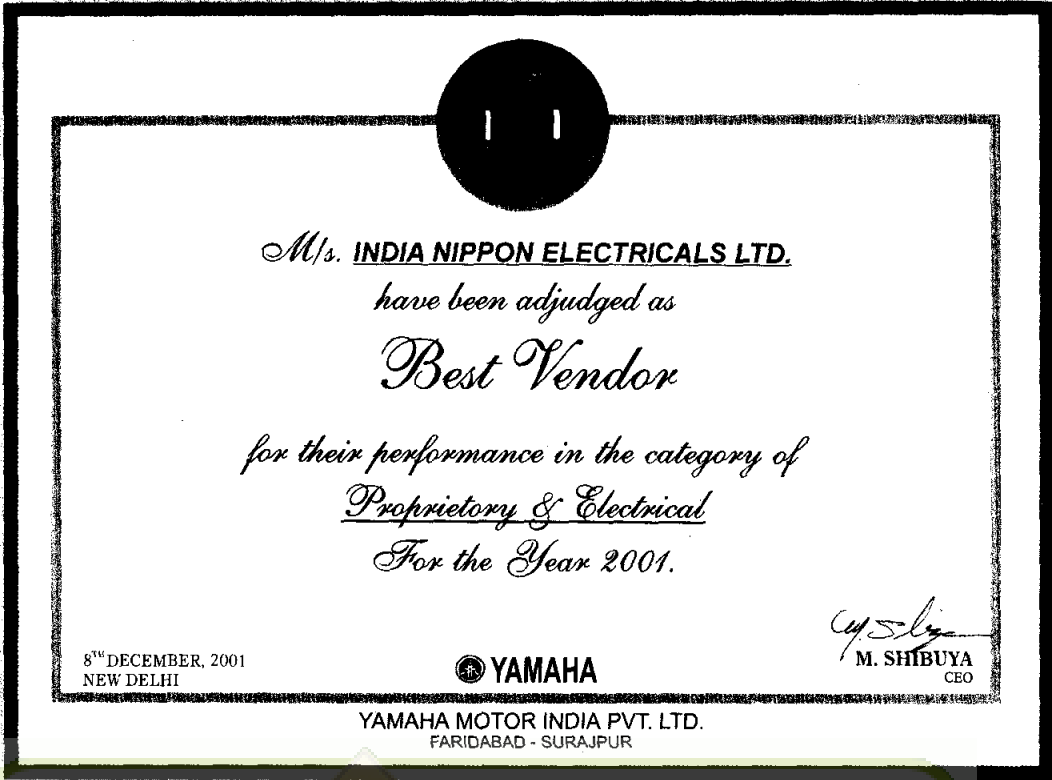




# **INDIA NIPPON ELECTRICALS LIMITED**

Report  junction.com

**17th ANNUAL REPORT  
2001-2002**





## 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 N RAMASWAMI

K R ANANDAKUMARAN NAIR

#### Audit Committee

K SESHADRI

Chairman

S S SUNDHARESAN

K R ANANDAKUMARAN NAIR

#### Investors' Grievance Committee

T K BALAJI

S S SUNDHARESAN

K SESHADRI

#### Secretary

P S ACHAR

#### Auditors

M/s.BRAHMAYYA & CO

156 Thambu Chetty Street

Chennai 600 001

#### Bankers

BANK OF BARODA

Chennai 600 002

#### Listing of Shares with

Madras Stock Exchange Ltd., Chennai

National Stock Exchange of India Ltd., Mumbai

The Stock Exchange, Mumbai

### Registered office

'Aalim Centre'

82 Dr. Radhakrishnan Salai

Mylapore

Chennai 600 004

Ph : 8110063 / 8110074

### Factories

1. Hosur-Thalli Road

Uliveeranapalli 635 114

Denakanikotta Taluk

Dharmapuri District

Tamilnadu

Ph : 04347 - 33432-33438

email : inelhsr@blr.vsnl.net.in

2. Madukarai Road

Kariamanickam

Nettapakkam Commune

Pondicherry 605 106

Ph : 0413 - 699052 / 699402

email : inelpondy@vsnl.net

3. Masani Village

Rewari District

Haryana 122 106

Ph : 01274 - 40860 / 40212

email : inelrewari@indiatimes.com

**Website** : www.indianippon.com

### Subsidiary

In Investment Limited

Chennai.

