

HIGH ENERGY

BATTERIES (INDIA) LIMITED

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Forty Eighth Annual Report
2008 - 2009



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 48th Annual General Meeting of HIGH ENERGY BATTERIES (INDIA) LIMITED will be held at 11.00 AM on Saturday, the 18th July 2009 at Hotel NEW WOODLANDS 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, 2009 and the Profit and Loss Account for the year ended 31st March, 2009.
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, offers himself for re-election.
 - b) To appoint a Director in the place of Cmde R.P. Premkumar who retires by rotation and being eligible, offers himself for re-election.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration. M/s. R Subramanian and Company Chennai, the retiring Auditors are eligible for reappointment.

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

S.V. RAJU
Secretary

Chennai
June 06, 2009

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 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 on 17th June 2009.
- 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 the Members whose names appear on the Register of Members as on June 17, 2009 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 June 17, 2009 for this purpose. Members are requested to encash Dividend on time to avoid revalidation.
- 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.

Appointment / reappointment of Directors :

Details of the Directors seeking appointment / reappointment at the 48th Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement with stock exchange).

Name of Director	Date of Birth	Date of First appointment	Expertise in specific functional areas	Qualification	Directorships in other companies (excluding foreign companies)	Committee/ Executive positions held in other companies
REAPPOINTMENT						
Sri A L Somayaji	27-01-1944	23-03-2002	He is a Senior Advocate, practicing in the Madras High Court and the Supreme Court of India. He is in the Editorial Board of "Supreme Today", "Current Tamil Nadu cases", "Labour Law Journal" and "Sales tax cases". He is legal advisor to various companies.	Graduate in Commerce, Graduate in Law.	1. Esvi International (Engineers and Exporters) Limited. 2. Commercial Laws of India Pvt. Ltd.	-
CMDR.P. Premkumar, VSM (Retd.)	12-01-1945	08-08-2002	He has coordinated various classified projects and R&D programmes at the national level. He dealt with day-today operations of surface ship aircrafts and submarines. He was responsible in establishing Quality Assurance system in strategic weapon manufacturing. He represented government in various committees for negotiation, execution of naval weapons. Awarded the Vishisht Seva Medal by the President of India.	Graduate in Science. Naval Technical Staff Course (Equivalent to M.Tech.)		-



DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 48th Annual Report together with the Balance Sheet and the Profit and Loss Account for the year ended 31st March, 2009.

OPERATING RESULTS

The company's financial performance under review has been encouraging and is summarised below:

(Rs. in lakhs)				
For the year Ended				
	31.03.2009		31.03.2008	
Sales (Net of Excise Duty and VAT / Sales Tax)		2416.80		1839.05
PROFIT before Interest depreciation and tax		364.71		222.19
Less:				
1. Interest	148.16		109.25	
2. Depreciation	57.59	205.75	64.57	173.82
PROFIT BEFORE TAX		158.96		48.37
Less:				
Provision for Taxation Current (including Wealth Tax & Fringe Benefit Tax)	8.32		22.11	
Deferred	53.40	61.72	(-)4.00	18.11
NET PROFIT		97.24		30.26

DIVIDEND

Your Directors recommend a dividend of 35%, absorbing a sum of Rs 31.37 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 5.33 Lakhs.

APPROPRIATION

Your Directors propose the following appropriation:

Rs. in lakhs

NET PROFIT for the year	97.24
Add :	
Surplus from the previous year	35.37
	132.61
Less :	
Transfer to General Reserve	20.00
Proposed Dividend at 35%	31.37
Provision for Corporate Dividend Tax	5.33
Balance carried forward	75.91
	132.61

PERFORMANCE HIGHLIGHTS

During the year under review, the company recorded a sales turnover of Rs. 2416.80 lakhs (net of Excise Duty & VAT / Sales Tax) as compared to Rs. 1839.05 lakhs in the previous year, registering a growth of 31.42%

However, in view of the unprecedented increase in cost of materials, interest rates and significant portion of sales materializing during the end of the year, the cost of operations was higher.

Notwithstanding the above, the Profit Before Interest, Depreciation and Tax (PBIDT) increased by a healthy 64.14% to Rs.364.71 lakhs.

DIRECTORS' REPORT TO THE MEMBERS (Continued)

The company generated a Profit Before Tax (PBT) of Rs.158.96 lakhs and a Profit After Tax (PAT) of Rs.97.24 lakhs displaying a 228.63% and 221.35% growth respectively over the company's previous year's performance.

SILVER ZINC BATTERIES

During the year, the Company achieved a turnover of Rs.2169 Lakhs (including Exports) as against Rs. 1553 Lakhs (including Exports) during the previous year registering an increase of 39.67%.

NICKEL CADMIUM BATTERIES

The Company achieved a turnover of Rs.132 Lakhs (including Exports) compared to Rs. 138 Lakhs (including Exports) during the last year.

Delay in processing of tenders and thereafter placement of orders by domestic customers led to lower turnover. Export order anticipated since December 2008, was received only in March 2009 and hence will be processed during the current year.

FUEL CELL

During the year, the Company supplied stacks of various capacities for a value of Rs.100 Lakhs compared to Rs.104 lakhs during the previous year.

Export

Members may recall that in the last year's report it was informed that orders valued at Rs.900 Lakhs were received from two countries. Those orders were executed to the full satisfaction of the customers and in time. During the year two more orders valued at Rs.1100 Lakhs for different types of batteries were received and the company could also execute such orders, albeit partially.

