

INDIA MOTOR PARTS & ACCESSORIES LIMITED

**IMPAL**

2006 – 2007

53rd ANNUAL REPORT

## Distribution Network



**Branches:** □ AGRA □ AHMEDABAD □ ASANSOL □ BANGALORE □ BARODA □ BATHINDA □ BHILWARA □ BHUBANESWAR □ CALICUT □ CHANDIGARH □ CHENNAI □ COCHIN □ COIMBATORE □ CUTTACK □ DHANBAD □ GANDHIDHAM □ GUWAHATI □ HISAR □ HUBLI □ HYDERABAD □ JAIPUR □ JALANDHAR □ JAMSHEDPUR □ JODHPUR □ KANPUR □ KOLHAPUR □ KOLKATA □ KOTA □ LUDHIANA □ MADURAI □ MANGALORE □ NAGPUR □ NAVI MUMBAI □ NEW DELHI □ PATNA □ PUNE □ RAIPUR □ RAJKOT □ RANCHI □ SALEM □ SAMBALPUR □ SILIGURI □ SURAT □ TRICHY □ TIRUNELVELI □ UDAIPUR □ VARANASI □ VIJAYAWADA

**BOARD OF DIRECTORS**

Sri S NARAYANAN

**Chairman**

Sri S RAM

Sri V GOPALAKRISHNAN\*

Sri ANANTH RAMANUJAM

Sri S RAVINDRAN

Sri S PRASAD<sup>#</sup>

Sri N KRISHNAN

**Managing Director**

**COMMITTEES OF THE BOARD**
**Audit Committee**

Sri V GOPALAKRISHNAN\*

**Chairman**

Sri S RAVINDRAN

Sri N KRISHNAN

Sri S PRASAD<sup>s</sup>

**Shareholder / Investor Grievance Committee**

Sri S NARAYANAN

**Chairman**

Sri N KRISHNAN

**GENERAL MANAGER – FINANCE**

Sri G V KRISHNA MOHAN

**DEPUTY GENERAL MANAGER – ACCOUNTS**

Sri U RAVINDRANATH

**SECRETARY**

Sri B SHANMUGASUNDARAM

**AUDITORS**

M/S SUNDARAM & SRINIVASAN

Chartered Accountants, Chennai

**BANKERS**

STATE BANK OF INDIA and

STATE BANK OF MYSORE

**REGISTERED & CORPORATE OFFICE**

“Sundaram Towers” III Floor

#46, Whites Road

Chennai – 600 014

**WEBSITE**

www.impal.net

*\*Resigned effective April 30, 2007*

*#Co-opted on April 26, 2007*

*s With effect from April 30, 2007*

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## INDIA MOTOR PARTS & ACCESSORIES LIMITED

### EXECUTIVES

Sri P HARIHARAN	Vice President (Marketing)
Sri L KUMAR	Vice President (Marketing)
Sri V RAMAKRISHNAN	Vice President (Marketing)
Sri T K SUNDARARAJAN	Senior Advisor
Sri R SUNDARARAJAN	Asst. General Manager
Sri S R SWAMINATHAN	Asst. General Manager
Sri L SRINIVASAN	Asst. General Manager
Sri V SRIDHAR	Asst. General Manager (Systems & Materials)
Sri MUKESH RASTOGI	Senior Area Manager
Sri R SIVARAMAN	Senior Area Manager
Sri S P SRIVASTAVA	Senior Area Manager
Sri M S HARIGOPAL	Senior Area Manager
Sri N SUNDARAM	Senior Area Manager (Accounts)
Sri R RAMAN	Senior Area Manager (Accounts)
Sri M PARAMESWARAN	Senior Area Manager (Accounts & Information Systems)

### FINANCIAL HIGHLIGHTS

*Rs. in Lakhs*

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
Share Capital	208.00	208.00	415.98	415.98	<b>415.98</b>
Reserves & Surplus	5047.42	5673.83	6148.66	6723.57	<b>7387.56</b>
Net Worth	5255.42	5881.83	6564.64	7139.55	<b>7803.54</b>
Capital Employed	5630.19	6200.41	6884.64	7812.75	<b>8644.51</b>
Sales	17975.39	19281.69	21349.62	20707.03	<b>22702.44</b>
Profit before tax	1287.00	1402.95	1517.06	1382.93	<b>1639.36</b>
Profit after tax	820.53	919.72	1014.84	906.94	<b>1093.36</b>
Dividend Amount	312.00	260.00	291.19	291.19	<b>374.39</b>
Dividend %	150	125	70	70	<b>90</b>
Earnings per Share (Rs.)	39.45	44.22	24.40	21.80	<b>26.28</b>
Book Value Per Share (Rs.)	252.66	282.78	157.81	171.63	<b>187.59</b>

## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **Fifty-third Annual General Meeting** of the Shareholders of the Company will be held at **10:25 a.m. on Friday, the 7<sup>th</sup> day of September 2007**, at the Music Academy, 168 (Old No.306), T T K Road, Chennai – 600 014, to transact the following business:

### Ordinary Business

1. To receive and adopt the audited statement of accounts for the year ended 31<sup>st</sup> March, 2007 and to consider the reports of the Directors and Auditors thereon.
2. To declare a final dividend.
3. To elect a Director in the place of Sri S Narayanan, who retires by rotation and being eligible, offers himself for re-election.
4. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** M/s Sundaram & Srinivasan, Chartered Accountants, the retiring Auditors be and are hereby reappointed as Statutory Auditors of the Company to hold office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting of the Company on such remuneration as may be decided by the Board of Directors exclusive of out of pocket expenses and levies such as service tax.”

### Special Business

5. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:

**“RESOLVED THAT** Sri S Prasad be and is hereby appointed as a Director of the Company liable to retire by rotation.”

6. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:

**“RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby given for the reappointment of Sri N Krishnan as the Managing Director of the Company for a period of 5 years with effect from 05<sup>th</sup> July 2007 up to 4<sup>th</sup> July 2012 as per the terms set out hereunder: -

- |                |   |
|----------------|---|
| a) Salary      | - Rs.1,52,000/- (Rupees One Lakh Fifty Two Thousand only) per month effective 1 <sup>st</sup> April 2007 in the scale of Rs.1,50,000/- to Rs.2,50,000/-. Annual increase will be effective 1 <sup>st</sup> April every year with the quantum decided by the Board of Directors. |
| b) Commission  | - Subject to a ceiling of 1.5% on the net profits of the Company for the financial year, the quantum whereof to be determined by the Board of Directors.  |
| c) Perquisites | - As detailed in the annexure to the Explanatory Statement  |

Chennai  
16<sup>th</sup> July 2007

By Order of the Board  
**B Shanmugasundaram**  
Secretary

## EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

### Item No.5

Sri S Prasad was appointed as Additional Director on 26<sup>th</sup> April 2007. Pursuant to Section 260 of the Companies Act, 1956, Sri S Prasad holds office up to the date of the forthcoming Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose the appointment of Sri S Prasad as a Director of the Company. The Board of Directors recommend his appointment.

### Interest of Directors

None of the Directors, except Sri S Prasad is concerned or interested in the resolution.

### Item No.6

At the Annual General Meeting held on 12<sup>th</sup> August 2002, Sri N Krishnan was appointed as Managing Director with effect from 05.07.2002 for a period of 5 years. The Board of Directors at their meeting held on 26.04.2007 have re-appointed Sri N Krishnan as the Managing Director of the Company for a period of 5 years commencing from 05.07.2007, on the terms set out in the resolution.

The term of office / remuneration payable to the Managing Director by way of Salary, Commission and Perquisites (as given in annexure) are within the specified limits laid down in Schedule XIII of the Companies Act, 1956 and requires Members approval. Accordingly, the said resolution is submitted for your consideration.

### Interest of Directors

None of the Directors except Sri N Krishnan and Sri S Narayanan, who is related to him, is concerned or interested in the resolution.

By Order of the Board

Chennai  
16<sup>th</sup> July 2007

**B Shanmugasundaram**  
Secretary

## Annexure to the Explanatory Statement

### Details of Perquisites referred to in the Resolution No.6

1. Free use of furnished accommodation owned or leased by the Company with amenities including Water, Gas, Electricity and Furnishings. If no accommodation is provided, the Managing Director is entitled to House Rent Allowance subject to a ceiling of 70% of his salary. The expenditure incurred by the Company on Water, Gas, Electricity and Furnishings will be evaluated as per Income Tax Rules, 1962.
2. Medical Reimbursement for self and family including premium payable for medical insurance in accordance with the rules of the Company.
3. Leave Travel Concession for self and family once in a year in accordance with the rules of the Company.  
Explanation: Family means the spouse, dependent children and dependent parents of the appointee.
4. Sitting Fee for attending the meeting of Board of Directors and Committee thereof, as applicable to other Directors.
5. Fees of clubs subject to a maximum of two clubs. This will not include admission fee and life membership fee.
6. Personal Accident Insurance as per the rules of the Company.
7. Contribution to Provident Fund, Superannuation Fund or Annuity Fund and payment of Gratuity as per the rules of the Company.
8. Encashment of leave at the end of the tenure.

9. Provision of Cars with driver for Company business, the value of which will be evaluated as per Income-tax Rules, 1962.
10. Provision of telephone at the residence of the Managing Director.
11. Such other perquisites, benefits and amenities as may be provided by the Company to the other senior executives from time to time.

