

INDIA MOTOR PARTS & ACCESSORIES LIMITED

**IMPAL**

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2015 – 2016

62nd ANNUAL REPORT

## BOARD OF DIRECTORS

Sri S RAM	<b>Chairman</b>
Sri ANANTH RAMANUJAM	
Sri S RAVINDRAN	
Sri S PRASAD	
Ms SHOBHANA RAMACHANDHRAN	
Sri RASESH R DOSHI	
Sri S VENKATESAN	
Sri T N P DURAI	
Sri N KRISHNAN	<b>Managing Director</b>

## COMMITTEES OF THE BOARD

### Audit Committee

Sri S PRASAD	<b>Chairman</b>
Sri S RAVINDRAN	
Sri RASESH R DOSHI	
Sri N KRISHNAN	

### Stakeholders Relationship Committee

Sri S VENKATESAN	<b>Chairman</b>
Sri N KRISHNAN	

### Nomination & Remuneration Committee

Sri S RAVINDRAN	<b>Chairman</b>
Sri S PRASAD	
Sri S RAM	

### Corporate Social Responsibility Committee

Ms SHOBHANA RAMACHANDHRAN	<b>Chairperson</b>
Sri S RAVINDRAN	
Sri S PRASAD	
Sri N KRISHNAN	

## SR. EXECUTIVE VICE PRESIDENT – MARKETING & BUSINESS DEVELOPMENT

Sri MUKUND S RAGHAVAN

## CHIEF FINANCIAL OFFICER

Sri S RAMASUBRAMANIAN

## COMPANY SECRETARY

Sri S KALYANARAMAN

## AUDITORS

M/S SUNDARAM & SRINIVASAN  
*Chartered Accountants*  
# 23, C P Ramasamy Road,  
Alwarpet, Chennai – 600 018

## SECRETARIAL AUDITORS

M/S DAMODARAN & ASSOCIATES  
*Practising Company Secretaries*  
No.6, Appavoo Gramani 1st Street  
Mandaveli, Chennai – 600 028

## BANKERS

STATE BANK OF INDIA

## REGISTERED & CORPORATE OFFICE

“Sundaram Towers” III Floor  
#46, Whites Road, Chennai – 600 014  
CIN: L65991TN1954PLC000958  
Website: [www.impal.net](http://www.impal.net)

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## INDIA MOTOR PARTS & ACCESSORIES LIMITED

### EXECUTIVES

Sri L SRINIVASAN	<b>Sr. Vice President (Marketing)</b>
Sri V SRIDHAR	<b>Sr. General Manager (Systems &amp; Materials)</b>
Sri R SIVARAMAN	<b>General Manager (Marketing)</b>
SRI P VENUGOPALAN	<b>General Manager (Marketing)</b>
SRI HEMCHANDER	<b>General Manager (Marketing)</b>
SRI S P SRIVASTAVA	<b>General Manager (Marketing)</b>
Sri M PARAMESWARAN	<b>General Manager (Accounts &amp; Information Systems)</b>
Sri N SUNDARAM	<b>General Manager (Accounts)</b>

### FINANCIAL HIGHLIGHTS

*Rs. in Lakhs*

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Share Capital	831.96	831.96	831.96	831.96	415.98	415.98	415.98	415.98	415.98	415.98
Reserves & Surplus	22321.22	20551.73	18851.58	16772.92	15340.59	13033.71	11004.09	9278.59	8125.02	7387.56
Net Worth	23153.18	21383.69	19683.54	17604.88	15756.57	13449.69	11420.07	9694.57	8541.00	7803.54
Capital Employed	24614.02	23082.19	21224.99	20369.91	17461.91	13639.62	11522.02	11129.46	9478.30	8644.51
Sales	50060.64	51095.62	51050.27	49437.84	50030.56	42799.06	35808.80	30055.60	24377.59	22702.44
Profit Before Tax	3786.82	4351.37	4256.37	4150.59	4570.79	4154.09	3647.65	2531.22	1748.12	1639.36
Profit After Tax	2670.68	3100.47	2954.68	2720.15	3225.46	2851.51	2479.60	1737.59	1199.80	1093.36
Dividend Amount	748.76	1164.74	748.76	748.76	790.36	707.17	644.77	499.18	395.18	374.39
Dividend per share on a face value of Rs.10/- each (Rs.)	9.00	14.00*	9.00	9.00	19.00	17.00	15.50	12.00	9.50	9.00
Dividend %	90	140	90	90	190	170	155	120	95	90
Earnings per Share (Rs.)	32.10	37.27	35.51	32.70	77.54	68.55	59.61	41.77	28.84	26.28
Book Value per Share (Rs)	278.30	257.03	236.59	211.61	378.78	323.32	274.53	233.05	205.32	187.59

