



# **HIGH ENERGY BATTERIES (INDIA) LIMITED**

**CIN : L36999TN1961PLC004606**

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**Speech of**

**Mr. N. Gopalaratnam, Chairman**

**at the 58<sup>th</sup> Annual General Meeting of  
the Company on Saturday, the 3rd August, 2019  
at New Woodlands Hotel Pvt Ltd.,  
No.72-75, Dr Radhakrishnan Road, Mylapore,  
Chennai – 600 004**

## **Dear Shareholders,**

I Welcome you all to this 58<sup>th</sup> Annual General Meeting of the Company. The Annual Report and 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.

It is customary, in the meeting of shareholders, to review the status of global and domestic economy as well as its impact on the Indian Industry.  
Let me do so now.

## **ECONOMY**

### **Global**

According to IMF, "one year ago, global economic activity was accelerating in almost all regions of the world and it was projected to grow at 3.9% in the year 2018-19. However one year later, much has changed - the escalation of US-China trade tensions, macro-economic stress in Argentina, Turkey, disruptions to the Auto Sector in Germany, tight credit policy in China have all contributed to a significantly weakened global expansion, especially in the second half of 2018".

Global economic growth is now projected to decelerate from 3.6% to 3.3% in 2019. Of this, share of Advanced Economies would be 1.8% as against 4.4% for Emerging Market and Developing Economies.

A pick-up in second half of 2019 is predicted, based on ongoing policy stimulus in China, recent improvements in global financial market sentiments and gradual stabilisation of conditions in stressed emerging market economies. By contrast, advanced economy would slow down gradually as the impact of US fiscal stimulus fades away.

### **Domestic**

Indian economy has shown remarkable resilience amid global headwinds. The size of the economy witnessed a 50% rise in the five years since 2014. It is poised to become a US\$ 3 trillion economy in the current year itself, while the Government has resolved to reach US\$ 5 trillion mark in the next two years.



The Economic Survey 2018-19 highlights the need to sustain a real GDP growth rate of 8% to achieve the same. For this, it has emphasized the role of investment, especially private investment, as the 'key driver'.

India is now the 6th largest economy in the world and in terms of purchasing power parity, we are in fact the third largest economy, next only to China and the USA. India is also the top ranked economy in the South Asia. It has moved to 77th rank in the World Bank's 'Ease of Doing Business' survey 2019. It is further expected to stay unchanged as the fastest growing emerging market economy.

Our GDP growth for 2018-19 is now pegged down to 6.8%. Average inflation in the last five years was less than half the inflation level of the preceding five years, matching the lowest levels attained in the country's post-independence era. The current account deficit remains within manageable level while foreign exchange reserves have risen to all time high, emboldening the Government to meet part of its gross borrowings from external markets in foreign currencies.

India however requires to undertake many structural reforms to achieve 8% GDP growth. The Government has already done well in terms of reforming the indirect tax system through GST and bringing in the insolvency and bankruptcy code for swift resolution of troubled accounts. It is certainly within our capability to achieve the set goals. That however demands steadfast focus and drive.

## **Electric Vehicles**

Vision of India, as announced in the Budget 2019, is to become a global hub for manufacture of Electric Vehicles (EV). The Budget highlighted the reduction in GST from 12% to 5%, exemption of customs duty for import of EV parts, IT deduction of Rs.1.5 lakhs as interest paid on loans for purchase of EVs, to promote rapid shift to EVs.

There is a rising demand for Lithium Ion batteries in India,



arising out of Government of India's Clarian call to shift to EV. At present, only Battery packs using Lithium Ion cells (imported) are made in India, as the Market potential is still not adequate to support requisite investment. Manufacture of these batteries consists of three distinct phases viz, Assembly of Battery packs , Manufacture of Cells along with sourcing / preparation of raw materials and components. Many companies are setting up giga level factories with huge investments, for cell manufacture through Joint Ventures.

## **Performance Review**

### **Silver Zinc Batteries**

A turnover of Rs. 40.71 Crores was achieved against Rs. 48.09 Crores last year. Last year, during the 57<sup>th</sup> AGM we indicated realization of orders for TEJAS and other prestigious Indian Missile Programmes. As expected, we did receive the orders and effected delivery of batteries. Budgeted turnover plan also included a development contract, which though progressed satisfactorily in terms of technical performance, could not maintain milestone / timeline. The design and development involves a High Power High Energy Battery for future Torpedo Program, pursued in close co-ordination with DRDO Labs. Due to the complex nature of the various activities involved, the development could not be completed on-time as planned and the programme got extended to current year. Though the planned turnover is reduced in view of this, the programme is progressing satisfactorily and will be completed shortly.

Similarly, production of a missile battery that was completed, could not be dispatched due to test and clearance by customer. Both the above hold-ups, pulled down the turnover and overall performance. We are confident of performing well during the current year. Despatches were effected as planned, during the period April to June 2019, which provides the confidence to end up with a positive performance during this year as a whole.



