

INDIA MOTOR PARTS & ACCESSORIES LIMITED

**IMPAL**

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2016 - 2017

63rd 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	

## 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 V RAMAKRISHNAN	<b>Sr. Advisor (Marketing)</b>
Sri L SRINIVASAN	<b>Sr. Vice President (Marketing)</b>
Sri V SRIDHAR	<b>Sr. General Manager (Systems &amp; Materials)</b>
SRI P VENUGOPALAN	<b>Sr. General Manager (Marketing)</b>
Sri R SIVARAMAN	<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	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Share Capital	831.96	831.96	831.96	831.96	831.96	415.98	415.98	415.98	415.98	415.98
Reserves & Surplus	24553.09	22321.22	20551.73	18851.58	16772.92	15340.59	13033.71	11004.09	9278.59	8125.02
Net Worth	25385.05	23153.18	21383.69	19683.54	17604.88	15756.57	13449.69	11420.07	9694.57	8541.00
Capital Employed	26696.52	24614.02	23082.19	21224.99	20369.91	17461.91	13639.62	11522.02	11129.46	9478.30
Sales	51802.85	50060.64	51095.62	51050.27	49437.84	50030.56	42799.06	35808.80	30055.60	24377.59
Profit Before Tax	4042.48	3786.82	4351.37	4256.37	4150.59	4570.79	4154.09	3647.65	2531.22	1748.12
Profit After Tax	2732.52	2670.68	3100.47	2954.68	2720.15	3225.46	2851.51	2479.60	1737.59	1199.80
Dividend Amount	915.15*	748.76	1164.74	748.76	748.76	790.36	707.17	644.77	499.18	395.18
Dividend per share on a face value of Rs.10/- each (Rs.)	11.00	9.00	14.00	9.00	9.00	19.00	17.00	15.50	12.00	9.50
Dividend %	110	90	140	90	90	190	170	155	120	95
Earnings per Share (Rs.)	32.84	32.10	37.27	35.51	32.70	77.54	68.55	59.61	41.77	28.84
Book Value per Share (Rs)	305.11	278.30	257.03	236.59	211.61	378.78	323.32	274.53	233.05	205.32

\* Including proposed Dividend. Please refer footnote under Note 3.

## BOARD'S REPORT

Your Directors are pleased to present the **63<sup>rd</sup> Annual Report** together with Standalone and Consolidated Audited Accounts for the year ended 31<sup>st</sup> March 2017.

### FINANCIAL RESULTS

(Rs in Lakhs)

Particulars	31.03.2017	31.03.2016
Profit before tax	<b>4042.48</b>	3786.82
<b>Less:</b> Provision for taxation (including deferred tax)	<b>1309.96</b>	1116.14
Profit after Tax	<b>2732.52</b>	2670.68
<b>Add :</b> Balance in P&L Account brought forward from previous year	<b>1242.48</b>	1172.98
Profit available for appropriation	<b>3975.00</b>	3843.66
Appropriations		
Transfer to General Reserve	<b>1800.00</b>	1700.00
Dividend		
- Interim Dividend	<b>415.98</b>	748.76
Dividend Tax (including surcharge for Interim Dividend)	<b>84.68</b>	152.43
Surplus Balance in Profit & Loss Account	<b>1674.34</b>	1242.47

### Dividend and transfer to General Reserves

The Board of Directors during February 2017 paid an Interim Dividend of Rs.5.00 per equity share. Your Directors are pleased to recommend a final dividend of Rs. 6.00 per equity share, which together with the interim dividend, aggregates to a total dividend of Rs.11.00 per equity share on the paid up share capital of Rs.831.96 lakhs for the year 2016-17. The dividends, including the proposed final dividend together with dividend tax of Rs.186.30 lakhs absorb a sum of Rs.1101.45 lakhs.

The Company proposes to transfer an amount of Rs.1800 lakhs to the General Reserves. An amount of Rs.1674.34 lakhs is proposed to be retained in the Statement of Profit and Loss.

