

HIGH ENERGY

BATTERIES (INDIA) LIMITED



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FORTIETH ANNUAL REPORT

2000 - 2001



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. N.R. SURESH & CO. 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 40th Annual General Meeting of HIGH ENERGY BATTERIES (INDIA) LIMITED will be held at 11.00 A.M. on Monday, the 30th July, 2001 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 2001 and the Profit and Loss Account for the year ended 31st March, 2001.
2. 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.
3. 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.75 000/- exclusive of Service Tax, if any, plus out-of-pocket expenses in connection with the Company's Audit."

SPECIAL BUSINESS

4. (i) Dematerialisation of Securities

To consider and if thought fit, pass with or without modifications, the following Resolution as a SPECIAL RESOLUTION:

Resolved that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered by inserting the following heading and Article 35(h) after the existing Article 35(g):

"DEMATERIALISATION OF SECURITIES"

35 (h) Definition for the purpose of this Article :

"Depositories Act" means the Depositories Act, 1996, including any statutory modifications and re-enactment thereof for the time being in force and it includes where appropriate, the Rules made thereunder.

'SEBI' means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

NOTICE TO THE SHAREHOLDERS (Continued)

Words expressions used and not defined in this Article shall have the meaning assigned to them in the Depositories Act.

The provisions contained in this Article shall prevail notwithstanding anything to the contrary in any other Article.

(ii) "Dematerialisation / Rematerialisation of Securities

The Company shall be entitled to dematerialise its securities and offer fresh securities in physical or dematerialised form in terms of and in conformity with the Depositories Act and extant Regulations in force and confirming to the Bye laws of the Depositories.

(iii) Provisions of Articles to apply to securities held in depository.

Except specifically provided in these Articles, the provisions relating to Joint-holders of shares, calls, lien on shares forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in depository.

(iv) Transfer of securities

Transfer of securities held in Depository shall be governed by the Depositories Act and extant Regulations in force.

(v) Board to Decide on Depository

The Board in its discretion shall decide the effective date from which depository option will be made available to the members.

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 24th July, 2001 to Monday, the 30th July, 2001, both days inclusive.
- C. Members are requested to immediately intimate any change in their respective address registered with the Company.

Registered Office :

"Esvin House"

Perungudi,

Chennai - 600 096.

9th June, 2001

(By Order of the Board)

for HIGH ENERGY BATTERIES (INDIA) LIMITED.

S.V. RAJU

Secretary

**NOTICE TO THE SHAREHOLDERS (Continued)****EXPLANATORY STATEMENT**

(As required under Sec. 173 (2) of the Companies Act, 1956)

ITEM No. 4**Dematerialisation of Securities**

Dematerialisation of shares is gaining importance in view of its easy operation and reduction in paper work. It has got further advantage that transfer of shares and payment of dividend can be made electronically. Dematerialisation is also widely accepted. Though not mandatory, we understand that within a short period it will become compulsory for trading as well as listing.

It is proposed to dematerialise our shares and join the Depository mode in due course in order to make available. In order to bring the Articles of Association of the Company in tune with this need, requisite amendments/additions have been proposed.

The Articles of Association of the Company is available for inspection by the Members of the Company on any working day between 11.00 a.m and 1.00 p.m.

No Director of the Company is concerned or interested in this item of business

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9th June, 2001

(By order of the Board)

for HIGH ENERGY BATTERIES (INDIA) LIMITED,

S.V. RAJU

Secretary



DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 40th Annual Report together with the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st March 2001.

OPERATIONS

The Company has reported a loss, for the first time, in its history for the year under review. This adverse performance has mainly been due to non-receipt of repeat orders from the Government since the second quarter of the year 2000-2001. The Company had responded to various tender enquiries released by the Government, from time to time, to the extent of Rs. 51 crores. Of this, our Company is the only approved supplier of batteries in respect of tenders valued at Rs 10 crores. However, no negotiations have been held so far.

While the Company was expecting that orders will get released, though delayed, it is not to be so. The reported scam in Defence procurement has caused further delays and decision making process in respect of Defence procurement seems to have come to a standstill, atleast for the time being. This uncertain environment and the reported financial crunch faced by the Centre have, perhaps, forced the Government to defer procurement of batteries. This inevitably has led to steep drop in the turnover resulting in negative profitability during the year under review.

WORKING RESULTS

The working results for the year under review are as shown below :

Particulars	For the year ended	
	2000-2001	1999-2000
	Rs. in Lakhs	
Sales	1210.37	1917.35
GROSS PROFIT/(LOSS) before Interest and depreciation	89.55	302.99
Less		
1. Interest	98.88	117.32
2. Depreciation	53.09	54.83
	151.97	172.15
PROFIT/(LOSS) BEFORE TAX	(62.42)	130.84
Provision for Taxation	---	50.00
NET PROFIT/(LOSS)	(62.42)	80.84

DIVIDEND

As the Company has incurred a loss, the Directors regret their inability to declare any dividend for the year under review.

