

HIGH ENERGY

BATTERIES (INDIA) LIMITED



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FORTY SECOND ANNUAL REPORT
2002 - 2003



CHAIRMAN	:	SRI N. GOPALARATNAM
DIRECTORS	:	SRI R. SUBBARAYAN SRI R. VAIDYANATHAN SRI S. PARAMANANDHAN SRI A.L. SOMAYAJI CMDE R.P. PREM KUMAR, VSM, (Retd.)
EXECUTIVE DIRECTOR	:	SRI S. SRIDHARAN
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 SHARE HOLDERS**

Notice is hereby given that the 42nd Annual General Meeting of HIGH ENERGY BATTERIES (INDIA) LIMITED will be held at 10.30 A.M. on Wednesday, the 30th July 2003 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 2003 and the Profit and Loss Account for the year ended 31st March, 2003.
2. To declare a dividend.
3. To elect Directors :
 - a) To appoint a Director in the place of Sri N. Gopalaratnam 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 1,25,000/- exclusive of Service Tax, if any, plus out-of pocket expenses in connection with the Company's Audit".

HIGH ENERGY

BATTERIES (INDIA) LIMITED

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 22nd July, 2003 to Wednesday, the 30th July 2003, 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 30th July 2003.
- E. Members holding shares in Demat form are requested to bring in their depository account number (Client ID Number) for ease of identification and recording of attendance at the meeting

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

Registered Office :
"Esvin House"
Perungudi,
Chennai - 600 096.
14th June, 2003

S.V. RAJU
Secretary

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DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 42nd Annual Report together with the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st March, 2003.

Operations

In the Directors Report to the Members last year, a hope was expressed that we expected to receive further orders during the year for silver zinc and nickel cadmium batteries which would improve the turnover for the current year. We are glad to report that orders for over Rs. 30 crores were received during the year under review.

The Net Turnover for the year ended 31st March 2003 was Rs. 2270.21 Lakhs, the highest so far

Working Results

	For the year ended	
	2002-2003	2001-2002
	Rs. in Lakhs	
Sales (Net of Excise Duty and Sales Tax)	2270.21	1403.08
GROSS PROFIT before Interest, Depreciation and Exceptional Items	298.84	186.51
Less :		
1. Interest	107.04	98.85
2. Depreciation	41.27	42.93
3. Exceptional Items	<u>29.97</u>	<u>16.29</u>
	178.28	158.07
PROFIT BEFORE TAX	120.56	28.44
Less :		
Provision for Taxation		
- Current	53.00	1.75
- Deferred	<u>6.20</u>	<u>7.69</u>
	59.20	9.44
NET PROFIT	<u>61.36</u>	<u>19.00</u>



DIRECTORS' REPORT TO THE MEMBERS (Continued)

It may be seen from the above that due to improved operations during the year, the net profit before tax has increased significantly to 5.31% of the turnover as against 2.03% of last year.

Dividend

Your Directors recommend a dividend of 20% absorbing a sum of Rs. 17.93 Lakhs.

Amount Available for Appropriation	Rs. in lakhs
NET PROFIT for the year	61.36
Add : Surplus from the previous year	30.15
	<u>91.51</u>

Rs. in lakhs

Your Directors propose the following appropriation

Transfer to General Reserve including Compulsory	
Transfer to Reserve required under Sec.205(2A) of	
Companies Act, 1956	20.00
Proposed Dividend at 20%	17.93
Provision for Corporate Dividend Tax	2.29
Balance carried forward	51.29
	<u>91.51</u>

PERFORMANCE

Silver Zinc Batteries

The Board of Directors are glad to report that a turnover of Rs. 1978.63 lakhs was achieved during the year. This includes a direct export for a sum of Rs. 2.88 lakhs and deemed export of Rs. 294.41 lakhs aggregating Rs. 297.29 lakhs. Members may be pleased to note that your company has developed a secondary silver zinc battery for Navy and the same has been type approved after successful sea trials.

The batteries developed for Defence Laboratories have also been approved and the bulk production is expected, once the products are deployed in the services. A regular flow of orders is expected shortly from the production agencies during the current year.

During the year, Silver Chloride Magnesium Batteries were manufactured and supplied to Navy.

Nickel Cadmium Batteries

A turnover of Rs. 291.58 lakhs was achieved during the year which is lower by about Rs.100 lakhs than the turnover achieved during last year. Efforts are being made to improve our market share.



DIRECTORS' REPORT TO THE MEMBERS (Continued)

CURRENT YEAR - 2003-2004

Sufficient orders are on hand to keep our Plant busy during the current year. Further orders for silver zinc batteries, silver chloride magnesium and nickel cadmium batteries are expected during the current year.

FINANCE

Members may recall that the company had obtained a loan of Rs.100 lakhs from UCO Bank towards working capital and the same with interest there on was repaid during the year on the respective due dates.

