

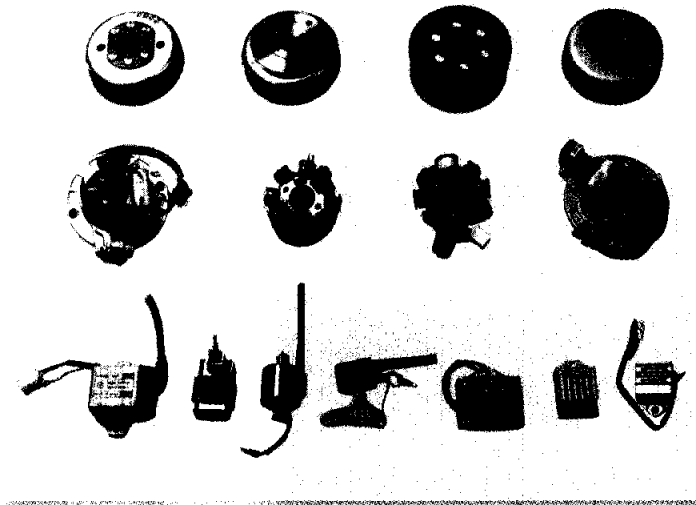
INDIA NIPPON ELECTRICALS LIMITED

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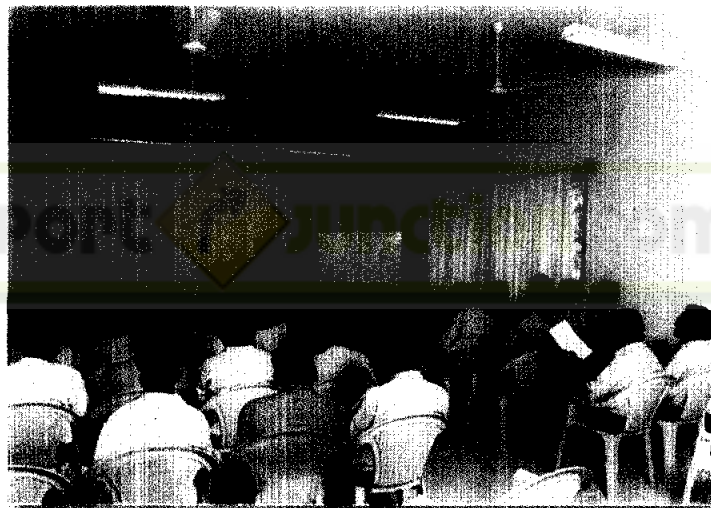
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P. S. ACHAR
SECRETARY.

**16th ANNUAL REPORT
2000-2001**



Blend of Technology and Quality



Enhancing skills to rise upto the challenges



INDIA NIPPON ELECTRICALS LIMITED

BOARD OF DIRECTORS

CHAIRMAN

T K BALAJI

DIRECTORS

R D FLINT

A TERASAKI

N OGASAWARA

GOPAL SRINIVASAN

S S SUNDHARESAN

K SESHADRI

K R ANANDAKUMARAN NAIR

K N RAMASWAMI (WHOLE TIME DIRECTOR)

SECRETARY

P S ACHAR

AUDITORS

M/S.BRAHMAYYA & CO

156 THAMBU CHETTY STREET

CHENNAI 600 001

BANKERS

BANK OF BARODA

CHENNAI 600 002

REGISTERED OFFICE

AALIM CENTRE

82 DR. RADHAKRISHNAN SALAI

MYLAPORE

CHENNAI 600 004

FACTORY

1. HOSUR -THALI ROAD

ULIVEERANAPALLI 635 114

DENKANIKOTTA TALUK

DHARMAPURI DISTRICT

TAMILNADU

2. MADUKARAI ROAD

KARIAMANICKAM

NETTAPAKKAM COMMUNE

PONDICHERRY 605 106

3. MASANI VILLAGE

REWARI DISTRICT

HARYANA 122 106

Listing of Shares with :

Madras Stock Exchange Ltd., Chennai

National Stock Exchange of India Ltd., Mumbai

The Stock Exchange, Mumbai

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INDIA NIPPON ELECTRICALS LIMITED

