

HIGH ENERGY

BATTERIES (INDIA) LIMITED



FORTY FIFTH ANNUAL REPORT
2005 - 2006

HIGH ENERGY BATTERIES (INDIA) LIMITED

Registered Office : 'ESVIN HOUSE', Perungudi, CHENNAI - 600 096.

ATTENDANCE SLIP

Date & Time	Friday July 21, 2006 10.15 A.M.
Venue	Hotel New Woodlands 72-75, Dr. Radhakrishnan Salai, Mylapore, Chennai - 600 004.

Folio No.	No. of Shares

DEMAT PARTICULARS

DP ID No.		
I	N	

Client ID No

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MEMBER☐**PROXY**☐

(NAME IN CAPITAL LETTERS)

- Note : 1. Only shareholders of the company or their proxies will be allowed to attend the meeting ON PRODUCTION OF THIS ATTENDANCE SLIP duly completed and signed.
2. Shareholders are requested to bring their copies of Annual Report with them.
3. Member who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.

I hereby record my presence at the 45th Annual
General Meeting of the Company

Signature of Member / Proxy



Registered Office : 'ESVIN HOUSE', Perungudi, CHENNAI - 600 096.

DEMAT PARTICULARS

DP ID No.	I	N	
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Client ID No.	
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FORM OF PROXY

Folio No.	No. of Shares held

I/We

being Member(s) of HIGH ENERGY BATTERIES (INDIA) LIMITED hereby appoint

.....of
(Name of proxy).....or
(Address of proxy)failing him.....of
(Name of Alternate proxy).....as my / our
(Address of Alternate proxy)

proxy to vote for me / us on my / our behalf at the FORTY FIFTH ANNUAL GENERAL MEETING of the Company to be held at 10.15 A.M. on Friday, July 21, 2006 and at any adjournment thereof.

Date

Signature.....

30 Paise
Revenue
Stamp

Note: Please refer to Notes of the Notice for the 45th Annual General Meeting



CHAIRMAN

Sri. N. GOPALARATNAM

DIRECTORS

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 AND COMPANY, 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 45th Annual General Meeting of HIGH ENERGY BATTERIES (INDIA) LIMITED will be held at 10.15 A.M on Friday, July 21, 2006 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, 2006 and the Profit and Loss Account for the year ended 31st March, 2006.
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 Vaidyanathan who retires by rotation and being eligible, offer himself for re-election.
4. To consider and, if thought fit, to pass with or without modification the following Resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to Section 224-A of the Companies Act, 1956, M/s. R Subramanian and Company, 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 with or without modification the following Resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 and the rules framed thereunder, Listing Agreements, Securities and Exchange Board of India Act 1992, Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, (including any statutory modification(s) or reenactment(s) thereof for the time being in force and as may be enacted hereafter) and all other applicable laws, rules, regulations and guidelines and subject to all such approvals, permissions, exemptions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions, exemptions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), approval be and is hereby accorded to the Board to Voluntarily delist the Equity Shares of the Company from the Madras Stock Exchange Limited at Chennai and the Board be and is hereby authorised to

HIGH ENERGY

BATTERIES (INDIA) LIMITED

decide upon the timing of Voluntary delisting from Madras Stock Exchange Limited and do all acts, deeds and things as it may in its absolute discretion deem necessary, desirable and appropriate in connection therewith and incidental thereto”.

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

S.V. RAJU
Secretary

Chennai
June 10, 2006

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 15, 2006 to Friday, July 21, 2006, both days inclusive.
- C. Members holding shares in Physical Form are requested to notify promptly any change in their address to the Registrar and Share Transfer Agent of the Company, M/s. Cameo Corporate Services Limited, Chennai 600 002 by quoting their Membership Number,

besides changes, if any, in dividend mandates given by them. Members holding shares in Electronic Form may communicate the above information to their respective Depository Participants.

- D. Dividend, if declared, will be paid to members whose names appear on the Register of Members as on July 21, 2006 and in respect of shares held in Electronic Form, to the beneficial owners, as per list that will be furnished by National Securities Depository Limited / Central Depository Services (India) Limited as on July 21, 2006 for this purpose. Members are requested to encash Dividend on time to avoid revalidation.
- E. The Unpaid Dividend for the Financial Year 1998-99 will be transferred to the “Investor Education and Protection Fund” before August 2, 2006. Members are, therefore, requested to lodge their claims for Unpaid Dividend, if any, immediately with the Company.
- F. 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.



EXPLANATORY STATEMENT

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

Item No.5: Voluntary Delisting of Equity Shares

The equity shares of the Company are currently listed at Madras and Bombay Stock Exchanges. Consequent to rapid changes in the Capital Market and with the availability of nationwide trading facility on the Bombay Stock Exchange Limited (BSE), the investors have wide accessibility for trading in the Equity Shares of the Company. While transactions are reported on a daily basis in BSE, there are no transactions at the Madras Stock Exchange for the past 5 years. With the overwhelming presence and seamless facility of trading available with BSE, the regional exchanges appear to have lost their relevance in most cases.