It was reported in the last year's Accounts that the value of Units 1964 was retained at Rs.10 being the re-purchase price of Units as on 31st May 2003. Accordingly, your company offered the Units 1964 for re-purchase at Rs.10/- per Unit in accordance with the Circular of Unit Trust of India (UTI). Receipt of redemption value of the Units from UTI is awaited.

The wholly-owned subsidiaries of the Company, M/s Energy Investment Limited and M/s Mathur Investment Company Limited have incurred a loss of Rs. 25.42 lakhs and Rs. 26.38 lakhs respectively due to write off of investment in Ponni Sugars (Orissa) Ltd. as explained below:-

INVESTMENTS

Your Company made investments in one of the associate companies, namely, M/s Ponni Sugars (Orissa) Ltd. (POL) for setting up a 2500 TCD Sugar Mill in Balangir, Orissa State, which has been incurring losses, since inception due to paucity of cane. Despite promoters' pumping in huge resources and the Financial Institutions' and Banks' structuring the revival packages, turnaround in operations was not in sight and the Sugar Mill remains closed effective 16th April 2001. POL has become sick and registered as such with the Board for Industrial and Financial Reconstruction (BIFR). The net worth of POL has been fully eroded as per the audited accounts of the company and the realisable value of the assets will not even meet the liabilities due to secured creditors in full. Consequently, the investment in POL have been written off in the accounts, in accordance with the Accounting Standards AS-13 and the same is shown in the Profit and Loss Account under the head "Exceptional Item". The wholly-owned subsidiaries namely, Energy Investment Ltd. and Mathur Investment Company Ltd. have also accordingly written off their investments in POL to the extent of Rs. 25.28 lakhs and Rs. 26.23 lakhs respectively.

ISO 9001

The last accreditation was valid upto February 2003. The audit for registration under ISO:9001:2000 was completed and your Directors are glad to inform that our Quality System has been Certified to meet the ISO:9001:2000 standards.

SUBSIDIARIES

Reserve Bank of India have instituted a number of regulatory measures for the management and administration of financial companies by amending the NBFC Regulations. Under the present NBFC Regulations, NBFCs with a net worth of Rs.200 lakhs and above and having qualified personnel alone can carry on the NBFC business. As the subsidiaries do not have the required expertise as well as the financial strength stipulated under the NBFC Regulations, it was considered prudent to merge the wholly-owned subsidiaries with the Holding Company. Accordingly, your Directors have filed a Scheme



DIRECTORS' REPORT TO THE MEMBERS (Continued)

of Arrangement for merger of the subsidiaries with the Holding Company before the Hon'ble High Court of Madras and the Merger Petition is pending disposal.

RESEARCH AND DEVELOPMENT

As mentioned earlier, your company had developed and supplied 2 Nos. of secondary version of silver zinc batteries. The sea trials were successful and your company is issued with type approval certificate. Our R&D is engaged in developing nickel metal hydride batteries for Defence applications. Your company is also evaluating the possibilities of using cuprous chloride technology for development of Sea Water Activated Batteries for underwater propulsion application. Your company has signed an MOU with one of the leading Indian Laboratories for absorption of their technology for production of fuel cell electrodes. A trial order has also been received. A pilot plant has since been established and the trial supplies commenced during the current year.

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 2003 and of the profit of the Company for year ended that date.
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the latest 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

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.

EMPLOYEES

During the year a 5 year wage revision package was finalised and implemented from 01.04.2002.

No employee of the Company was in receipt of remuneration during the financial year 2002-2003, in excess of the sum prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial.



DIRECTORS' REPORT TO THE MEMBERS (Continued)

DIRECTORS

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

Sri N Gopalaratnam
Sri R Subbarayan

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

CORPORATE GOVERNANCE

As mentioned in our earlier Directors' Report, the said code of corporate governance is not applicable to HEB as our Company's paid up share capital is less than Rs.1 crore. However, your Company has taken on itself the code as the mandatory and implemented the same to the extent applicable. A separate note on corporate governance is annexed.

DEMATERIALISATION

As informed earlier, our shares have been made available in the electronic system also and the company has appointed M/s Cameo Corporate Services, Chennai as a Registrar for both physical and electronic maintenance of records.

AUDITORS

M/s. R Subramanian & Co., Chartered Accountants, Chennai would retire at the conclusion of the 42nd 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 42nd Annual General Meeting for this purpose.

ACKNOWLEDGEMENT

Your Directors wish to thank :

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

Your Directors wish to place on record their appreciation of the excellent work done by the Executives and other employees of the Company under the dynamic leadership of Sri S Sridharan, Executive Director of the Company.

(For the Board of Directors)

Chennai 600 034
14th June 2003

N. GOPALARATNAM
Chairman