Contents	Page no.
Financial Highlights	02
Notice to the Shareholders	03
Directors' report to the Shareholders	05
Report on Corporate Governance	10
Management Discussion and Analysis Report	15
Auditors' report to the Shareholders	26
Balance Sheet	28
Profit & Loss Account	29
Schedules	30
Cash Flow Statement	48
Report of the Auditors on the Consolidated Accounts	51
Consolidated Accounts of INEL & In Investment Ltd.	52
Subsidiary Company	67
Financial Highlights (Graphical)	79

## INDIA NIPPON ELECTRICALS LIMITED

## FINANCIAL HIGHLIGHTS OF TEN YEARS PERFORMANCE

Figs. in Rs. lacs

S. No.	Description	Year ended 31st March									
		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Profit and Loss Account</b>											
1.	Sales (including Excise duty)	1671	2168	3084	4829	6602	7108	8507	9797	11130	11779
2.	Other income	33	40	65	94	87	96	192	248	344	276
3.	Total income (1 + 2)	1704	2208	3149	4923	6689	7204	8699	10045	11474	12055
4.	Gross Profit before interest, depreciation and tax	286	370	514	764	1365	1470	1754	2165	2411	2633
5.	Depreciation	67	62	55	78	225	225	211	240	291	283
6.	Profit before interest and tax	219	308	459	686	1140	1245	1543	1925	2120	2350
7.	Interest & finance charges	31	15	29	43	35	16	18	13	24	10
8.	Profit before tax	188	293	430	643	1105	1229	1525	1912	2096	2340
9.	Profit after tax	109	200	300	413	675	753	909	1191	1386	1762
<b>Balance Sheet</b>											
10.	Net Fixed Assets (including revaluation reserves)	324	303	373	594	609	1111	1092	1211	1391	1356
11.	Investments	86	212	270	202	206	301	700	2182	2619	2903
12.	Net Current Assets	433	454	512	792	1187	1464	1848	1118	1393	1666
13.	Total	843	969	1155	1588	2002	2876	3640	4511	5403	5925
14.	Share Capital	132	198	198	198	198	198	515	515	515	475
15.	Reserves & Surplus	482	562	791	1133	1699	2562	2808	3599	4539	5055
16.	Net Worth (including revaluation reserves)	614	760	989	1331	1897	2760	3323	4114	5054	5530
17.	Loan funds	229	209	166	257	105	116	317	397	349	395
18.	Total (16 + 17)	843	969	1155	1588	2002	2876	3640	4511	5403	5925
19.	Return on Net Worth (%) (excluding revaluation reserves)	28	38	39	37	40	33	32	33	30	35
20.	Return on Capital Employed (%) (excluding revaluation reserves)	36	42	49	50	64	52	48	47	43	43
21.	Earning per share (Rs.)	8	10	15	21	34	38	18	23	27	36
22.	Dividend per share (Rs.)	3	3	3.5	4	5	6	6	7	8.5	10
23.	Book value of share (Rs.) (excluding revaluation reserves)	29	27	39	56	84	116	56	71	89	107
24.	Fixed Assets turnover (No. of times)	5	7	8	8	11	6	8	8	8	9
25.	Working Capital turnover (No. of times)	4	5	6	6	6	5	5	9	8	7
26.	Gross profit as % of total income	17	17	16	16	20	20	20	22	21	22
27.	Net profit as % of total income	6	9	10	8	10	10	10	12	12	15

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 on account of issue of bonus shares. Consequent to buyback of 3,95,600 shares, the share capital has been reduced from 51,48,000 to 47,52,400 shares of Rs.10 each with effect from 01.08.2001



## Notice to Shareholders

NOTICE is hereby given that the Seventeenth 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 Friday, the 16th August 2002 at 10.15 A.M. to transact the following business :

### Ordinary Business

#### 1. Adoption of audited accounts for the year ended 31.03.2002 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, 2002 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 10 per share absorbing a sum of Rupees 475.24 lacs be and is hereby declared on 4752400 Equity shares of Rs.10/- each fully paid up. Further resolved that the above dividend be paid to those shareholders whose names appear in the Company's register of members as on 16.08.2002.

#### 3. Election of a Director, liable to retire by rotation

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

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

#### 4. Election of a Director, liable to retire by rotation

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

Resolved that Mr. N Ogasawara, 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  
27.06.2002

**P S ACHAR**  
Secretary

## INDIA NIPPON ELECTRICALS LIMITED

---

### Notes

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy and the proxy need not be a member. The instrument appointing proxy and the power of attorney or other authority, if any, 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 13th August 2002 to 16th August 2002 (both days inclusive).
3. In terms of clause 49 of the Listing Agreement with Stock Exchanges, a brief resume of Directors who are proposed to be appointed/ re-appointed at this meeting is given herewith:

#### *Sl No 3 of the Notice to shareholders*

Mr.S S Sundharesan, Age 78, is a Science graduate and a fellow member of Institute of Chartered Accountants of India, Institute of Cost and Works Accounts of India and Institute of Company Secretaries of India. He has over 50 years of experience in Finance, Company Law and Taxation etc. He retired as Executive Director of Lucas-TVS Ltd., Chennai.