FINANCIAL HIGHLIGHTS OF TEN YEARS PERFORMANCE

Figs. in Rs. lacs

S. No.	Description	Year ended 31st March									
		1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Profit and Loss Account											
1.	Sales (including Excise duty)	1405	1671	2168	3084	4828	6602	7108	8507	9797	11130
2.	Other income	19	33	40	65	94	87	96	192	248	344
3.	Total income (1+2)	1424	1704	2208	3149	4922	6689	7204	8699	10045	11474
4.	Gross Profit before interest, depreciation and tax	209	286	370	514	764	1365	1470	1754	2165	2411
5.	Depreciation	27	67	62	55	78	225	225	211	240	291
6.	Profit before interest and tax	182	219	308	459	687	1140	1245	1543	1925	2120
7.	Interest & finance charges	39	31	15	29	43	35	16	18	13	24
8.	Profit before tax	143	188	293	430	643	1105	1229	1525	1912	2096
9.	Profit after tax	100	109	200	300	413	675	753	909	1191	1386
Balance Sheet											
10.	Net Fixed Assets (including revaluation reserves)	115	324	303	373	594	609	1111	1092	1211	1391
11.	Investments	0	86	212	270	202	206	301	700	2182	2619
12.	Net Current Assets	449	433	454	512	792	1187	1464	1848	1118	1393
13.	Total (10+11+12)	564	843	969	1155	1588	2002	2876	3640	4511	5403
14.	Share Capital	132	132	198	198	198	198	198	515	515	515
15.	Reserves & Surplus	166	482	562	791	1133	1699	2562	2808	3599	4539
16.	Net Worth (14+15) (including revaluation reserves)	298	614	760	989	1331	1897	2760	3323	4114	5054
17.	Loan funds	266	229	209	166	257	105	116	317	397	349
18.	Total (16+17)	564	843	969	1155	1588	2002	2876	3640	4511	5403
19.	Return on Net Worth (%) (excluding revaluation reserves)	33	28	38	39	37	40	33	32	33	30
20.	Return on Capital Employed (%) (excluding revaluation reserves)	32	36	42	49	50	64	52	48	47	49
21.	Earning per share (Rs.)	8	8	10	15	21	34	38	18	23	27
22.	Dividend per share (Rs.)	2.5	3	3	3.5	4	5	6	6	7	8.5
23.	Book value of share (Rs.) (excluding revaluation reserves)	23	29	27	39	56	84	116	56	71	89
24.	Fixed Assets turnover (No.of times)	12	5	7	8	8	11	6	8	8	8
25.	Working Capital turnover (No.of times)	3	4	5	6	6	6	5	5	9	8
26.	Gross profit as % of total income	15	17	17	16	16	20	20	20	22	21
27.	Net profit as % of total income	7	6	9	10	8	10	10	10	12	12

NB : Fixed assets revalued March '93, Rs.230.71 lacs, March '98 Rs.233.31 lacs. Share Capital raised from Rs.1.32 crores to Rs.1.98 crores during November '93 and subsequently to Rs.5.15 crores during March '99 consequent to issue of bonus shares.



REQUEST TO MEMBERS

Proxies should be lodged with the Company 48 hours before the commencement of the Meeting.

You are requested to bring your copy of Annual Report to the Meeting.

Please bring the admission slip with you, duly filled in, and hand over the same at the entrance of the Meeting Hall.

Please be in your seat in the Meeting Hall before the scheduled time fixed for the Annual General Meeting to avoid interruptions to the proceedings. Please also avoid being accompanied by children or non-members.

In case there is any correction/change in your address registered with us, may we request you to intimate our Registered Office at 'AALIM Centre', 82, Dr.Radhakrishnan Salai, Mylapore, Chennai - 600 004 to enable us to update our records.

Please quote your Folio number in all your correspondence with the Company.



INDIA NIPPON ELECTRICALS LIMITED**NOTICE TO SHAREHOLDERS**

Notice is hereby given that the sixteenth Annual General Meeting of the Shareholders of the Company will be held at Kasturi Srinivasan Hall (Music Academy Annexe), 306, TTK Road, Chennai-600 014 on Thursday, the 23rd August 2001 at 10 A.M. to transact the following business :

ORDINARY BUSINESS**1. Adoption of audited accounts for the year ended 31.03.2001 and the Directors' and Auditors' report.**

To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

Resolved that the audited Balance Sheet as at 31st March, 2001 and the Profit and Loss account of the Company for the year ended on that date, together with the Directors' report and the Auditors' report thereon as presented to the meeting be and are hereby approved and adopted.

