

HIGH ENERGY

BATTERIES (INDIA) LIMITED

SERVING THE NATION

REPORT 2003-2004

25 SILVER YEARS

FORTY THIRD ANNUAL REPORT
2003 - 2004

UNDERWRITERS LABORATORIES INC.

ENVIRONMENTAL MANAGEMENT SYSTEM REGISTRATION

High Energy Batteries (India) Ltd.

Pakkudi Road,
Mathur Industrial Estate
Pudukottai – District
Pin - 622 515
INDIA

With off-site facilities located at :

Special Facilities,
R Survey No. 8, 16, 17, 18, 19 & 20
Mathur, Kulathur Taluk
Pudukottai District
Tamil Nadu, India

Fibre Technology Facility
R Survey 132/1B, 132/2, 133/2C, 132/1C,
133/5, 133/6 & 130/3
Mathur, Kulathur Taluk
Pudukottai District, Tamil Nadu, India

Underwriters Laboratories Inc.® (UL) issues this certificate to the Firm named above, after assessing the Firm's environmental management system and finding it in compliance with

ISO 14001:1996

ENVIRONMENTAL MANAGEMENT SYSTEM

for the following scope of registration

The environmental management system of High Energy Batteries (India) Limited for the design and manufacture of alkaline batteries such as Silver Zinc, Zinc Manganese Dioxide, Nickel - Cadmium and Silver Chloride types of aerospace, military and industrial applications at Mathur, Pudukkottai district, Tamilnadu, India.

The offsite at Special Facility, R.Survey No. 8, 16, 17, 18, 19 & 20, Mathur, Kulathur Taluk performs the functions of Research & Development, Silver recovery, and manufacture of Silver Electrodes.

The offsite at Fibre Technology Facility, R. Survey 132/1B, 132/2, 133/2C, 132/1C, 133/5, 133/6 & 130/3 Mathur, Kulathur Taluk performs the manufacture of Nickel and Cadmium cells used for Nickel - Cadmium batteries.

This environmental management system registration is included in UL's Directory of Registered Firms and applies to the operations of the address(es) shown above. By issuance of this certificate the firm represents that it will maintain its registration in accordance with the applicable requirements. This certificate is not transferable and remains the property of Underwriters Laboratories Inc. ®.

File Number: A12792

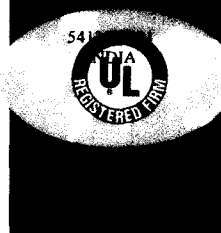
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S. Joe Bhatia
Executive Vice President and
Chief Operating Officer - International





CHAIRMAN

Sri. N. GOPALARATNAM

DIRECTORS

Sri. R. SUBBARAYAN

Sri. R. VAIDYANATHAN

Padmasri S. PARAMANANDHAN

Sri. A.L. SOMAYAJI

CMDE R.P. PREM KUMAR, VSM, (Retd.)

Sri. D. KRISHNAN, Nominee of LIC

EXECUTIVE DIRECTOR

Sri. S. SRIDHARAN

SECRETARY

Sri. S.V. RAJU

AUDITORS

M/s. R. SUBRAMANIAN & CO., Chennai

INTERNAL AUDITORS

M/s. N.R. SURESH & CO., Chennai

BANKERS

UCO BANK

CANARA BANK

INDIAN BANK

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 43rd Annual General Meeting of HIGH ENERGY BATTERIES (INDIA) LIMITED will be held at 11.00 A.M. on Wednesday, July 28, 2004 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, 2004 and the profit and Loss Account for the year ended 31st March, 2004.
2. To declare a 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 Padmasri 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., 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/- together with Service Tax, if any, in addition to reimbursement of travelling and other out-of pocket expenses actually incurred in connection with the Company's Audit".

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass

the following Resolution with or without modification as an ORDINARY RESOLUTION:

"RESOLVED THAT Sri. D. Krishnan be and is hereby appointed as a Director of the Company liable to retire by rotation".

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 Wednesday, July 21, 2004 to Wednesday, July 28, 2004, 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 July 28, 2004.
- 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

S.V. RAJU
Secretary

Chennai
June 12, 2004



EXPLANATORY STATEMENT

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

Item No.5 : Appointment of Sri. D. Krishnan as a Director.

Life Insurance Corporation of India (LIC) a major equity shareholder of our Company, nominated one of their executives to represent LIC in our Board. Sri. D. Krishnan, Chief Executive of LIC Housing Finance Limited was accordingly nominated by LIC to be the nominee in our Board. He was inducted as an additional Director with effect from 27th March 2004. He is liable to retire and is to be elected at this AGM.

A Notice under Sub-Section (1-A) of Section 257 of the Companies Act, 1956 has been received by the Company from a shareholder of the Company intending to propose Sri. D. Krishnan as a Director along with a deposit of Rs. 500.

None of the directors other than Sri. D. Krishnan is interested or concerned in the proposed Resolution.

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

S.V. RAJU
Secretary

Chennai
June 12, 2004





DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 43rd Annual Report together with the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st March, 2004.

Your Directors are happy to inform you that your Company's Battery Plant is completing 25 years of its operation in December 2004.

OPERATIONS

The sales turnover for the year ended 31st March 2004 was Rs. 2790.09 lakhs (net of Excise Duty and Sales Tax) as against Rs. 2270.21 lakhs for the previous year. Directors are happy to record that this turnover is the highest so far achieved in the history of the company.