#### *Sl no 4 of the Notice to shareholders*

Mr N Ogasawara, Age 65, is a Bachelor of Mechanical Engineering. He is a nominee Director of Kokusan Denki In the Board of INEL.

Report  junction.com



## Directors' report to shareholders

Your Directors have pleasure in presenting the seventeenth Annual Report and Audited Accounts for the year ended 31st March, 2002.

### 1. FINANCIAL HIGHLIGHTS

	(Figs.in Rs. Lacs)	
	Current Year	Previous
Sales	11,779	11,130
(including Excise Duty)		
Profits from operations before depreciation and finance charges	2,357	2,067
Other Income	276	344
Less:		
Depreciation	283	291
Finance Charges	10	24
	293	315
Profit before Tax	2,340	2,096
Balance brought forward from previous year	443	400
Transfer from investment allowance reserve	-	2
	2,783	2,498
Provision for Taxation (including deferred tax)	578	710
	2,205	1,788
Dividend	475	404
Provision for dividend tax	-	41
Transfer to General Reserve	1,200	900
Balance carried forward to next year	530	443

### 2. PERFORMANCE REVIEW

The year under review witnessed a significant change in the demand pattern of the two wheeler industry namely, the continued surge in the motorcycle demand resulting in a growth of 36%. The moped and scooter segment performed poorly with a decline in demand by 29% and 1% respectively. Taken together, the industry witnessed a growth of 15%.

One of our important customers, TVS Motor Company Limited, launched their indigenously developed 4 stroke motorcycle in the year 2001 to

take advantage of the growing popularity of the 4 stroke vehicles. Your Directors are pleased to report that this vehicle, viz. 'Victor' model which was launched with ignition system developed and supplied by your Company has been received extremely well by the market and this is a good augury as the entire ignition equipment is supplied by your Company.

The two wheeler industry is also witnessing vigorous competitive activity with all the manufacturers vying with each other by launching new models with added features at competitive prices. Towards this objective, they have been continuously seeking cost reductions from suppliers and are encouraging competition in their supply base. Your Company had to respond to this challenge by offering effective solutions at competitive prices. A planned VAVE programme helped the company to meet the cost reduction expectations of the customers.

With the current trend in the demand for motorcycle continuing, your Company is expected to show a more aggressive growth in the year 2002-03 as compared to the modest 5.8% growth in sales during the year 2001-02. Your Directors are happy to report that in the first quarter of the new year your Company has witnessed a growth of 45% compared to just 1.3% during the same period in the previous year.

### 3. R & D AND NEW PRODUCTS / TECHNOLOGY

As the shareholders are aware, your Directors have been placing considerable importance on strengthening the in-house R&D capabilities by making substantial investments in equipment, training staff, etc., all of which have paid rich dividends. Your Directors are pleased to mention that as of date, over 40% of sales comes from products entirely designed and developed by the in-house R&D department. This is expected to grow in the future. The direction of your Company's R&D efforts will be more towards meeting not only the increasing needs for sophisticated technology like digital ignition system but also towards making products at reduced costs.

It is a matter of pride that your Company, being a leader in the manufacture of electronic ignition system, has been able to supply products to nine new model launches by major vehicle

**INDIA NIPPON ELECTRICALS LIMITED**

manufacturers during the year 2001-02. With completion of samples evaluation by the customers for fitment on envisaged new launches, your Directors feel that parts for a similar number will be fitted in the envisaged new launches during 2002-03.

**4. OUTLOOK / PROSPECTS**

In a vast country like India, where transportation requirements are inadequate and industrialisation is taking place at a rapid pace, the two wheeler industry is bound to grow at a healthy rate for many years to come. In the recent past the industry has also witnessed a shift in the preference of both urban and rural populace to buying motorcycle in place of scooter or moped. It is also possible that buying pattern may undergo a change with new launch of 4 stroke scooters providing good mileage and fuel economy, styling and better lighting features.

As shareholders are aware, Hero Honda has emerged as the largest two wheeler manufacturer in the world and every other major vehicle manufacturer is working on reaching similar volumes. With the entry of world renowned manufacturers viz., Piaggio, Italy and Suzuki, Japan and also with the aggressive plans of Bajaj, TVS and Yamaha, the market is becoming one of the most competitive markets in the world.

Your Directors are optimistic about your Company's future and will continue to pursue policies to meet the emerging customer requirements in time. Your Directors are also confident that our R&D strengths will provide cost effective contemporary solutions to meet the demanding requirements of the market. Continuous improvement programmes are in place to achieve gains in costs and quality to meet the challenges of the growing and extremely competitive environment.