2. Declaration of dividend

To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

Resolved that pursuant to the recommendation of the Directors, a dividend of Rupees 8.50 per share absorbing a sum of Rupees 403.95 lacs be and is hereby declared on 4752400 Equity shares of Rs.10/- each fully paid up (Post Buy-back share capital). Further resolved that the above dividend be paid to those shareholders whose names appear in the Company's register of members as on 23.08.2001.

3. To elect a Director in the place of Mr. R D Flint

To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

Resolved that Mr.R D Flint, who retires by rotation and being eligible for re-appointment, be and is hereby appointed as a Director of the Company.

4. To elect a Director in the place of Mr. K Seshadri

To consider and if though fit, to pass with or without modification, the following resolution as an ordinary resolution:

Resolved that Mr. K Seshadri, who retires by rotation and being eligible for re-appointment, be and is hereby appointed as a Director of the Company.



5. To appoint Auditors and fix their remuneration

To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

Resolved that the retiring Auditors M/s.Brahmayya & Co., Chartered Accountants be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors of the Company in addition to travelling and other out-of-pocket expenses actually incurred by them in connection with audit, and fees if any, for the professional services rendered by them in any other capacity from time to time.

By order of the Board

Chennai
23rd July 2001.

P S ACHAR
Secretary.

NOTE :

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. The instrument appointing proxy and the power of attorney or other authority, if any, under which it is signed or notariially certified copy of that power of authority should be deposited at the registered office of the Company not later than 48 hours before the time fixed for holding the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 20th August 2001 to 23rd August 2001 (both days inclusive).

INDIA NIPPON ELECTRICALS LIMITED**DIRECTORS' REPORT TO SHAREHOLDERS**

Your Directors have pleasure in presenting the sixteenth Annual Report and the Audited Accounts for the year ended 31st March, 2001.

1. Financial Highlights

	(Figs. in Rs. Lacs)	
	Current Year	Previous Year
Sales (including Excise Duty)	11130	9797
Profits from operations before depreciation and finance charges	2067	1918
Other Income	344	248
Less :		
Depreciation	291	241
Finance Charges	24	13
	<u>315</u>	<u>254</u>
Profit before Tax	2096	1912
Balance brought forward from previous year	400	229
Transfer from investment allowance reserve	2	30
	<u>2498</u>	<u>2171</u>
Provision for Taxation	710	721
	<u>1788</u>	<u>1450</u>
Dividend	404	360
Provision for dividend tax	41	40
Transfer to General Reserve	900	650
Balance carried forward to next year	<u>443</u>	<u>400</u>

2. Performance Review

During the period under review, the motorcycle segment grew by 20% whereas the scooter and moped segments registered negative growth of 28% and 5% respectively. The three wheeler segment had a marginal growth of 2.5%. Despite this, the performance of your Company during the year 2000-01 with a sales turnover of Rs.111.30 crores (inclusive of excise duty) showing an increase of 13.6% over the previous year should be considered as satisfactory. The profit before tax registered an increase of 9.6% over the previous year.

It is a matter of satisfaction that the unit at Pondicherry supplying products mainly to manufacturers of 3 wheeler diesel vehicles and mopeds, recorded a sales of Rs.8 crores and is able to operate viably. The new unit at Rewari, Haryana commenced supplies to Hero Honda in January, 2001.

Your Directors are happy to report that during the period under review, the efforts of your Company continued for introduction of new products such as digital DC-CDI used in 'Fiero' model and FWM, digital AC-CDI, Ignition coil, Regulator/Rectifier unit used in 'Victor' model motorcycle manufactured by TVS-Suzuki, FWM, Ignition coil and Regulator Rectifier for 'Eliminator' model motorcycle of Bajaj Auto, FWM, Regulator for 3 wheeler of Greaves and FWM, Regulator/Rectifier for 'Activa' model scooter manufactured by Honda Motorcycles & Scooters India Ltd. It is expected that digital CDI will be fitted on all 4 stroke motorcycles manufactured in the future.



