

HIGH ENERGY

BATTERIES (INDIA) LIMITED



FORTY FOURTH ANNUAL REPORT
2004 - 2005

**Department of Scientific and Industrial Research,
Ministry of Science and Technology, New Delhi.**

**HIGH ENERGY BATTERIES (INDIA)
LIMITED, MATHUR (T.N)**

National Award for R & D efforts in industry for the year 2004 is presented to High Energy Batteries (India) Ltd. Mathur (T.N) in recognition of their R & D efforts in electrical industries sector.

The in-house R & D centre of H.E.B. has successfully developed a silver zinc battery for under water propulsion application, enhancing the power output from 252 W/Kg to 540 W/Kg at a high rate discharge of 1100 Amps.

The company has developed a silver chloride magnesium sea water activated battery, enhancing the power output from 30 kW to 50 kW, thereby increasing the energy to 117 Wh / Kg against the existing 88 Wh / Kg. The company has also established technology, using silver chloride magnesium chemistry for flame float smoke (marker battery) through in-house R & D efforts.

The above products have enhanced the customer base and the company has increased the turn over from Rs. 22 crores to Rs. 28 crores resulting in a foreign exchange savings for the Ministry of Defence, Government of India to the extent of Rs. 348 lakhs.



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.)

Sri. D. KRISHNAN, Nominee of LIC

MANAGING DIRECTOR

Sri. S. SRIDHARAN

SECRETARY

Sri. S.V. RAJU

AUDITORS

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

INTERNAL AUDITORS

M/s. MAHARAJ 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 SHAREHOLDERS

Notice is hereby given that the 44th Annual General Meeting of HIGH ENERGY BATTERIES (INDIA) LIMITED will be held at 11.00 A.M on Thursday, July 21, 2005 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, 2005 and the Profit and Loss Account for the year ended 31st March, 2005.
2. To declare a dividend.
3. To elect Directors:
 - a) To appoint a Director in the place of Sri. A L Somayaji who retires by rotation and being eligible, offer himself for re-election.
 - b) To appoint a Director in the place of Cmde. R.P. Premkumar 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/- together with Service Tax, if any, plus out-of pocket expenses 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 in accordance with the provisions of Sections 269, 309, 198, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals as may be necessary, approval of the Members of the Company be and is hereby accorded to the appointment of Sri. S Sridharan as Managing Director of the Company for a period of 3 years from 1st April 2005 and upto 31st March 2008 to exercise substantial powers of Management subject to the supervision and control of the Board of Directors on the terms and conditions set out below :

HIGH ENERGY

BATTERIES (INDIA) LIMITED

1	Period	01.04.2005 to 31.03.2008
2	Remuneration	
a.	Salary	Rs.50,000/- (Rupees Fifty Thousand only) per month including Dearness Allowance and all other allowances.
b.	Commission	Equivalent to one percent of the net profits of the Company subject to a ceiling of an amount equal to the annual salary.
3	Perquisites	Perquisites will be in addition to salary and commission and shall be restricted to an amount equal to the annual salary.
a.	House Rent Allowance	Rs.7,500/- (Rupees Seven thousand five hundred only) per month.
b.	Gas, Electricity, Water and Furnishings	The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income-tax Rules, 1962. This shall, however, be subject to a ceiling of 10% of the salary.
c.	Medical Reimbursement	Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
d.	Club Fees	Fees of Clubs subject to a maximum of two clubs.No admission and life membership fee will be paid.
e.	Personal Accident Insurance	Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.5,000 (Rupees five thousand only) per annum.
f.	Contribution to Provident Fund and Superannuation Fund	<p>a) Company's contribution towards Provident Fund as per Rules of the Company.</p> <p>b) Company's contribution towards Superannuation Fund as per Rules of the Company.</p> <p>Contribution to Provident Fund and Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income tax Act.</p>
g.	Gratuity	As per the Rules of the Company
h.	Leave Salary	As per the Rules of the Company. Leave accumulated shall be encashable at the end of the tenure. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
i.	Use of Car and Telephone	Car for use on Company's business and telephone at residence will not be considered as perquisites. However, personal long distance calls and use of car for private purposes shall be billed by the Company.
4	Minimum Remuneration	In the event of loss or in adequacy of profits in any financial year, the Managing Director shall be paid the foregoing amount of remuneration and benefits. In any event, the total salary and perquisites shall be within the overall ceiling as specified in Section II of Part II of Schedule -XIII of the Companies Act, 1956. No commission is payable in such an year.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to revise the remuneration including commission and perquisites from time to time,