With customers located in the northern part of India increasing their production volumes, your Directors have taken steps to expand production capacity at Rewari Unit. It is expected that locations outside Hosur will constitute roughly 35% of the total sales in the coming year.

**5. DIVIDEND**

Your Directors recommend a dividend of Rs.10 per share for the year ended 31st March, 2002 absorbing an amount of Rs.475.24 lacs. It may be noted that this dividend is not tax free as in the past in the hands of the shareholders but forms part of taxable income of the shareholders. The dividend, if approved by the share holders would be payable to those share holders whose names appear in the register of members as on 16th August, 2002.

**6. IN INVESTMENT LTD.**

Consolidated Financial Statements:

In accordance with Accounting Standards 21, Consolidated Financial Statements incorporating the statements of In Investment Ltd, have been prepared on the basis of audited financial statements received from the subsidiary company.

**7. 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.

**8. CORPORATE GOVERNANCE**

A separate report on corporate governance as prescribed by the Listing Agreement on its compliance is given in Annexure III.

**9. 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, 2002, 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.
- c) That 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.

- d) That the Directors have prepared the annual accounts for the year ended 31st March, 2002 on a "going concern" basis.

#### 10. DIRECTORS

M/s. S.S.Sundharesan and N.Ogasawara retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Mr.K.N.Ramaswami having completed his term of appointment as a Wholetime Director has ceased to be a Wholetime Director of the Company effective from 01.04.2002.

As the shareholders may be aware that Mr.K.N. Ramaswami was involved with management of the business right from its start and has played a vital role in the growth of the Company. Your Directors are happy to mention that his rich and valuable experience will continue to be available to the Company as he will continue to be on the Board of your Company.

#### 11. AUDITORS

M/s. Brahmayya & Co., Chartered Accountants, retire at the conclusion of the Annual General Meeting and are eligible for re-appointment.

#### 12. CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE OUTGO AND EARNING

Please refer Annexure-I to the Directors' Report.

#### 13. PARTICULARS OF EMPLOYEES

Particulars of Employees as per Section 217(2A) of the Companies Act, 1956, are given in Annexure II to the Directors' Report.

#### 14. GENERAL

Your Directors regret to inform that Mr.R. Kikuchi, a founder Director of your Company representing Kokusan Denki in the initial years passed away recently in Japan. We wish to place on record the valuable services rendered by him during his tenure.

Your Company has concluded a long term wage settlement with the employees union and the industrial relations continue to be cordial. Your Directors wish to place their appreciation for the good work of all the employees of the company.

Your Company acknowledges the continued support received from Lucas Indian Service Limited, Chennai; Kokusan Denki Co. Ltd, Japan and also wish to thank the Government of Tamil Nadu, Haryana and Pondicherry, Bank of Baroda, UTI Bank and SIPCOT for the assistance rendered by them from time to time.

for and on behalf of the Board of Directors

Chennai  
27.06.2002

**T K BALAJI**  
Chairman

Report  junction.com

INDIA NIPPON ELECTRICALS LIMITED

Annexure I to Directors' report to the shareholders  
Information as required under Section 217 (1) (e) of the Companies Act, 1956 :

1. CONSERVATION OF ENERGY

a) Energy Conservation taken up during the year under review are :

- i) Actions such as installation of Automatic Power factor controller and solar heater have resulted in nearly 7% saving in energy during 2001-02
- ii) Implementation of spot lights and installation of Lighting Energy Saver have contributed to 20% saving in energy used for lighting purpose during 2001-02.

b) Additional investment proposals :

- i) Installation of solar water heaters for manufacturing process where hot water is required and also use of infrared heaters in place of conventional heaters will enhance the energy saving during coming years.

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

a) Specific areas in which R&D is carried out by the Company :

- i) Development of software for intelligent control of engines.
- ii) Designs to aid automation for achieving better reliability.
- iii) Development of new materials and processes for cost reduction.

R&D activities also include development of new products to meet ever increasing customer expectations in better lighting, power output, value engineering, introduction of new technologies, etc. These activities are carried out by our trained engineers.

b) Absorption of technology transferred by collaborators under licensed agreement :

Expenditure on R & D :

	Rs. lacs
Capital	: 63.67
Revenue	: 3.16
Total	: 66.83
Total R & D expenditure as a % of Total Turnover	: 0.57

3. FOREIGN EXCHANGE OUTGO AND EARNINGS :

The foreign exchange outgo and earnings for the Company under review were Rs.734.90 lacs and Rs.23.27 lacs respectively.

For and on behalf of the Board of Directors

Chennai  
27.06.2002

T K BALAJI  
Chairman