**PARTICULARS OF THE DIRECTORS SEEKING APPOINTMENT /RE-APPOINTMENT IN THE FORTHCOMING ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT**

**1. Item No.3 of the Notice**

Name of the Director : Sri S Narayanan

Age : 82 years

Sri S Narayanan has been on the Board of the Company since 1965. He is the Chairman of the Board as well as the Chairman of Shareholders / Investor Grievance Committee. He also served as the Chairman of the Audit Committee. Sri S Narayanan is having over six decades of experience in automobile industry particularly in the distribution of automobile spare parts. He is a Member, Managing Committee of Motor Vehicle & Allied Industries Association, Chennai. Sri S Narayanan holds 1608 shares individually and 19744 shares jointly with others.

Details of other Directorships held by him:

- a) TVS Srichakra Limited
- b) Lucas Indian Service Limited
- c) Sundaram Finance Limited
- d) Sundharams Private Limited

Committee Membership in other Companies:

TVS Srichakra Limited – Chairman, Shareholders / Investor Grievance Committee

**2. Item No.5 of the Notice**

Name of the Director : Sri S Prasad

Age : 59 years

Qualification : Fellow Chartered Accountant

Sri S Prasad was appointed as Additional Director of the Company on 26<sup>th</sup> April 2007. He started his career as a Finance professional in industry and thereafter commenced independent practice from 1981. In this capacity, he now handles audits of reputed corporates. His special interests are with JVs and FDI. Sri S Prasad holds 480 equity shares in the Company.

Details of other Directorships held by him:

Wheels India Limited

Committee Membership in other Companies:

Wheels India Limited – Chairman, Audit Committee

**3. Item No.6 of the Notice**

Name of the Director : Sri N Krishnan

Age : 54 years

Sri N Krishnan is a B.E. (Mechanical Engineering), with an MBA and MS from the University of Southern California at Los Angeles. Having served as General Manager (Sales) in Axles India Limited, he joined IMPAL in December 1993 as General Manager. Sri N Krishnan was inducted into the Board as Deputy Managing Director from 24.07.1997. His initial appointment as Managing Director was from 1<sup>st</sup> July 1999 and was later re-appointed on 05.07.2002 for a period of 5 years.

He does not hold Directorship in any other Company. Sri N Krishnan holds 8264 shares jointly with others.

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Dear Shareholders,

Your Directors are pleased to present the **53<sup>rd</sup> Annual Report** together with the Audited Accounts for the year ended 31<sup>st</sup> March 2007.

**Rs. in Lakhs**

<b>Financial Results</b>	<b>31.03.2007</b>	<b>31.03.2006</b>
<b>Profit before tax</b>	<b>1639.36</b>	1382.93
<b>Less:</b> Provision for earlier years	<b>15.83</b>	7.90
<b>Less:</b> Provision for taxation (including deferred tax)	<b>530.17</b>	468.09
<b>Profit after Tax</b>	<b>1093.36</b>	906.94
<b>Add :</b> Balance in P&L Account brought forward from previous year	<b>294.82</b>	319.91
Profit available for appropriation	<b>1388.18</b>	1226.85
<b>Appropriations</b>		
Dividend		
- Interim	<b>291.19</b>	291.19
- Final	<b>83.20</b>	—
Dividend Tax (including surcharge)	<b>54.98</b>	40.84
General Reserve	<b>600.00</b>	600.00
Surplus Balance in Profit & Loss Account	<b>358.81</b>	294.82

**Performance**

The Sales turnover of the Company for the year ended 31<sup>st</sup> March 2007 at **Rs. 22702.44** lakhs was higher than that achieved during the previous year by 9.64%. The previous year turnover was Rs.20707.03 lakhs.

The Profit before tax (PBT) for the year under review saw a growth of 18.5% to Rs.16.39 Crores from that of Rs.13.83 Crores achieved during the preceding year. The Profit after tax (PAT) also saw a growth of 20.5%, to Rs.10.93 Crores from Rs.9.07 Crores. Both the PBT and the PAT are the highest for your Company.

**Dividend**

The Board of Directors in March 2007 have declared and paid an Interim Dividend of Rs.7/- per equity share on 27<sup>th</sup> March 2007. Your Directors are now pleased to recommend a final dividend of 20%. Together, the total dividend aggregates to 90% for the year ended 31<sup>st</sup> March 2007, on the paid up capital of Rs. 415.98 lakhs. The dividend, together with a dividend tax of Rs.54.98 lakhs absorbs a sum of Rs.429.37 lakhs.

**Permitted Trading in the Bombay Stock Exchange**

Effective 28<sup>th</sup> December 2006, the shares of your company have been admitted for trading in the Bombay Stock Exchange (BSE) under the Permitted Trading Category.