\* Includes special (Diamond Jubilee) dividend

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to present the **62<sup>nd</sup> Annual Report** together with Standalone and Consolidated Audited Accounts for the year ended 31<sup>st</sup> March 2016.

### FINANCIAL RESULTS

(Rs in Lakhs)

Particulars	31.03.2016	31.03.2015
Profit before tax	<b>3786.82</b>	4351.37
<b>Less:</b> Provision for taxation (including deferred tax)	<b>1116.14</b>	1250.90
Profit after Tax	<b>2670.68</b>	3100.47
<b>Add :</b> Balance in P&L Account brought forward from previous year	<b>1172.98</b>	1372.83
<b>Add :</b> Retained earnings on Account of Depreciation (Net)	<b>0.00</b>	0.33
Profit available for appropriation	<b>3843.66</b>	4473.63
Appropriations		
Transfer to General Reserve	<b>1700.00</b>	1900.00
Dividend		
- Special (Diamond Jubilee)	<b>0.00</b>	332.78
- Interim Dividend	<b>207.99</b>	831.96
- 2nd Interim Dividend	<b>540.77</b>	0.00
Dividend Tax (including surcharge for Special and interim dividends)	<b>152.43</b>	235.91
Surplus Balance in Profit & Loss Account	<b>1242.47</b>	1172.98

### Dividend and transfer to General Reserves

The Board of Directors during November 2015 declared an Interim Dividend of Rs.2.50 per equity share and further declared a Second Interim Dividend of Rs.6.50 per equity share in March 2016 for the financial year 2015-16 on the paid up share capital of Rs.831.96 lakhs. The dividends, together with dividend tax of Rs.152.43 lakhs absorb a sum of Rs.901.19 lakhs. The Board of Directors propose to treat the said dividends as the total dividend for the year.

The Company proposes to transfer an amount of Rs. 1700.00 lakhs to the General Reserves. An amount of Rs. 1242.47 lakhs is proposed to be retained in the Statement of Profit and Loss.

### Management Discussion and Analysis Report

We had in 2015-16 sluggish demand for spare parts with your Company witnessing a 2% drop in sales. On the commercial vehicle end upgradation of power train specifications have increased replacement cycle for engine, gearbox and axle parts. Increased focus of vehicle manufacturers to market spare parts through vehicle dealerships have curtailed sales levels of these parts from us. Relative stability of commodity prices have encouraged lower stock holding at our parts dealers.

Vigorous steps are being taken by your Company to grow the business in this difficult market. 5 new outlets have been opened and sales commenced in two new product lines early in the year under review. While the margins dropped in the first half, it was possible to maintain better margins in the second half. We are hopeful that this trend will continue in 2016-17.

## **INDIA MOTOR PARTS & ACCESSORIES LIMITED**

Non-operating income at Rs 7.44 crores is lower compared to the year 2014-15, where non-operating income was Rs 9.53 crores.

The Indian economy is expected to grow above 7% in 2016-17 driven by services sector growth and impetus given by the Government of India for investments in infrastructure. The prediction of an above normal monsoon is likely to increase agricultural output and likely growth in demand for consumer goods in rural areas.

Your Company also plans to open more outlets in this fiscal year 2016-17 to have greater access to the markets.

### **Internal Control Systems**

The Company has an effective and adequate Internal Control System commensurate with the size of the business. The scope of the Internal Audit function is defined in the Internal Audit Plan. Additional staff have been added to the internal audit team in line with increase in number of branch outlets. During the year under review, your Company appointed an Independent Chartered Accountant for audit of Internal Financial Controls over Financial Reporting.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of the internal control systems of the Company. The Internal Audit Team ensures compliance with systems and procedures through their regular visits to all branches.

The Internal Audit Reports are reviewed by the Internal Auditor, Senior Management and Audit Committee periodically. Based on the reports, corrective action, as required are undertaken.

