

High Energy Batteries (India) Ltd

Chairman's Speech on Aug 29, 2020

Dear Shareholders,

I extend a warm welcome to all the shareholders to this 59th Annual General Meeting of the company. The Annual report and the Audited Accounts for the year under review, have been with you for some time now, with your consent, I would like to take them as read.

As I had said earlier, this meeting is being held through video conference mode and it gives me a great opportunity to connect with shareholders from far off locations, as well.

This meeting is being held in the thick of onslaught of COVID-19 virus which has triggered a global crisis like no other. Numerous lives have been snatched away, livelihoods of millions of people are in peril and economies of mighty nations have battered. World Bank's Global Economic outlook predicts that 90% of the countries in the world will go into recession in the coming months.

Indian Economy was slowing down even before spread of Covid-19 and is currently looking at its fourth recession since independence.

The India's GDP is set to contract by about 10% in the current year, while the World Economic Outlook growth projections – forecast a 4.9% contraction for the World output. Barring China, all other nations, Advanced Economies as well Emerging Markets and developing economies are set to face negative growth this year.

India is no exception. The economic impact of Covid-19 has been substantial and broad-based. The near-term growth outlook in India continues to be clouded by the global and domestic slowdown and uncertainties relating to containment of Covid-19.

While economic recovery has been brisk in China, Taiwan and South Korea, it has been dull and muted in India.

While Covid-19 cases remaining unabated, the need to maintain lockdown in most of the places is inevitable. Economic recovery cannot be achieved without containment of Covid-19 cases.

The Reserve Bank of India foresees the economic contraction triggered by Covid-19 extending to second quarter as well, as the shock to consumption has been severe. Revival of demand is the key to promote economic recovery and Govt consumption

alone can trigger this. Private consumption can follow only if Govt induced recovery takes shape.

Thankfully, your company is operating in the defence sector and therefore is somewhat insulated from this huge down-turn in the economy, triggered by Covid-19.

Recent Developments:

There have been some favourable developments in the recent months which are likely to be of benefit to the Company. They are:

- Policy intervention of Govt of India to rescue the MSME sector from total collapse.
- Hon'ble Finance Minister has announced slew of measures, including re-classification of MSME sector on the basis of investment and turnover etc. MSME units are now eligible for credit facilities from banks at lower interest rates, subordinate debt provision, equity infusion, exclusive access to Govt tenders, incentive schemes for exports etc.
- Our Company is now classified as MSME small and is therefore eligible for the aforesaid benefits etc. Further, Govt recently announced that Global Tenders are disallowed upto Rs.200 crores for Govt contracts exclusively for domestic participation.
- Our Hon'ble Defence Minister has recently announced that India will stop importing 101 weapons and military platforms like transport aircraft , light combat helicopters, conventional submarines, cruise missiles and sonar systems under a staggered timeline running to 2023 so that all these are produced locally . This may provide new opportunities for the Company for diversification.
- "**Aatma Nirbhar**" campaign inspired by our Hon'ble Prime Minister, is expected to give a big push to domestic manufacture.
- Govt is expected to come out with incentive measures for promotion of sectors for Solar PVs, manufacture of advanced cell and battery for Electric Vehicle (EVs) which will provide opportunity for our company to diversify.

All these above developments can be expected to provide new opportunities for the Company to diversify and grow.

Performance review:

A turnover of Rs.61.66 crores was achieved this year against Rs.45.65 crores last year. The Company had to suspend the operations due to lock down imposed on 24th March 2020. This resulted in non-dispatch of items produced during March 2020.

The Silver Zinc division achieved a turnover of Rs.60.32 crores against Rs.40.72 crores in the last year. Since the Government had opted for rate contract for Ni-cad batteries, the company could achieve only a turnover of Rs.0.81 crores due to the procurement in a staggered manner.

Despite lockdown imposed by the Govt., in the last week of March, which hampered the dispatch process significantly, the company could achieve a turnover of Rs.60.32 crores, which is the highest over the years in our Silver zinc division. Also, the PBT of Rs.8.81 crores and PAT of Rs.5.13 crores is the best achieved so far since the inception of the company.

As mentioned in the last year Annual General Meeting. The Lead Acid battery operations had been suspended due to poor market conditions, unhealthy competition and unremunerative prices. A revival plan is being worked out for effective utilization of the plant.

The company developed a new 330kW high power Silver Zinc Battery, over the last two years, for heavy Weight under water propulsion applications. This development is expected to open up regular business opportunity for the company.

Our Managing Director will make a detailed presentation on the performance review at the end of my Address.

Dividend

Through our Company has achieved profit, the Board is unable to recommend any dividend, as the Company has to set-off earlier years losses.

Current Year (2020-21)

The impact of Covid-19 continued to impact 1st Quarter performance, since, the company could resume operations only by May 29,2020 that too with 15% attendance. The Company's operations in Q1, yielded a loss of Rs.1.58 crores. Despite these setback, we are confident of achieving higher turnover and profits in FY 2020-21.

Diversification

The Company is looking for opportunities to diversify into Lithium Ion, other alternative chemistries and holding discussion with various agencies. Further, the company is trying to identify opportunities in related fields, in the wake of "**Aatma Nirbhar**" campaign.

Directors

Mr.R.Vaidyanathan, who was in our Board since 1961 and stepped down on health grounds during Nov 2019, passed away on 12.07.2020.

We remember him fondly and express our gratitude for his effective participation in the Board Meetings.

The Board of Directors reappointed Dr G A Pathanjali as Managing Director of the Company for a further period of 3 years from 1st April, 2020.

Necessary resolution is placed in the AGM for Shareholders approval.

Acknowledgement

I wish to express my special thanks to all my colleagues in the Board for their guidance and advice which enabled our company to steer through these challenging times.

I also wish to place on record the excellent support extended to our Company by Defence Departments, DRDO, ISRO, VSSC, NSTL, RCI, ASL, BrahMos, ADE, BDL, ADA, CVRDE, Indian Army, Indian Air Force, Indian Navy, Overseas Customers, LIC and our consortium of Bankers Viz., UCO Bank, Indian Bank and Canara Bank.

I further wish to place on record my sincere appreciation to all the employees of the company for their continued contribution to the company.

And to you, our Shareholders, I am deeply grateful for the confidence and trust that you have always reposed on us and solicit your continued support.

My thanks are equally due to various departments of Central and State Governments.

I now move for adoption of the Board's Report, Auditors' Report and the Accounts.

I shall be glad to furnish any clarification, as may be required by the Members on the Accounts of the Company.

Thank you Ladies and Gentlemen for your patient hearing.

Aug 29, 2020

(N GOPALARATNAM)

Chairman

(This does not purport to be a record of the proceedings of the 59th Annual General Meeting)