## **Nickel Cadmium Batteries**

A higher turnover of Rs 4.06 Crores was achieved compared to last year's turnover of Rs 2.33 Crores due to receipt of order from Air force, for supply of batteries to the frontline Transport Aircraft and Army Battle Tank requirements.

## **Lead Acid Batteries**

The Company could not achieve break even due to production capacity not reaching the required level of 50%. This is due to poor market acceptance, un-remunerative prices and stiff competition. Being a specific application oriented and Customer based item, unacceptable credit cycles were imposed by Private players which had cascading negative effect on procurement of price sensitive and volatile materials especially Lead (Pb). Low market share limited our efforts to establish the product and its Brand image. The company could make a turnover of Rs 1.08 Crores only as against Rs 8.63 Crores last year, resulting in loss to the division.

## **Export**

The company achieved a turnover of Rs 191 Lakhs against Rs 30 Lakhs last year. However, we exported Aircraft Batteries, to the tune of Rs. 243.87 lakhs through Merchant Exports as a supporting manufacturer. Our Sea Water Activated Batteries were also exported along with Defence supplies. Our efforts to get orders is expected to bear fruit during Quarters III and IV of this year.

## **Dividend**

Though our Company has achieved profit, the Board is unable to recommend any dividend, as the Company has to set off earlier year's losses.

## **Current Year (2019-20)**

## **Silver Zinc Batteries**

With the sizeable orders on hand and that in the pipe line, the company expects to achieve a good turnover in Silver Zinc division, resulting in profitable operations. The developed



products like Missile batteries, already inducted into service by our customers, will result in sizable production orders. Regular orders for supply of NICAD Aircraft batteries is there on hand and also expected further, in the current year. With a precise production planning, timely delivery, cost compression measures and follow up for regular inspection cum despatch clearance, the company will reach a better performance with adequate margin.

## **Export**

The company is exploring all avenues, by itself and through agents for realising export orders. Economic slowdown, political unrest, obsolescence of user systems and deployment platforms, are the main factors that impede our Export market potential. However, with all the possible and sustained efforts, the company hopes to receive reasonable orders, by the end of the current year.

## **RESEARCH AND DEVELOPMENT**

We are glad to inform that our Battery was qualified for use in the Air version of BrahMos Missiles and we received orders for further supply. The company is working on the development of an advanced version of high power Silver Zinc battery which poses many challenges to satisfactorily meet the technical requirements. The development will be completed during the current year and once qualified, it would better the existing state-of-the-art (SOA) systems, on-board our Indian Navy. Apart from the above, the company is now taking up fundamental work and Engineering co-development efforts on Lithium Ion for EV and Vanadium flow batteries for future energy storage applications. The company is in discussion to have a MOU, with a leading research institute for co-development and Engineering support towards manufacture of Li Ion materials & cells, and also as a co-partner in further scaling up of production output.

Success of “**CHANDRAYAN -2**” made our Nation proud as one among the four in the world and our company had the privilege to be the lone supplier of over 25 Batteries for Navigation and Telemetry, used on GSLV launch vehicles carrying the Satellite.



## **Diversification**

The company is examining the feasibility of entering into Li Ion technology. The company had participated in the trial production of Li Ion cells undertaken by one of the DRDO Laboratories. The present Silver Zinc technology can sustain for the next ten years at the same level, without the possibility for progressive increase in Turnover including Export and there is need to look at other possible technologies.

Lithium Ion is an upcoming field and HEB as mentioned earlier, got associated with a DRDO Lab during proto manufacture of Lithium Ion cells. Discussions are in progress with an Institute of Eminence, for development of indigenous Lithium Ion technology. The Government through NITI Aayog is encouraging the investment on Lithium Ion technology as it is to be tailored to EV application demands.

The company is also discussing with various government agencies, Research Institutes, customers and interested participants, to arrive at a proper decision and plan for diversification.

## **DIRECTORATE**

Mr R Vaidyanathan, our founder director, stepped down from the Board w.e.f 03.11.2018. His contribution for over five decades for the growth and development of the Company is gratefully acknowledged.

Mr A L Somayaji, Cmde R P Prem Kumar and Mr M Natarajan are continuing as independent directors for second term after your approval.

LIC has nominated Mrs Jayashree Ajit Shankar in place of Mr Rajeev Chaturvedi, who has resigned due to personal reasons w.e.f 22.03.2019.

Your Board inducted Dr Vijayamohanan K Pillai, an eminent Scientist and former Director CECRI as a director w.e.f 22.03.2019. His induction will be of great benefit to the Company in our quest for diversification to other technologies. Mr M Ignatius, Vice President (Operations) of the company, with four decades of experience in our company, is elevated as



Director(operations) w.e.f 01.06.2019 by the Board to take the company to better heights with his expertise in production and R&D.

Necessary resolutions are 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 our company for their continued contribution to the company.

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

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

**03-08-2019**

**N. GOPALARATNAM**

Chairman

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Note: This does not purport to be a record of the proceedings of the 58<sup>th</sup> Annual General Meeting of the Company.