3. R & D and New Products/Technology

Your Directors are aware that vehicle manufacturers are continuously upgrading engines to satisfy both customers and Government regulations on environmental norms. Your Company is therefore pursuing a policy of judicious investments for new product development and production technology keeping these considerations in mind.

In the context of price reductions being demanded by vehicle manufacturers, variety reduction and value engineering have become prime considerations. With the strong in-house R&D, your Company's efforts are directed towards achieving these objectives. During the period under review, significant activities related to development of value engineered integral CDI and Ignition Coil for motorcycle and moped applications and multipole variety of Fly Wheel Magnetos, AC-CDI with throttle control feature.

4. Prospects

The two wheeler industry is going through a radical change. Customers are purchasing motorcycles in preference to scooters or mopeds. The motorcycle sales in the year 2000-01 showed a growth of 20% compared to same period in the previous year, whereas, scooter sales slumped by 28%.

Intense competition in the two wheeler industry has led to a situation where all customers are demanding price reduction. In addition, a couple of new companies making similar products as your Company, sponsored or supported by major vehicle manufacturers, have entered the field. Moreover, some vehicle manufacturers are contemplating import of engines and parts from China as to gain cost advantage to the extent of 20% to 25% compared to prices of Indian companies. In order to meet these changes in market situation, your Company is focusing on cost reduction through global sourcing and innovative new products introduction.

Your Company has therefore been working for gaining additional share of business with major vehicle manufacturers by offering price advantage to them. Your Directors are happy to mention that new business with Honda motorcycle and scooter Company, who have recently launched scooter to the market has been secured.

Your Directors feel that business in the future will continue to be highly competitive. Success will therefore depend on introduction of new products with quick response to changes by way of just in time supplies, maintaining high quality at reasonable prices to customers.

Your Directors are fully aware of the fact that employee participation in the improvement of the business is essential. Several training programmes were organised on skill upgradation, managing change, achieving excellence and for improving the quality of personnel in general. Continuous training and development of the human resource is essential for the continued growth of the Company.

5. Dividend

Your Directors recommend a dividend of Rs.8.50 per share (tax free) for the year ended 31.03.2001 absorbing an amount of Rs.445 lacs including tax on dividend. The dividend, if approved by the shareholders would be payable to these shareholders whose names appear in the register of members as on 23rd August, 2001.

INDIA NIPPON ELECTRICALS LIMITED

6. Buy-back of shares

Your Directors had made an offer to Buy-back upto 3,95,600 fully paid equity shares of face value Rs.10 each representing 7.68% of the equity share capital of the Company, at Rs.230 per share, through the Tender Offer on proportionate basis.

The Company received valid applications for 12,37,662 shares. In terms of the Letter of offer, 3,95,600 shares representing 31.96% of shares tendered for Buy-back were accepted.

7. IN Investment Limited

The working results of your subsidiary were satisfactory.

8. Public Deposits

The Company has not accepted any deposits under Section 58A of the Companies Act, 1956, read with Companies (acceptance of Deposits) Rules, 1975.

9. Corporate Governance

Your Directors are conscious of the increasing emphasis on good Corporate Governance. SEBI has laid down guidelines relating to Corporate Governance and these are being mandated on the corporate bodies by the Stock Exchanges. Within the financial year 2001-02, but not later than March 31, 2002, your Company has to comply with all the requirements. The following steps have already been pro-actively taken.

1. An Audit Committee has been constituted with three members of the Board under the Chairmanship of Mr.K.Seshadri. It has already met thrice till the date of this report.
2. Key information such as Budget, quarterly/half yearly/annual financial results, etc., are reported and placed before the Board.
3. The Company has a Share Transfer Committee for putting through the share transfers speedily.

The other recommendations will be implemented during the current year.

Your Company took special efforts in disbursing unclaimed dividend to the shareholders by appointing a special agency during the year. Consequent to such efforts, we have settled nearly Rs.1.12 lacs out of unclaimed dividend.

All information relating to Company's affairs including the quarterly results are displayed in the corporate website www.indianippon.com

10. Directors responsibility statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 on the Directors Responsibility Statement, it is hereby confirmed;

- a) That in the preparation of accounts for the financial year ended 31st March, 2001, the applicable accounting standards have been followed.
- b) That the Directors have selected the 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 year under review and of the Profit of the Company, for the year under review.