**DIRECTORS' REPORT TO THE MEMBERS (Continued)****PERFORMANCE****Silver Zinc Batteries**

Our Company was established primarily to meet the Defence requirements of the country. Starting from Aircraft batteries, we have indigenised production of many of the batteries used by Navy which were hitherto imported. By this process, we have almost indigenised all types of torpedo batteries used by Indian Navy.

During the year under review, we received a repeat order for one type of secondary battery for four numbers which we have executed. Barring this, we have not received any order from Defence Department. All other batteries supplied during the year were mostly against orders received from DRDL, NSTL & ISRO.

For reasons spelt out under "Operations" supra, the demand for batteries is evident from the various tenders issued during the period under review. Our Company has submitted quotations for various types of Naval batteries based on the tenders received by us. Further, we have also clarified various points raised by the Government on our said quotations. Batteries supplied to the Navy are having a life of 5 year and perhaps the present stock available with the Navy and Air Force are sufficient to cater to the current requirement of the Defence of the Country. We feel that the current impasse is likely to end and orders will flow as usual for the Defence requirements of the country.

Due to the above, we were able to achieve only Rs 863 lakhs Turnover in Silver Zinc. The reduction in Turnover affected the profitability of our Company, despite an overall reduction in expenditure. This situation cannot continue for long. Air force and Navy do require our products and from the discussions we had with the concerned authorities, we believe that orders for our range of batteries will be received during the current year 2001-02. We hope to achieve a reasonable turnover and moderate profits during the current year.

Fibre Technology Nickel Cadmium (FTNC) Batteries

We are pleased to inform you that FTNC Division achieved a turnover of Rs 347 lakhs as against Rs 194 lakhs during the previous year. We are hopeful that the turnover from this Division can be improved further as we are taking all efforts possible to utilise the market potential for these batteries.

Export Marketing

We exported batteries for a value of Rs 40 lakhs during the current year. Even though, we had responded to a number of enquiries, we had not received any major order during the year under review. We have established a full fledged Export Division specifically to cater to the needs of different buyers. We hope to get orders during the current year for a reasonable quantity.

FINANCE

During the year under review we repaid the instalment of Rs. 66.40 Lakhs to IDBI and Rs. 26 Lakhs to UCO bank towards term loan on due dates.

ISO 9001

Based on the satisfactory conduct of continuous assessment audits we received the renewal of accreditation for a further period of two years upto February, 2003.

DIRECTORS' REPORT TO THE MEMBERS (Continued)
DEPOSITORY SYSTEM

The Depository Mode is gathering momentum of late with introduction of compulsory demat trading in selected scrips and the list is being expanded by SEBI at frequent intervals. This confers very many benefits to the shareholders. With that object in view, your Directors have decided to go ahead with the proposal covering your Company's participation in the Depository Mode in respect of equity shares of the Company. A separate item has been included in the Notice to the 40th Annual General Meeting for amending the Articles of Association of the Company to pave way for dematerialisation of our Company's Shares.

SUBSIDIARIES

The wholly-owned subsidiary of the Company viz. M/s. Energy Investment Limited earned a Profit of Rs. 1.93 Lakhs and M/s. Mathur Investment Company Limited earned a profit of Rs. 2.18 Lakhs. 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 2001.

RESEARCH AND DEVELOPMENT

As informed in our last year's report, development of secondary version for Naval battery has been completed and we expect to receive a developmental order for two numbers shortly from the Government. Research on Nickel Metal Hydride batteries is continuing. We are also exploring possibilities of development of various other batteries.

DIRECTORS RESPONSIBILITY STATEMENT

Your Directors in terms of Section 217(2AA) of the Companies Act, 1956, confirm that,

- (i) All applicable accounting standards have been followed in the preparation of the annual accounts
- (ii) Your Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as of 31st March 2001 and of the LOSS of the Company for the year ended that date.
- (iii) Proper and sufficient care has been taken 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 and detecting fraud and other irregularities.
- (iv) The annual accounts have been prepared on going concern basis.

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)

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. S. Viswanathan
2. Sri. R. Subbarayan

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

CORPORATE GOVERNANCE

As reported last year, the Company has already complied with major mandatory recommendations and those not complied with and relevant to our Company will be complied with in stages even though they are not applicable to our Company.

AUDITORS

M/s. R. Subramanian & Co., Chartered Accountants, Chennai would retire at the conclusion of the 40th Annual General Meeting of the Company. They are eligible for re-appointment.

A resolution under Section 224A of the Companies Act, 1956 is being placed at the 40th Annual General Meeting for this purpose.

ACKNOWLEDGEMENT

Your Directors wish to thank

- i) 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
- ii) 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 - 600 096.
9th June 2001

S. VISWANATHAN
Chairman