

INDIA MOTOR PARTS & ACCESSORIES LIMITED

IMPAL

2017 - 2018

64th ANNUAL REPORT

BOARD OF DIRECTORS

Sri S RAM **Chairman**
 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 **Managing Director**

COMMITTEES OF THE BOARD

Audit Committee

Sri S PRASAD **Chairman**
 Sri S RAVINDRAN
 Sri RASESH R DOSHI
 Sri N KRISHNAN

Stakeholders Relationship Committee

Sri S VENKATESAN **Chairman**
 Sri N KRISHNAN

Nomination & Remuneration Committee

Sri S RAVINDRAN **Chairman**
 Sri S PRASAD
 Sri S RAM

Corporate Social Responsibility Committee

Ms SHOBHANA RAMACHANDHRAN **Chairperson**
 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 BRAHMAYYA & CO.
Chartered Accountants
 # 48, Masilamani Road, Balaji Nagar,
 Royapettah, Chennai – 600 014.

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

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INDIA MOTOR PARTS & ACCESSORIES LIMITED

EXECUTIVES

Sri L SRINIVASAN	Sr. Vice President (Marketing)
Sri V SRIDHAR	Sr. General Manager (Systems & Materials)
SRI P VENUGOPALAN	Sr. General Manager (Marketing)
Sri R SIVARAMAN	General Manager (Marketing)
SRI HEMCHANDER	General Manager (Marketing)
SRI S P SRIVASTAVA	General Manager (Marketing)
Sri M PARAMESWARAN	General Manager (Accounts & Information Systems)

FINANCIAL HIGHLIGHTS

Rs. in Lakhs

Particulars	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
	Ind AS		GAAP							
Share Capital	831.96	831.96	831.96	831.96	831.96	831.96	415.98	415.98	415.98	415.98
Reserves & Surplus	87024.19	73902.63	22321.22	20551.73	18851.58	16772.92	15340.59	13033.71	11004.09	9278.59
Net Worth	87856.15*	74734.59*	23153.18	21383.69	19683.54	17604.88	15756.57	13449.69	11420.07	9694.57
Capital Employed	90412.12	76642.40	24614.02	23082.19	21224.99	20369.91	17461.91	13639.62	11522.02	11129.46
Sales	47462.25	51802.85	50060.64	51095.62	51050.27	49437.84	50030.56	42799.06	35808.80	30055.60
Profit Before Tax	4365.18	4587.86	3786.82	4351.37	4256.37	4150.59	4570.79	4154.09	3647.65	2531.22
Profit After Tax	3106.74	3214.62	2670.68	3100.47	2954.68	2720.15	3225.46	2851.51	2479.60	1737.59
Dividend Amount	915.20 [#]	915.15	748.76	1164.74	748.76	748.76	790.36	707.17	644.77	499.18
Dividend per share on a face value of Rs.10/- each (Rs.)	11.00	11.00	9.00	14.00	9.00	9.00	19.00	17.00	15.50	12.00
Dividend %	110	110	90	140	90	90	190	170	155	120
Earnings per Share (Rs.)	37.34	38.64	32.10	37.27	35.51	32.70	77.54	68.55	59.61	41.77
Book Value per Share (Rs)	1055.96	898.25	278.30	257.03	236.59	211.61	378.78	323.32	274.53	233.05

* Reserves includes impact of fair value on investments

[#] Interim Dividend declared in May 2018

BOARD'S REPORT

Your Directors are pleased to present the **64th Annual Report** together with Standalone and Consolidated Audited Accounts for the year ended 31st March 2018.

FINANCIAL HIGHLIGHTS

The Ministry of Corporate Affairs (MCA) vide Notification dated 16th February 2015, notified the Companies (Indian Accounting Standards) Rules 2015, (hereinafter referred as Ind AS). In terms of the said notification, your Company has adopted Ind AS from the Financial Year 2017-18 & Annual Financial Statements for 2017-18 are presented in accordance with Ind AS.

SUMMARY OF FINANCIAL RESULTS – As Per Ind AS*(Rs in Lakhs)*

Particulars	31.03.2018	31.03.2017
Profit before tax	43,65.18	45,87.86
Less: Provision for taxation (including deferred tax)	12,58.44	13,73.24
Profit after Tax	31,06.74	32,14.62
Add : Balance in P&L Account brought forward from previous year	27,05.48	17,91.52
Profit available for appropriation	58,12.22	50,06.14
Appropriations		
Transfer to General Reserve	17,00.00	18,00.00
Dividend		
- Interim Dividend	-	4,15.98
- Final Dividend	4,99.17	-
Dividend Tax (including surcharge for Interim Dividend)	1,01.62	84.68
Surplus Balance in Profit & Loss Account	35,11.43	27,05.48

Dividend

The Board of Directors in May 2018 have declared an Interim Dividend of Rs.11 per equity share for the financial year 2017-18 on the paid up share capital of Rs. 832 lakhs. The dividend of Rs. 915.20 lakhs together with dividend tax of Rs. 188.12 lakhs absorb a sum of Rs. 1103.32 lakhs.