### Management Discussion and Analysis Report

After two years of stagnant demand for spare parts, your Company witnessed a sales increase of 3.5% for the year under review.

Demonetization affected our sales in November, December and January. Better product mix, better margins and additional product lines enabled the Company to increase its operating income by 13.08%. PBT increased by 6.75% from Rs 37.87 crores to Rs 40.42 crores. However, most of the non-operating income this year is taxable, resulting in a higher tax on other income.

Your Directors are pleased to inform that the process of acquiring 76% stake in the equity of CAPL Motor Parts Private Ltd, a spare parts distribution company in Ahmedabad is in progress. We expect this to be completed soon.

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We see continued effort from the vehicle manufacturers to have most of the spare parts channeled through them to the vehicle dealerships. In addition, vehicle manufacturers through their dealership channels are now able to give longer term warranty for both passenger cars and commercial vehicles. This change is limiting our growth especially in the power train segment, viz. engine, gear box, axles etc. We continue to look for additional spare parts lines to give us growth in the passenger cars and commercial vehicles segment.

Expected introduction of GST from 1st July 2017, may have an adverse effect on sales in the first half of 2017-18, as the trade learns to adjust to the new indirect tax regime. Medium to long term, GST is expected to be beneficial to the organized sector of spare parts distribution trade.

Your Company will likely open few more branches to improve availability of parts to areas where growth in transport activity is expected.

### **Internal Control Systems**

The Company has an established and adequate Internal Control System with appropriate policies and procedures covering all areas of operations commensurate with the size of the business. The Internal Audit team through its regular visit to branches evaluates the adequacy of internal control systems. The Internal Auditor, Senior Management and Audit Committee regularly review the internal audit findings as well as the effectiveness of the internal control measures. Based on the reports, appropriate and suitable action as required are undertaken.

During the year under review an Independent Chartered Accountant conducted an audit of the 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.

Additionally the company has reviewed the security assurance of the IT systems through an independent external professional.

### **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 31.03.2017 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 2016-17.

### 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 the Company are 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.

Your Board of Directors have re-appointed Sri N Krishnan as Managing Director for a further period of 5 years with effect from 5th July, 2017.

Sri S Ram, 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, and in terms of the guidance note on Board's evaluation issued by the Securities and Exchange Board of India, 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

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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.

### **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. During the year under review, transaction entered into with a Related Party amounted to a Material Related Party transaction in terms of Regulation 23 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. The shareholders in March, 2016 gave approval to the Company for entering in to such transactions on a year on year basis.

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 executes 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. 76.90 lakhs – 2.03% of the net profits of the Company towards CSR activities 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**

Pursuant to the provisions of Section 139 of the Companies Act, 2013, new Auditors, have to be appointed by the Company. The Audit Committee and the Board recommends appointing M/s Brahmayya & Co, Chartered Accountants Chennai, as the Auditors of the Company and the new Audit Firm have also confirmed their eligibility and willingness to accept office, if appointed. A certificate under section 141 of the Companies Act, 2013 has been received from them. Accordingly, the subject for appointment of new Auditors forms part of the Notice of the ensuing Annual General Meeting.

## **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 the Secretarial Auditor 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 2016-2017, the Company did not have any foreign exchange earnings or outgo.



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### 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:

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 Commission) is at 78 times.

- iii) Percentage increase in median remuneration of employees in the financial year - 7.5 %.
- iv) The number of permanent employees on the rolls of the Company as on 31st March 2017 is 683
- v) 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 staff cost in the financial year - 7.5 % for staffs and 5 % for Managerial Personnel.

- (vi) Affirmation that the remuneration is as per the remuneration policy of the company:  
The Company affirms that remuneration is as per the remuneration policy of the Company.

### 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, 2017, 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.

On behalf of the Board of Directors

Chennai  
26<sup>th</sup> May 2017

**S Ram**  
*Chairman*