, 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 Friday, the 16th July, 1999 to Thursday, the 29th July, 1999, 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 Thursday, the 29th July, 1999.

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

Registered Office :
"Esvin House"
Perungudi
Chennai - 600 096
27 th May, 1999

S.V. RAJU
Secretary



DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 38th Annual Report together with the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st March 1999.

OPERATIONS

The sales turnover for the year ended 31st March 1999 at Rs.1855.00 lakhs as against Rs.1768.50 lakhs for the previous year is the higher by Rs. 86.50 lakhs compared to the previous year and is the highest your Company had achieved since inception.

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

WORKING RESULTS

Particulars	For the year ended	
	1998-99	1997-98
	Rs.in lakhs	
Sales (including lease income) net	1855.00	1768.50
GROSS PROFIT before interest and depreciation	283.89	269.28
Less		
1. Interest	131.96	108.15
2. Depreciation	43.26	87.19
	<u>175.22</u>	<u>195.34</u>
PROFIT BEFORE TAX	108.67	73.94
Provision for Taxation	40.00	26.50
NET PROFIT	<u>68.67</u>	<u>47.44</u>

DIVIDEND

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



DIRECTORS' REPORT TO THE MEMBERS (Continued)

AMOUNT AVAILABLE FOR APPROPRIATION

	Rs.in lakhs
NET PROFIT for the year	68.67
Add : Surplus from the previous year	31.16
	99.83

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	40.00
Proposed Dividend at 30%	26.89
Provision for Corporate Dividend Tax	2.96
Balance carried forward	29.98
	99.83

PERFORMANCE

Silver Zinc Batteries

Members may kindly recall that in the last year's Directors' Report, we had informed the Members that supply of balance numbers of INWGT(P), a sophisticated Naval battery, would commence after completion of sea trials. We are glad to inform that the sea trials were conducted satisfactorily during the year and the balance quantity of these batteries were supplied during the period under review.

In our last Report, we had informed the Members that the Simulated Sea Trial (SST) was carried out successfully on a complex Primary battery after 4 years of development work and received Bulk Production Clearance (BPC). We are glad to mention that 5 batteries were delivered during the period under review and we expect to complete the delivery of the balance batteries during the current financial year.

During the year under review, BPC was received for another Primary battery and production of the same will be commenced during the current financial year.

We have since completed installation of machines imported from Russia for production of negative electrodes for Secondary batteries and Cell Sealing Machine for sealing the cells. These will improve the production rate and performance of the battery. The batteries made using these machines are scheduled for type approval and the same will be completed by June/July 1999.

We are glad to inform the Members that development phase of various batteries on order is over and the year 1999-2000 will be a year of production of these batteries. We expect sufficient flow of orders from the Government for these batteries for us to reach a turnover of about Rs. 20 crores.

Fibre Technology Nickel Cadmium (FTNC) Batteries

In the last year's Report to the Members, we mentioned that market for FTNC batteries would pick up in 2 years' time. We are glad to inform the Members that during the period under review, we had reached a turnover of Rs. 2 Crores under this head and orders worth about Rs. 3 Crores are on hand for execution during the current financial year.



DIRECTORS' REPORT TO THE MEMBERS (Continued)

Export Marketing

We exported aircraft batteries, both silver zinc and nickel cadmium during the year for a total value of Rs. 2.5 Crores. We expect to receive repeat order for the aircraft batteries and also for naval batteries which had been exported during previous years. We are also exploring the possibilities of exporting our other naval batteries.

FINANCE

As informed earlier, we received the imported machinery and installed the same at our factory during the year. We availed a Term Loan of Rs. 64.57 lakhs (including Rs. 11 Lakhs availed during 1997-98) out of the sanctioned Term Loan of Rs. 75 lakhs. We repaid a sum of Rs. 1.5 lakhs during the year.

Your Company has been sanctioned Rs. 300 lakhs by Industrial Development Bank of India (IDBI) by way of Corporate Loan for meeting incremental margin money for working capital requirement and capital expenditure by securing a mortgage of all the immovable and movable properties of the Company, present and future. Out of the above sanctioned amount, we have availed Rs. 180 lakhs so far.

ISO 9001

It is with great pleasure we wish to intimate that our Quality Management System has been found to meet the requirements of prestigious ISO-9001 system and we have been accorded the accreditation and registration by M/s Underwriters Laboratories Inc., USA.

RISK DUE TO YEAR 2000 BUG (Y2K)

Your Company had already initiated measures to become Y2K compliant. Implementation plans are under progress and we anticipate full compliance by 30th September 1999. Follow-up action has been initiated with concerned intermediaries for compliances. Contingency plans have been developed to ensure smooth operation and transition through adequate back-up/manual operation in case of emergency.

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. 1.88 lakhs and Rs. 2.16 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, 1999.

RESEARCH AND DEVELOPMENT

Our R&D has completed development of complex primary batteries for one of our customers. Our R&D continues to help in improving our processes, cost reduction, etc.

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.



DIRECTORS' REPORT TO THE MEMBERS (Continued)

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, 1999 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. R. Vaidyanathan
2. Sri. S. Paramanandhan

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

AUDITORS

M/s. R. Subramanian & Co., Chartered Accountants, Chennai retire at the conclusion of the 38th Annual General Meeting. They are eligible for re-appointment.

A resolution under Section 224A of the Companies Act, 1956 is being placed at the 38th 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 Industrial Development Bank of India (IDBI) and 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 dynamic leadership of Sri. D. Jayaraman, Managing Director.

(For the Board of Directors)

Chennai-96
27-05-1999

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 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 substantial foreign exchange outgo.
- ii) The batteries developed in-house were also exported and thus earned foreign exchange.
- ii) Upgradation of technology to match the advancement in developed countries.
- iii) Indigenisation and self reliance in the critical field of batteries for defence.

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	18.99
Recurring	32.27
Total	<u>51.26</u>
As a percentage to Turnover (net) 2.76 %	

5. Technology Absorption and Adoption

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

(For the Board of Directors)

Chennai-96
27-05-1999

S. VISWANATHAN
Chairman

**ANNEXURE TO DIRECTORS' REPORT**

STATEMENT REQUIRED TO BE FURNISHED UNDER SECTION 217(2A) OF THE COMPANIES ACT, READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975, AS AMENDED BY THE COMPANIES (AMENDMENT) ACT, 1999 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 1999.

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
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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. 6,00,000/-.

NIL

II EMPLOYEES OF THE COMPANY WHO WERE EMPLOYED FOR PART OF THE FINANCIAL YEAR AND IN RECEIPT OF REMUNERATION FOR THE YEAR WHICH IN THE AGGREGATE WAS NOT LESS THAN Rs. 50,000/- PER MONTH.

NIL