

HIGH ENERGY

BATTERIES (INDIA) LIMITED



Forty sixth Annual Report

2006 - 2007



CHAIRMAN

Sri. N. GOPALARATNAM

DIRECTORS

Sri. R. VAIDYANATHAN

Sri. A.L. SOMAYAJI

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

Smt. D. VIJAYALAKSHMI, 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 46th Annual General Meeting of HIGH ENERGY BATTERIES (INDIA) LIMITED will be held at 11.00 A.M on July 26, 2007 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, 2007 and the Profit and Loss Account for the year ended 31st March, 2007.
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, (Retd.) 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 75 000/- (Rupees One lakh seventy five thousand only) 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 an ORDINARY RESOLUTION:

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

6. RIGHTS ISSUE

To consider and, if thought fit, pass the following resolution with or without modification as an ORDINARY RESOLUTION:

"RESOLVED THAT in terms of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 (the Act), the provisions contained in relevant SEBI regulations, the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company with the Stock Exchange(s) where the Equity Shares of the Company are listed and subject to such consent, approval, permission and sanction of any concerned authority and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, that may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as "Board", which term shall be deemed to include any duly authorised Committee thereof), the consent of the Company be and is hereby

accorded to the Board of Directors to create, issue, offer and allot 2,98,795 Equity Shares (Two lakhs ninety eight thousand seven hundred and ninety five only) of Rs 10 each, for subscription in cash, to the existing Equity Shareholders of the Company in the ratio of ONE Equity Share for every THREE Equity Shares held on a record dated to be fixed for this purpose at a price of Rs 300/- per share (comprising Face value of Rs 10/- and Premium of Rs 290/- per share)

RESOLVED FURTHER THAT the Board shall be and is hereby empowered to make or agree to such variations in the terms of Rights Issue, including but not restricted to the size, ratio and price. Provided that the aggregate issue of Equity Shares and pricing therefor shall not exceed the limit set above and the Board shall have authority to make the issue, in such manner and on such terms and conditions as the Board may in its discretion decide at the time of offer of the shares.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the Equity Shares allotted under the proposed Rights Issue on the Stock Exchange(s) where the existing securities of the Company are Listed as per the provisions of the Listing Agreement(s) and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to the Rights offer, the Board be and is hereby authorised to do all such acts, deeds, matter and things as the Board may in its absolute discretion deem fit, necessary or desirable.

7. BORROWING POWERS

To consider and, if thought fit, to pass with or without modification the following Resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT pursuant to Sec 293 and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing moneys for the purpose of the business of the Company, from time to time, upon such terms and conditions as they think fit, notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate of the Paid up Capital of the Company and its Free Reserves, provided that the total amount upto which moneys be borrowed by the Board of Directors, apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business, shall not exceed Rs 25 crores (Rupees Twenty five crores only).

8. MORTGAGE OF ASSETS

To Consider and, if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT consent of the Company be and is hereby accorded, in terms of Sec 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgaging and/or charging by the Board of Directors of the Company, of all the movable/ immovable properties wherever situate,



NOTICE TO THE SHAREHOLDERS

present and future and the whole of the undertaking of the Company together with power to take over the management of the business and concern of the Company in certain events, to or in favour of the Banks/ Financial Institutions and/ or other Lenders/ Investing Agencies/ Trustees for Debentures/ Bonds to secure borrowing from time to time provided that the aggregate of the borrowing so secured shall not exceed Rs 25 crores (Rupees Twenty five crores only) outstanding at any time together with interest at the respective agreed rate, additional interest, compound interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company in respect of such borrowings.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorised and empowered to finalise, settle and execute requisite agreements, documents, deeds, indemnities, guarantees, declarations or other legal undertakings and do all such acts, deeds matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any questions, difficulty or doubt that may arise in regard to creating mortgages/ charges as aforesaid."

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

S.V. RAJU
Secretary

Chennai
June 23, 2007

NOTICE TO THE SHAREHOLDERS

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 Thursday, July 19, 2007 to Thursday, July 26, 2007, 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 26, 2007 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 26, 2007 for this purpose. Members are requested to encash Dividend on time to avoid revalidation.
- E. The Unpaid Dividend for the Financial Year 1999-2000 will be transferred to the "Investor Education and Protection Fund" before July 31, 2007. 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: Appointment of
Smt. D Vijayalakshmi,
Nominee of LIC of India

Life Insurance Corporation of India (LIC), a major shareholder of our Company nominated Sri D Krishnan as Director of our Company during the year 2004. Mr D Krishnan vacated his Directorship from our Board, consequent upon the withdrawal of his nomination by LIC. LIC nominated, Smt. D Vijayalakshmi, Executive Director in his place. She was co-opted as an Additional Director with effect from June 23, 2007. She is liable to retire and is to be elected at this Annual General Meeting.

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 Smt D Vijayalakshmi as a Director along with a deposit of Rs 500/-

None of the Directors other than Smt D Vijayalakshmi is interested or concerned in the proposed Resolution.