within the limits, prescribed in Schedule XIII of the Companies Act, 1956, or any amendment or any statutory modifications thereto.

**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 Saturday, July 16, 2005 to Thursday, July 21, 2005, 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 members whose names are on the Register as on July 21, 2005.
- 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 11, 2005

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EXPLANATORY STATEMENT

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

Item No.5: Appointment of Sri. S Sridharan as Managing Director.

Sri. S Sridharan, a First Class Degree holder in Mechanical Engineering from Regional Engineering College, Trichy had served in various capacities in our Company since 1974 like Development Engineer, Executive Engineer (Engg.), Manager (Engg.), Technical Manager, Deputy General Manager (Technical) and General Manager (Operations). In recognition of the excellent contribution made by Sri. S Sridharan, he was elevated to the Board and designated as Executive Director. Under his able leadership, the Company has achieved outstanding results. It is in fitness of things that Sri. S Sridharan is elevated as Managing Director by the Board of Directors of the Company.

The Board of Directors, at their meeting held on 18th March, 2005 appointed him as Managing Director of the Company for a term of 3 years from April 1, 2005 on the terms and conditions set out in the resolution.

The remuneration package is well within the overall limit prescribed under Schedule XIII of the Companies Act, 1956, and the same has been approved by the Remuneration Committee headed by a Non-Executive Chairman and 2 Independent Directors as required under the provisions of the Companies Act, 1956.

In the event of loss or inadequacy of profits, in any financial year, the Managing Director shall be entitled to the remuneration as set out in the terms and conditions specified in the resolution, but will not be entitled for commission in that year. In any event, the total

salary and perquisites will be within the overall ceiling as specified in Section II of Part II of Schedule XIII of the Companies Act, 1956.

The Board of Directors will also be at liberty to alter, vary and revise the remuneration including commission and perquisites from time to time within the limits prescribed in Schedule XIII of the Companies Act, 1956 or any amendment or statutory modifications thereto.

In terms of Part III of Schedule XIII to the Companies Act, 1956, the appointment and remuneration as above shall be subject to the approval by Members of the Company in General Meeting and accordingly, the subject is placed before the Members for their approval.

A copy of the Board Resolution in this regard is available for inspection by the Members at the Registered Office of the Company during business hours on any working day prior to the date of the meeting.

No Director other than Sri. S Sridharan is concerned or interested in this item of business.

The foregoing may be treated as an abstract of the terms and conditions governing the appointment and remuneration and memorandum of interest pursuant to Section 302 of the Companies Act, 1956.

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

S.V. RAJU
Secretary

Chennai
June 11, 2005



DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 44th Annual Report together with the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st March, 2005.

OPERATIONS

The sales turnover for the year ended 31st March 2005 touched a new high of Rs. 3047.57 lakhs (net of Excise Duty and Sales Tax) as against Rs.2790.09 lakhs for the previous year. Directors are very glad to inform that the turnover is the highest so far achieved in the history of the Company.