It is accordingly proposed to voluntarily delist the Equity Shares of the Company from Madras Stock Exchange Limited subject to necessary approvals as may be required in this regard.

As per the Delisting of Securities Guidelines 2003, issued by Securities and Exchange Board of India (SEBI), an exit opportunity need not be provided to the Shareholders in the event of delisting, provided the Equity Shares continue to be listed at BSE or NSE.

The proposed delisting will not affect the investors, as the Company's Equity Shares will continue to be listed at BSE having widest market accessibility.

The Board of Directors recommend passing of the Resolution as a Special Resolution.

None of the Directors of the Company is concerned or interested in the said resolution save and except to the extent of their shareholding, if any, in the Company.

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

S.V. RAJU
Secretary

Chennai
June 10, 2006

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DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 45th Annual Report together with the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st March, 2006.

OPERATIONS

The sales turnover for the year ended 31st March 2006 was Rs.2660.38 lakhs (net of Excise Duty and Sales Tax) as against Rs.3047.57 lakhs for the previous year.

WORKING RESULTS

The working results for the year under review are under:

	(Rs. in lakhs)			
	For the year Ended			
	2005 - 2006		2004 - 2005	
Net Sales (Net of Excise Duty and Sales Tax)		2660.38		3047.57
GROSS PROFIT before Interest and depreciation		371.36		408.51
Less:				
1. Interest	51.00		49.66	
2. Depreciation	73.02		65.86	
		124.02		115.52
PROFIT BEFORE TAX		247.34		292.99
Less:				
Provision for Taxation Current (including Wealth Tax & Fringe Benefit Tax)	73.75		91.50	
Deferred	26.50	100.25	11.20	102.70
NET PROFIT		147.09		190.29

DIVIDEND

Your Directors recommend a dividend of 40% absorbing a sum of Rs. 40.88 lakhs (including Corporate Dividend Tax).

APPROPRIATION

Your Directors propose the following appropriation:

	Rs. in lakhs
NET PROFIT for the year	147.09
Add :	
Surplus from the previous year	42.88
	189.97
Add :	
Income tax relating to earlier years	14.12
	204.09
Transfer to General Reserve	120.49
Proposed Dividend at 40%	35.86
Provision for Corporate Dividend Tax	5.02
Balance carried forward	42.72
	204.09

PERFORMANCE

Silver Zinc Batteries

Your Company achieved a turnover of Rs.2432 lakhs during the year under review as against a turnover of Rs.2912 lakhs achieved during the last year. The reduction in turnover was mainly due to delay in receipt of anticipated orders in time from the Domestic as well as

DIRECTORS' REPORT TO THE MEMBERS (Continued)

Export markets. However, your Company hopes to secure these orders in the second and third quarters of the current year.

Nickel Cadmium Batteries

A turnover of Rs.228 lakhs was achieved during this year as against a turnover of Rs.135 lakhs during last year.

Fuel Cell

As reported last year, your Company obtained an order for supply of 1 kW Fuel Cell Stack to NMRL. Part of the order was completed during the year under review. Further orders are expected during the current year.

Export

Despite receipt of a number of enquiries and submission of offers, your company unable to secure any order during the year. Your Company continues to follow up the enquiries and expects to realise orders during the current year.

CURRENT YEAR - 2006-2007

As there is delay in processing of tenders, fresh orders are likely to be received only during the second/third quarter of the year. Based on the anticipated requirements, your Company is taking all steps to improve the current year performance, which is expected to pick up from second quarter onwards.

FINANCE

Your Company availed a portion of the Fund Based limits as FCNR(B) Loan for part of the year and switched over to Rupee Loan fully by getting a lower rate of interest. After repayment

of a major portion of the Term Loan availed during the last year, your Company was sanctioned a new Term Loan by Banks. The Company availed Rs.82.32 lakhs out of the same. This loan was utilised for financing the addition to Fixed Assets made during the year under review.

ISO 9001 / 14001

The present accreditation under ISO:9001:2000 is valid upto February 2009 and ISO 14001:2004 is valid up to December 2006.

RESEARCH AND DEVELOPMENT

As mentioned in the earlier reports, development of Mg-CuCl Battery through partial transfer of technology continued during the year. Installation of necessary Plant and Machinery has been completed. Development of initial modules has been completed successfully and next phase of development is under progress. The R&D Wing of your Company, has engaged itself in further enhancing the performance of the existing products.

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



DIRECTORS' REPORT TO THE MEMBERS (Continued)

state of affairs of the Company as of 31st March 2006 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 a "going concern" basis.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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 2005-2006, 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 383A (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

The Board of Directors regret to inform the Members that our Founder Director Sri R Subbarayan passed away on 15-04-2006.

Sri R Subbarayan was associated with the Company since inception and was the First Managing Director of erstwhile Simco Meters Limited. Subsequently, after retirement, he continued to be Director in the Board till the end. Your Directors place on record the invaluable services rendered by Sri R Subbarayan during his tenure as Director of the Company.

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 Vaidyanathan

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

CORPORATE GOVERNANCE

Though the code of Corporate Governance is not mandatory to your company, HEB has implemented the same to the maximum extent.

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