## **Delisting of Equity Shares from the Madras Stock Exchange**

The Company's shares were delisted from the Madras Stock Exchange with effect from 7<sup>th</sup> March 2007 in accordance with SEBI (Delisting of Securities) Guidelines, 2003 for voluntary delisting. The shares of your company are frequently traded on the National Stock Exchange and the Bombay Stock Exchange. Since there has been no trading on the Madras Stock Exchange (MSE) from April 2004, the shares have been delisted from MSE.

## **Management Discussion and Analysis**

The Indian Economy continued to do well during 2006-07. The Gross Domestic Product (GDP) growth is estimated to have grown at 9.4%, exceeding the 9% growth achieved during 2005-06. All sectors excepting the agricultural sector grew at double-digit rates. Manufacturing sector did exceedingly well, with a growth rate estimated at 12%.

All segments in the automotive sector contributed to the growth with the Medium and Heavy duty commercial vehicles registering an impressive growth of 33% (previous year 4.5%); Light commercial vehicles (LCVs) grew at 34% versus 19.7% of the previous year; Cars and Multi Utility Vehicles (MUVs) had a growth of 21% versus 7.7% of the previous year. Multi Axle vehicles contributed to the growth in the Heavy Commercial Vehicle segment while the one-ton segment vehicles contributed in a substantial manner for the Light Commercial Vehicle sector.

The Value Added Tax (VAT) roll-out continued during the year under review and VAT was introduced in Jharkhand, Gujarat, Rajasthan and Chattisgarh from 1<sup>st</sup> April 2006 and in Tamilnadu from 1<sup>st</sup> January 2007. In many of the States, the VAT system, in addition to hiking the tax payable for automobile parts from an average of 9% to 12.5%, also brought into the net, dealers who were earlier not part of the system. Our turnover therefore, in the introductory year dipped in these States other than Tamilnadu.

The Company also did some restructuring in the product lines handled and due to lack of viability exited a major engine component segment. While this had an effect of diminishing our turnover, it did not affect profits.

In spite of the above factors, the Company registered a 10% growth in the sales and a 20% growth in profits.

On the taxation front, Central Salestax (CST) has been reduced from 4% to 3%. from 1<sup>st</sup> April 2007. We have passed on this benefit to trade in most of the States.

### **IT Initiatives**

The concept and system of centralized purchase orders from the Head Office, on behalf of all branches, to the suppliers via the Internet, was introduced during the year under review. Further improvements are under consideration to step up the ordering / indenting frequency by the branches.

### **Internal Control Systems**

The Company has an effective Internal Audit System and Internal Audit teams visit the branches regularly to check compliance. Internal Audit meetings involving all departments are held regularly and reports submitted to the Audit Committee of the Board.

The Audit Committee of the Board met 5 times during the year under review with the internal auditors and statutory auditors to review amongst others, internal control systems and procedures.

### **Human Resources**

We are witnessing a lot of migration of trained people from trade segment to other segments of the economy. To contain this, the Company has revised its pay packages to all its key personnel, both at the branch level and at the Head Office. This will increase our wage costs from the fiscal year 2007-08. The management continues to have cordial relations with all its employees.

### **Corporate Governance**

A detailed report on corporate governance, together with a certificate from the Statutory Auditors in compliance with Clause 49 of the Listing Agreement is attached, forming part of this report.

### **Directors**

Your Directors have co-opted Sri S Prasad, a practicing Chartered Accountant as an Additional Director of the Company. His appointment requires the approval of the Members at the ensuing Annual General Meeting.

Sri S Narayanan, Director, retires by rotation and being eligible, offers himself for re-election.

### **Auditors**

The Auditors, M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, retire and are eligible for re-appointment. A certificate under Section 224(1B) of the Companies Act, 1956 has been received from them.

### **Information as per Section 217(1)(e) of the Companies Act, 1956**

Your Company has no activity relating to conservation of energy or technology absorption. During 2006-2007, the Company did not have any foreign exchange earnings or outgo other than travel and subscription expenses.

### **Personnel**

There is no employee, particulars of whom are to be furnished under Section 217(2A) of the Companies Act, 1956.

### **Directors' responsibility statement**

As required under Section 217(2AA) of the Companies Act, 1956, your Directors state that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) the 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 state of affairs of the Company at the end of the financial year ended 31<sup>st</sup> March, 2007 and of the profit of the Company for that year.
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) the Directors have prepared the annual accounts on a going concern basis.

### **Acknowledgement**

Your Directors express their grateful appreciation for the co-operation and support received from suppliers, dealers and also the bankers State Bank of India and State Bank of Mysore.

The Directors place on record their appreciation for the sincere and dedicated services rendered by all the staff and executives of the Company.

On behalf of the Board of Directors

Chennai  
16<sup>th</sup> July 2007

**S Narayanan**  
Chairman