Item No.6: Rights Issue

The Company is launching a diversification Project to manufacture and market Lead Acid Batteries. The Project is aimed at reducing current dominant reliance on orders from Defence Sector for the Company and broad-base its revenue stream. It is in an allied field within the core competence of the Company. The Plant will have an initial capacity of 2 Lakh units of Lead Acid Batteries per annum.

The Project Cost is estimated at Rs. 19 Crores. It is planned to finance the same out of Equity of Rs. 8.96 Crores and the balance by way of Long Term Debts. The Project would be implemented within 12 months from the date of financial closure.

It is proposed to raise the requisite Equity for this purpose by way of a Rights Issue of Equity Shares to the existing Equity shareholders of the company in the ratio of ONE equity share for every THREE equity shares held on a record date to be fixed for this purpose at a price of Rs. 300 per share (comprising face value of Rs.10 and premium of Rs. 290 per share).

The proposal is placed for the consideration of Members with delegation of powers to the Board for making such modification or change as may become necessary to tie-up requisite funds and thereby ensure timely implementation of the Project.

Sanction of the Members is also separately sought for borrowing monies and mortgaging the assets in terms of Sections 293(1)(d) and 293(1)(a) of the Companies Act, 1956, vide Item No. 7 & 8.

The Directors of the Company may be deemed to be concerned or interested in the resolution to the extent of securities that may be subscribed by them or by Company / Institutions of which they are Directors or Members.

EXPLANATORY STATEMENT

Item No.7&8: Borrowing Powers and Mortgage of Assets

The Company having concentrated so far in Defence related activities, is now actively considering expansion/diversification in other consumer related activities. The Company has identified Lead Acid Battery as one of the area of diversification. Based on a detailed market survey the Company has prepared a detailed Project Report. After detailed discussions, the Company is gearing itself to implement the Project. The implementation of the Project would warrant large capital outlay and necessitate higher level of borrowings. Consent of the members is accordingly sought to suitably hike the borrowing limits upto Rs.25 crores from the present level.

The Company requires the consent of members under Section 293 (1) (d) of the Companies Act, 1956, for borrowing monies in excess of its paid-up capital and free reserves.

It is simultaneously proposed to get the consent of the members for creating mortgage/charge to secure the borrowing upto the aforesaid limit of Rs.25 crores. Requisite resolution in terms of Section 293 (1) (a) of the Companies Act, 1956 has been proposed for this purpose.

No Director of the Company is concerned or interested in the above items of business.

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

S.V. RAJU
Secretary

Chennai
June 23, 2007



DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 46th Annual Report together with the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st March, 2007.

OPERATIONS

The sales for the year ended 31st March 2007 was Rs.2236.47 lakhs (net of Excise Duty and Sales Tax) as against Rs.2660.38 lakhs for the previous year.

As reported to the members in the last year's report, due to delays in processing of tenders by the customers, your Company started the year with low order position. Orders could be received only during second and third quarters of the year. Your Company could achieve a Turnover of Rs 1146.11 lakhs only during the nine months period ie. upto December 31, 2006. The balance Turnover of Rs 1090.36 lakhs was achieved during the last quarter, enabling the Company to reach an aggregate Turnover of Rs 2236.47 lakhs for the year.

WORKING RESULTS

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

	(Rs. in lakhs)			
	For the year Ended			
	2006 - 2007		2005 - 2006	
Sales				
(Net of Excise Duty and Sales Tax)		2236.47		2660.38
PROFIT before Interest and depreciation		298.18		371.36
Less:				
1. Interest	74.45		51.00	
2. Depreciation	75.92		73.02	
		150.37		124.02
PROFIT BEFORE TAX		147.81		247.34
Less:				
Provision for Taxation Current (including Wealth Tax & Fringe Benefit Tax)	71.26		73.75	
Deferred	(-) 14.00	57.26	26.50	100.25
NET PROFIT		90.55		147.09

DIVIDEND

Your Directors recommend a dividend of 40%, absorbing a sum of Rs 35.86 lakhs. As per the provisions of the Income Tax Act, 1961, no tax will be deducted at source on dividend distributed. However, the Company will bear the tax on the dividend distributed, amounting to Rs 6.09 lakhs.

APPROPRIATION

Your Directors propose the following appropriation:

	<i>Rs. in lakhs</i>
NET PROFIT for the year	90.55
Add :	
Surplus from the previous year	42.73
	133.28
Transfer to General Reserve	50.00
Proposed Dividend at 40%	35.86
Provision for Corporate Dividend Tax	6.09
Balance carried forward	41.33
	133.28

PERFORMANCE

Silver Zinc Batteries

Your company has achieved a turnover of Rs 1879 Lakhs during the year under review as against a turnover of Rs. 2432 lakhs achieved during the last year. Inordinate delays in placement of orders by the various units of the customers resulted in reduced turnover.