### **Consolidated Financial Statements**

In accordance with the provisions of Sections 129(3) of the Companies Act 2013, the Consolidated Financial Statements, drawn up in accordance with the applicable Accounting Standards, form part of the Annual Report.

A statement containing the salient features of the financial statement of the Associate Company in Form AOC – 1 is provided in Annexure “A” forming part of this report.

### **Information as per Sec 134 (3) (f) - Events subsequent to the date of financial statements**

There have been no material changes and commitments affecting the financial position of the Company between 31.03.2016 and the date of the report.

### **Significant and Material Orders Passed by the Regulators or Courts**

There are no significant material orders passed by the Regulators / Courts which impacts the going concern status of the Company and its future operations. There are no material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate to and the date of the report.

## Finance

### a) Fixed Deposits

Your Company has not accepted any public deposits during the year 2015-16.

### b) Particulars of Loans, Guarantees or Investments

The company has not given any loans or guarantees covered under the provisions of section 186 of the Companies Act, 2013. The details of the investments made by company is given in the notes to the financial statements.

## Board & Audit Committee

The details regarding number of board meetings held during the financial year and composition of Audit Committee are furnished in Corporate Governance Report.

## Directors

All Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct approved and adopted by the Board of Directors.

The Independent Directors of the Company have given a declaration as required under Section 149 (6) of the Companies Act, 2013.

Sri Ananth Ramanujam, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

## Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 (10) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit Committee.

Pursuant to the provisions of the Companies Act, 2013 and Regulation 25 (3) & (4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Separate Meeting of Independent Directors was held during the year, in which the Independent Directors evaluated the performance of the non-independent Directors, the Board as a whole and the Chairman of the Company. The criteria for evaluation is attached vide Annexure "B".

## Familiarisation Programme

The Company has a program to familiarise Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model of the Company etc. and the same is available on the website of the Company at [www.impal.net/investor.htm](http://www.impal.net/investor.htm).

## Remuneration Policy

The Remuneration policy of the company is attached vide Annexure "C". The Nomination & Remuneration Committee followed the policy for selection and appointment of Directors, Senior Management and their remuneration.

## INDIA MOTOR PARTS & ACCESSORIES LIMITED

### Key Managerial Personnel

The following persons are the Key Managerial Personnel of the Company under Section 203 of the Companies Act, 2013.

1. Sri N Krishnan - Managing Director
2. Sri S Ramasubramanian – Chief Financial Officer
3. Sri S Kalyanaraman – Company Secretary & Compliance Officer

### Vigil Mechanism/Whistle Blower Policy

The Company has a vigil mechanism policy in place to deal with instance of fraud and mismanagement, if any and the same is also posted on the website of the Company at [www.impal.net/investor.htm](http://www.impal.net/investor.htm).

### Related Party Transactions

All Related Party Transactions that were entered into during the financial year were in the ordinary course of business at arm's length. Due to change in the constitution of a Related party entity with which the company has been contracting with, such contract with that related party amounted to a Material Related Party transaction in terms of Regulation 23 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015. In terms of the above regulations the company during the year had sought the approval of shareholders by an Ordinary Resolution through Postal Ballot in March 2016. The shareholders voted in favour of the resolution. Out of the total votes polled 98.96% voted in favour of the resolution. The results of the postal ballot and e-voting is available in the website of the Company at [www.impal.net/investor.htm](http://www.impal.net/investor.htm)

Since, the said contract is in ordinary course of business at arm's length, it is not a Related Party transaction in terms of Section 188 of the Companies Act 2013 and hence disclosure in form AOC-2 is not required.

There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other Designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee as also the Board for approval. Prior approval of the Audit Committee is obtained on a quarterly basis for the transactions which are predictive and repetitive in nature. The transactions entered into pursuant to the approval are audited and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis. The policy on Related Party Transactions as approved by the Board is uploaded on the Company's Website.[www.impal.net/investor.htm](http://www.impal.net/investor.htm).

### Corporate Social Responsibility

As part of its initiatives under Corporate Social Responsibility (CSR), the Company has contributed to various projects in the areas of Health, Education, Livelihood, Adoption of Village Schools, Empowering Women etc., These projects are in accordance with Schedule VII of the Companies Act, 2013. The CSR

Committee frames the CSR policy, monitors and execute the CSR activities. The Committee defines the parameters and observes them for effective discharge of the social responsibility of your Company. The Board has further approved the CSR Policy of the Company to provide a guideline for CSR activities of the Company.