WORKING RESULTS

The working results for the year under review are under:

	(Rs. in lakhs)			
	For the year Ended			
	2004 - 2005		2003 - 2004	
Net Sales (Net of Excise Duty and Sales Tax)		3047.57		2790.09
GROSS PROFIT before Interest and depreciation		419.74		400.62
Less:				
1. Interest	60.89		101.22	
2. Depreciation	65.86		56.70	
		126.75		157.92
PROFIT BEFORE TAX		292.99		242.70
Less:				
Provision for Taxation Current (including Wealth Tax)	91.50		88.00	
Deferred	11.20	102.70	11.30	99.30
NET PROFIT		190.29		143.40

DIVIDEND

Your Directors recommend a dividend of 40% absorbing a sum of Rs. 35.86 lakhs.

APPROPRIATION

Your Directors propose the following appropriation:

	<i>Rs. in lakhs</i>
NET PROFIT for the year	190.29
Add :	
Surplus from the previous year	58.32
	248.61
Less :	
Income tax relating to earlier year	0.19
	248.42
Transfer to General Reserve	165.00
Proposed Dividend at 40%	35.86
Provision for Corporate Dividend Tax	4.68
Balance carried forward	42.88
	248.42

PERFORMANCE

Silver Zinc Batteries

A turnover of Rs.2912 lakhs was achieved during the year. This includes an export turnover of Rs.172 lakhs. Members may be pleased to note that the successful development of missile batteries has contributed to further orders from DRDO Laboratories.



DIRECTORS' REPORT TO THE MEMBERS (Continued)

Nickel Cadmium Batteries

A turnover of Rs.135 lakhs was achieved during this year including export turnover of Rs.19 lakhs. Stiff competition has resulted in lower price and volumes. Our efforts to enhance our market share is expected to bear fruits in the coming years.

Fuel Cell

Your Company has completed a development order for 1KW Fuel cell based UPS system for NMRL. We expect further orders for the same. We have also received a development contract from DRDO for different type of Fuel Cell which may take about 2 years for completion.

Export

During this year your Company achieved a turnover of Rs.172 lakhs in Silver Zinc Division and Rs.19 lakhs in Nickel Cadmium Division. We will be giving greater thrust in securing export orders during the current year.

CURRENT YEAR - 2005-2006

With the orders on hand and the expected orders in the pipe line, we expect to maintain the turnover at the level of the previous year.

FINANCE

Your Company continued to avail a major portion of the fund based working capital limits as FCNR(B) Loan from the Bankers at lower rate of interest.

During the year your Company repaid in full, the Term Loan availed during the earlier year.

Your Company also availed a new Term Loan of Rs.50 Lakhs from UCO Bank and Rs.14.74 lakhs from Canara Bank during the year for financing part of additions to Fixed Assets at a reduced rate of interest.

ISO 9001 / 14001

The present accreditation under ISO:9001:2000 is valid upto February 2006 and ISO 14001:1996 is valid up to December 2006.

SUBSIDIARIES

The Hon'ble High Court of Judicature at Madras has approved the Merger of the wholly owned subsidiaries viz. M/s. Energy Investment Limited and Mathur Investment Company Limited with the Holding Company viz. High Energy Batteries (India) Limited with effect from 1st April, 2004 vide its Order dated 3rd March, 2005, the same has been filed with the Registrar of Companies, Tamil Nadu, Chennai on 28th March, 2005. Accordingly the current year's accounts have been drawn up giving effect to the Scheme of amalgamation.

RESEARCH AND DEVELOPMENT

Your Company has commenced development of Mg-CuCl battery technology through partial transfer of technology in association with a Customer.

National Awards

Your Company has received the following National Awards:

- 1) National Awards for R&D efforts in Industry 2004 - by Department of Scientific & Industrial Research, Ministry of Science and Technology, New Delhi on 16th November, 2004.
- 2) Defence Technology Absorption Award - 2004 by Defence Research & Development Organization, Ministry of Defence on 17th May 2005 Presented by the Hon'ble Prime Minister of India Dr. Manmohan Singh.

The Award consisting of a citation and a cash prize of Rs.5 Lakhs was received by our Managing Director, Sri. S Sridharan.