Management Discussion and Analysis Report**GST**

In the year under review the much discussed reform in Indirect Taxes was implemented by Government of India. The Goods and Services Tax (GST) was introduced from July 2017. GST replaced the Indirect Tax regime of excise duty, sales tax and other state levies. GST enabled trade to be carried on without compounding Indirect Taxes, with an enabling set-off feature in each transaction from manufacturer to distributor to the retail trade etc. There was however a transition period in June and July last year when

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there was not sufficient clarity in GST rates for different parts and rebates of Indirect taxes on goods already bought in the previous regime. In June and July 2017 distributors and dealers slowed down or stopped purchases. From September onwards the modality of set off was understood broadly and trading started picking up to meet the genuine demands of the end customers. GST with E-way bill is expected to improve the availability and sale of genuine parts.

The sales figures published in the Balance sheet for 2017-18 is not fully comparable with that of 2016-17. In 2016-17, cost of goods and sales turnover included incoming Excise duty and CST. For 2017-18 this existed only in the first quarter, and all sales and purchases after 1.7.2017 were without Excise duty and CST. Margins improved in Q3 and Q4. This enabled the company to maintain its operating profit .

PBT for the year under review is Rs 43.65 Crores compared with Rs. 45.87 Crores computed as per Ind AS for the year ended 31st March 2017.

During the year under review, your company has opened three new branches to better serve the end customers.

ONLINE PROJECT

During the year under review, your company commenced an exercise to upgrade its ERP system. The project was to make the data available on line on real time basis.

Ind AS

The New Accounting Standards – Ind AS is applicable to our company effective 1-4-2017. The audited accounts and the Balance sheet for the year ending March 2018 have been prepared conforming to the new Accounting Standards - Ind AS.

Under Ind AS, there is no significant change in computation of Operating Profits. However, method of computation of Other income other than equity dividends undergo a change and is on accrual basis instead of receipt basis. Accordingly, long-term equity investments are disclosed at their market value (Fair value) in the financial statements. Any change in the market value (Fair value) of the company's long-term equity investments during the year is classified as "other Comprehensive income", and disclosed in the Profit and Loss Accounts after Profit After Tax. This augments or subtracts "Other Equity" in the Balance sheet.

OUTLOOK

In the current fiscal year with GST settling down and forecast of a near normal monsoon, your Company expects to have better sales growth .

SUBSIDIARY

Your Directors are pleased to report that your Company has acquired a 90% equity stake in CAPL Motor Parts Private Limited, Ahmedabad on 29th November 2017. CAPL Motor Parts Private Limited

is now our subsidiary. The acquisition went smoothly and we are happy to report that this company is doing well.

The accounts of CAPL Motor Parts Private Limited for the 4 months period have been consolidated and forms part of the Consolidated Financial Statements.

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 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.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of the internal control systems of the Company.

Consolidated Financial Statements

M/s CAPL Motor Parts Private Limited has become a subsidiary of your Company with effect from 29th November 2017. Transenergy Limited is our Associate Company. 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 Subsidiaries and Associate Companies in Form AOC – 1 is provided in Annexure “A” forming part of this report.

The financial statements of M/s CAPL Motor Parts Private Limited is hosted in our website – www.impal.net

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 31.03.2018 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.

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Finance

a) Fixed Deposits

Your Company has not accepted any public deposits during the year 2017-18

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.

Ms.Shobhana Ramachandhran, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers herself 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 business model of the Company etc. and the same is available on the website of the Company at 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

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.

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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 and Livelihood. 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. 74.00 lakhs – 2.00% of the net profits of the last 3 years average profit 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 and all other applicable provisions, if any, of the Companies Act, 2013 (“Act”) and the Companies (Audit and Auditors) Rules, 2014, Messrs. Brahmayya & Company, Chartered Accountants, Chennai (Registration No.000511S), were appointed as Statutory auditors of the Company from the conclusion of 63rd Annual General Meeting to 68th Annual General Meeting subject to ratification by the members at every Annual General Meeting. The Companies (Second Amendment) Act 2017 has omitted the provisions relating to ratification of appointment of Auditors. Consequently this subject does not form part of notice convening this 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 2017-2018, 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:

The ratio of average remuneration of Non-Whole Time Directors with that of the median remuneration of the employees for the financial year is 0.38 times and that of the Managing Director (inclusive of Commission) is at 87 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 2018 is 718.
- (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 6% 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, 2018, and the profit of the Company for that year;