The total export turnover during the year has been Rs.1592 Lakhs, the highest so far achieved.

CURRENT YEAR - 2009-10

The company is gearing itself to secure orders from the existing markets and also exploring the possibility of securing orders from new markets, mainly through exports.

Successful commencement of commercial production in the new Lead Acid Batteries Plant will also add to the revenues of the Company.

Taking into consideration the pending orders on hand both domestic and Exports as also the pending enquiries and orders expected, the company expects to achieve a higher turnover in the year 2009-10.

FINANCE

The Company secured additional fund based limit of Rs.250 Lakhs and non-fund based limit of Rs.200 lakhs from the consortium Bankers. The term loan obtained during the earlier years was fully repaid on due dates together with interest. A portion of the Intercompany Deposit for Rs.40 lakhs was also repaid. The company has already availed a major portion of the new project loan of Rs.10 Crores sanctioned by the Consortium bankers.

ISO SYSTEMS

The Company is fully certified for both ISO 9001:2000 and ISO 14001:2004 systems. During the current year, the Company intends to upgrade the system to the latest ISO 9001:2008 version.

DIVERSIFICATION PROJECT

Members' attention is drawn to the diversification plan of the company for manufacture of "Lead acid batteries". After completion of the building construction and



DIRECTORS' REPORT TO THE MEMBERS (Continued)

erection of the plant, the company commenced trial production during the last quarter of the year under review. Based on the feedback from the trial production results, the company expects to achieve commercial production by end of June 2009.

RIGHTS ISSUE

As the members are aware the diversification project is funded partly by Term Loan from Consortium Bankers and partly by Rights Issue of equity shares. The company has already come up with the Rights Issue of shares. The issue is fully subscribed and the allotment of shares is in progress.

RESEARCH AND DEVELOPMENT

Development of new types of silver zinc batteries for advanced missile application with enhanced life was undertaken by the in-house R&D team. This has contributed substantially to the growth of the company

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) the Company has selected such accounting policies and applied them consistently and made judgments 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 2009 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 given in Annexure I and forms part of this Report.

EMPLOYEES

No employee of the Company was in receipt of remuneration during the financial year 2008-09, 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

In accordance with Article 106 of the Articles of Association of the Company, Sri A L Somayaji and Cmde. R.P. Premkumar, Directors retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

CORPORATE GOVERNANCE

Though the code of Corporate Governance is not applicable to the Company, utmost importance has been given to good Corporate Governance in all its activities.

DIRECTORS' REPORT TO THE MEMBERS (Continued)

A separate note on Corporate Governance is provided in Annexure II.

AUDITORS

M/s. R Subramanian and Company, Chartered Accountants, Chennai, Auditors of the company retire at the conclusion of the ensuing 48th Annual General Meeting of the Company and are eligible for re-appointment.

Necessary Resolution for their appointment under Section 224 of the Companies Act, 1956 is being placed at the ensuing 48th Annual General Meeting for this purpose.

ACKNOWLEDGEMENT

Your Directors wish to express their sincere thanks to

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

- ii) the Foreign Navies and Overseas customers, who have reposed utmost faith and confidence in our products; and
- ii) the Bankers for extending timely financial support for the continued successful performance 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 committed leadership of Sri S.Sridharan, Managing Director of the Company.

(For the Board of Directors)

N. GOPALARATNAM
Chairman

Chennai 600 034

June 06, 2009



Annexure I

**DISCLOSURE IN TERMS OF SECTION 217(1)(e) OF THE COMPANIES ACT, 1956
READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS
IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.**

A. CONSERVATION OF ENERGY

The Company is not in the list of industries specified in the Schedule.

B. TECHNOLOGY ABSORPTION**1. Research and Development (Totally in-house)**

- Development of High Rate Silver Oxide Zinc Batteries for under water propulsion in Primary and Secondary areas.
- Development of space quality High Rate Silver Zinc Cells.
- Development of Primary activated Reserve Type Silver Zinc Batteries for Aero Space applications.
- Development of Nickel Cadmium Batteries for communications sets.
- Development of Silver Chloride Magnesium sea water activated Batteries for sonobuoy application.
- Development of Fibre Technology Nickel Cadmium Batteries for Rail Road Standby power and UPS applications.
- Development of process for treatment of separator systems.
- Development of Nickel Metal Hydride Batteries.
- Development of Fuel Cell.
- Development of Cuprous Chloride Batteries.
- Development of Automotive & Valve Regulated Lead Acid batteries.
- Development of Nerve Agent Detector System.
- Development and production of catalyst.

2. Benefits derived as a results of above R & D

1. The batteries developed have eliminated imports in their respective categories and thus they have saved substantial foreign exchange outgo.
2. The batteries developed in-house were also exported and thus earned foreign exchange.
3. Upgradation of technology to match the advancement in developed countries.
4. Indigenisation and self reliance in the critical field of batteries for defence.
5. Diversification through commercialisation of Lead Acid Batteries.

3. Future Plan of Action

To continue Research and Development in the areas mentioned in Para B1.

4. Expenditure on R & D during the year

	<i>Rs. in lakhs</i>
Capital	1.61
Recurring	67.45
Total	69.06

5. Technology Absorption and Adoption

During the year under review, no foreign technology has been procured.

6. Foreign Exchange Earnings and Outgo

a) Earnings	Rs.	1592 lakhs
b) Outgo	Rs.	1441 lakhs

(For the Board of Directors)

N. GOPALARATNAM
Chairman

Chennai 600 034
June 06, 2009