WORKING RESULTS

	(Rs. In lakhs)			
	For the year Ended			
	2003 - 2004		2002 - 2003	
Sales (Net of Excise Duty and Sales Tax)		2790.09		2270.21
GROSS PROFIT before Interest and depreciation and Exceptional Items		400.62		298.84
Less :				
1. Interest	101.22		107.04	
2. Depreciation	56.70		41.27	
3. Exceptional Items	-		29.97	
		157.92		178.28
PROFIT BEFORE TAX		242.70		120.56
Less :				
Provision for Taxation				
Current (including Wealth Tax)	88.00		53.00	
Deferred	11.30		6.20	
		99.30		59.20
NET PROFIT		143.40		61.36

It may be seen from the above, due to improved operations during the year, the net profit after tax has increased significantly to 5.14% of the turnover as against 2.70% of last year.

DIVIDEND

Your Directors recommend a dividend of 36% absorbing a sum of Rs.32.27 lakhs.

APPROPRIATION

Your Directors propose the following appropriations:

	<i>Rs. in lakhs</i>
NET PROFIT for the year	143.40
Add:	
Surplus from the previous year	51.29
Income tax relating to earlier year	0.03
	194.72
Transfer to General Reserve	100.00
Proposed Dividend at 36%	32.27
Provision for Corporate Dividend Tax	4.13
Balance carried forward	58.32
	194.72

PERFORMANCE

Silver Zinc Batteries

The Board of Directors are glad to report that a turnover of Rs. 2594 lakhs was achieved during the year. The successful development of the secondary battery which was reported last year enabled your Company to bag another order for a value of Rs. 143 lakhs and your Company has commenced supplies to meet the urgent requirements of the Navy. Members may be pleased to note that your company



DIRECTORS' REPORT TO THE MEMBERS (Continued)

has developed a special type missile battery for Defence Laboratories and regular order is placed on your Company.

As already informed to the members last year, the Defence Laboratories have started placing regular orders for batteries already developed.

Nickel Cadmium Batteries

A turnover of Rs. 196 lakhs was achieved during the year which was lower by about Rs. 100 lakhs than the previous year due to stiff competition and lower market price. All efforts are made to improve the Company's market share.

Fuel Cell

As informed earlier, your Company completed the trial order for fuel cell electrodes received during last year. Your Company has received an order for development of 1 kW module from one of the customers. Your Company expects to receive further developmental orders for similar type of Fuel Cells.

Export

An order for a value of Rs. 1.17 lakhs was executed by your Company to Sri Lanka during the year. The efforts put in by your Company during the year is likely to result in securing orders for a value of about Rs. 3 crores during the current year.

CURRENT YEAR - 2004 - 2005

The orders on hand together with the orders in the pipeline would ensure capacity utilization and your Company is confident of maintaining the turnover at the current level.

FINANCE

Your Company availed a Term Loan of Rs. 113 lakhs during the year from UCO bank for financing part of Fixed Assets.

Your Company availed a portion of the fund based working capital limits as FCNR Loan from the Bankers during the last quarter of the year in order to avail the concessional rate of interest.

During the year, your Company received the redemption value of units from UTI.

ISO 9001 / 14001

The present accreditation under ISO : 9001:2000 is valid upto February 2006. Your Directors are pleased to inform that your Company's Environmental Management System has been certified to meet ISO : 14001:1996 standards.

SUBSIDIARIES

The wholly owned subsidiaries of your Company viz. Energy Investment Limited and Mathur Investment Company Limited have earned a net profit of Rs. 0.70 lakhs and Rs. 0.49 lakhs respectively.

The merger petition filed before the Hon'ble High Court seeking arrangement for merger of the subsidiaries with the holding company is still pending for disposal.

RESEARCH AND DEVELOPMENT

Your R & D Wing continues its efforts in finding alternate technologies for the existing applications and for improvement in product performance and processes to offer better technology. In this connection, Cuprous Chloride Technology has been received by your Company and the related R & D activities for Under Water Propulsion application have been commenced.

DIRECTORS RESPONSIBILITY STATEMENT

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

- (i) all applicable accounting standards have



DIRECTORS' REPORT TO THE MEMBERS (Continued)

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 2004 and of the profit of the Company for the said period.
- (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 (Annexure I).

EMPLOYEES

No Employee of the Company was in receipt of remuneration during the financial year 2003 -2004 in excess of the sum prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

COMPLIANCE CERTIFICATE

The compliance certificate as required under Section 383 (A) (1) of the Companies Act, 1956

is annexed and forms part of this report (Annexure IV).

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial.

DIRECTORS

During the year, Sri. D. Krishan, Chief Executive, LIC Housing Finance, was nominated to the Board by LIC with effect from 27th March 2004. He is to be elected at the ensuing AGM as a Director liable to retire by rotation.

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

Sri. R. Vaidyanathan

Padmasri S. Paramanandhan

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

CORPORATE GOVERNANCE

Though the code of Corporate Governance is not applicable to your Company, HEB has implemented the same to the extent applicable.

A separate note on Corporate Governance is annexed (Annexure II).

AUDITORS

M/s. R. Subramanian & Co., Chennai would retire at the conclusion of the 43rd 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 43rd Annual General Meeting for this purpose.



DIRECTORS' REPORT TO THE MEMBERS (Continued)

ACKNOWLEDGEMENT

Your Directors wish to thank

- (i) The Defence Forces, DRDO Laboratories, ISRO, NMRL and Ministry of Defence for the whole-hearted support and encouragement received from them for indigenisation efforts on sophisticated high energy batteries; and

- (ii) 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. S. Sridharan, Executive Director of the Company.

(For the Board of Directors)

N. GOPALARATNAM

Chairman

Chennai
June 12, 2004

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