The Company has spent Rs. 50.30 lakhs towards CSR during the year. The constitution of the CSR Committee and the report as required under the Companies Act, 2013 are provided as Annexures “D” & “D1” to this Report.

## **Auditors**

The Auditors, M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed. A certificate under Section 141 of the Companies Act, 2013 has been received from them.

## **Secretarial Audit**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. Damodaran & Associates, a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Auditor is attached vide Annexure “E”.

## **Comments on Auditors’ report**

There are no qualifications, reservations or adverse remarks or disclaimers made by the Statutory Auditors and Company Secretary in Practice in their reports respectively. The Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company in the year under review.

## **Extract of Annual Return**

As required under Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules 2014 an extract of the Annual Return in Form MGT-9 is attached as a part of this report vide Annexure “F”.

## **Information as per Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014**

Your Company has no activity relating to conservation of energy or technology absorption. During 2015-2016, the Company did not have any foreign exchange earnings or outgo.

## **Particulars of Employees**

There is no employee, particulars of whom are to be furnished under Section 197 read with Rule 5 (2). The information required under Section 197(12) read with Rule 5, of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given hereunder:

i & ii The ratio of remuneration of each director to the median remuneration of the employees of the company for the financial year:

## INDIA MOTOR PARTS & ACCESSORIES LIMITED

The ratio of average remuneration of Non-Whole Time Directors with that of the median remuneration of the employees for the financial year is 0.40 times and that of the Managing Director (inclusive of his Commission) is 82 times.

- (iii) Percentage increase in median remuneration of employees in the financial year - 8%
- (iv) The number of permanent employees on the rolls of the Company as on 31st March 2016 is 635.
- (v) Explanation on the relationship between average increase in remuneration and Company performance:

The Company's Profit Before Tax for the year under review has decreased by 12.98 %. The average increase in remuneration of employees was 11.76% on their gross earnings.

- (vi) Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company.

Name	Designation	CTC (Rs. In Lakhs)	% Increase in CTC	PBT (Rs. In Lakhs)	% decrease in PBT
Sri N Krishnan	Managing Director	141.85*	0.20	3786.82	12.98
Sri S Ramasubramanian	CFO	39.36	7.08		
Sri S Kalyanaraman	Company Secretary	11.29	7.52		

\*Includes commission of 1.5% on Net profit.

- (vii) Variations in the market capitalization of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase or decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer:

Date	Issued Capital (Shares)	Closing Market Price	EPS	PE Ratio	Market Capitalisation
31.03.2015	8319575	660.60	37.27	17.72	549.59 crs
31.03.2016	8319575	672.55	32.10	20.95	559.53 crs
Increase/Decrease	Nil	11.95			9.94 crs
%Increase /Decrease		1.81%			1.81%

- (viii) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

Percentage increase in median remuneration of employees in the financial year - 8 % for employees other than KMPs and 5% for KMPs in totality.

- (ix) Comparison of the remuneration for each of the Key Managerial Personnel against performance of the Company: – Refer Point – (vi)
- (x) The Key parameters for any variable component of remuneration availed by the Directors: Commission within the ceiling of 1% of the net profits of the Company, as approved by the shareholders.

- (xi) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year;

Not Applicable ; and

- (xii) Affirmation that the remuneration is as per the remuneration policy of the company:

Yes

## Directors' responsibility statement

As required under Section 134(5) of the Companies Act, 2013, your Directors state that:

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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 as at the end of the financial year ended 31st March, 2016, and 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, 2013, 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 and;
- v) the Directors have laid down adequate internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
- vi) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems are adequate and are operating effectively.

## Corporate Governance

A detailed report on corporate governance, together with a certificate from the Statutory Auditors in compliance with Regulation 34 (3) read with Schedule V of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 is attached, forming part of this report.

## Acknowledgement

Your Directors thank all the suppliers and dealers for their continued support and co-operation during the year under review. They also wish to thank State Bank of India for its support and assistance.

Your Directors place on record their appreciation for the commitment, initiative and excellent contribution of all the staff and executives of the Company.

Chennai  
30<sup>th</sup> May 2016

On behalf of the Board of Directors  
**S Ram**  
Chairman