



INDIA NIPPON ELECTRICALS LIMITED



**18th ANNUAL REPORT
2002-2003**



Esteemed Customers



Driving Force for Excellence



INDIA NIPPON ELECTRICALS LIMITED

Board of Directors

Chairman

T K BALAJI

Directors

R D FLINT

A TERASAKI

H NANJO

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

Manager

G MURALI

Secretary

P S ACHAR

Auditors

M/S.BRAHMAYYA & CO

156 Thambu Chetty Street

Chennai 600 001

Bankers

BANK OF BARODA

ICICI BANK LIMITED

UTI BANK LIMITED

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 : 28110063 / 28110074

Factories

1. Hosur-Thalli Road

Uliveeranapalli 635 114

Denkanikotta Taluk

Dharmapuri District - Tamilnadu

Ph : 04347 - 233432-233438

email : inelhsr@blr.vsnl.net.in

2. Madukarai Road

Kariamamickam

Nettapakkam Commune

Pondicherry 605 106

Ph : 0413- 2699052 / 2699402

email : inelpondy@vsnl.net

3. Masani Village

Rewari District, Haryana 122 106

Ph : 01274- 240860 / 240212

email : inelrewari@indiatimes.com

Website : www.indianippon.com

Subsidiary

In Investment Ltd., Chennai

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INDIA NIPPON ELECTRICALS LIMITED

FINANCIAL HIGHLIGHTS OF TEN YEARS PERFORMANCE

figs. in Rs. lacs

Description	Year ended 31st March									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Profit and Loss Account										
1. Sales (including Excise duty)	2168	3084	4829	6602	7108	8507	9797	11130	11779	16902
2. Other income	40	65	94	87	96	192	248	344	276	459
3. Total income (1+2)	2208	3149	4923	6689	7204	8699	10045	11474	12055	17361
4. Gross Profit before interest, depreciation and tax	370	514	764	1365	1470	1754	2165	2411	2633	4103
5. Depreciation	62	55	78	225	225	211	240	291	283	327
6. Profit before interest and tax	308	459	686	1140	1245	1543	1925	2120	2350	3776
7. Interest & finance charges	15	29	43	35	16	18	13	24	10	39
8. Profit before tax	293	430	643	1105	1229	1525	1912	2096	2340	3737
9. Profit after tax	200	300	413	675	753	909	1191	1386	1762	2770
Balance Sheet										
10. Net Fixed Assets (including revaluation reserves)	303	373	594	609	1111	1092	1211	1391	1356	1905
11. Investments	212	270	202	206	301	700	2182	2619	2903	4674
12. Net Current Assets	454	512	792	1187	1464	1848	1118	1393	1668	1330
13. Total (10+11+12)	969	1155	1588	2002	2876	3640	4511	5403	5925	7909
14. Share Capital	198	198	198	198	198	515	515	515	475	808
15. Reserves & Surplus	562	791	1133	1699	2562	2808	3599	4539	5055	6718
16. Net Worth (14+15) (including revaluation reserve)	760	989	1331	1897	2760	3323	4114	5054	5530	7526
17. Loan funds	209	166	257	105	116	317	397	349	395	383
18. Total (16+17)	969	1155	1588	2002	2876	3640	4511	5403	5925	7909
19. Return on Net Worth (%) (excluding revaluation reserves)	38	39	37	40	33	32	33	30	35	39
20. Return on Capital Employed (%) (excluding revaluation reserves)	42	49	50	64	52	48	47	43	43	51
21. Earning per share (Rs.)	10	15	21	34	38	18	23	27	22	34
22. Dividend per share (Rs.)	3	3.5	4	5	6	6	7	8.5	10	8.5
23. Book value per share (Rs.) (excluding revaluation reserves)	27	39	56	84	116	56	71	89	107	88
24. Fixed Assets turnover (No. of times)	7	8	8	11	6	8	8	8	9	9
25. Working Capital turnover (No. of times)	5	6	6	6	5	5	9	8	7	13
26. Gross profit as % of total income	17	16	16	20	20	20	22	21	22	24
27. Net profit as % of total income	9	10	8	10	10	10	12	12	16	16

NB : Fixed assets were revalued March '93-Rs.230.71 lacs, March '98-Rs.253.31 lacs. Share Capital raised from Rs.4.75 crores to Rs.8.08 crores following the allotment of Bonus shares during December 2002. EPS recomputed for the previous year in accordance with the Accounting Standard 20.



Notice to Shareholders

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Shareholders of the Company will be held on Thursday the 14th August 2003 at Kasturi Srinivasan Hall (Music Academy Annexe) 306, TTK Road, Chennai 600 014 at 10.15 A.M.

Ordinary Business

1. Adoption of audited accounts for the year ended 31.03.2003 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, 2003 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 (Tax free) absorbing a sum of Rupees 686.72 lacs be and is hereby declared on 80,79,080 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 14.08.2003.

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.Gopal Srinivasan 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.K R Anandakumaran Nair, 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.

Special Business

6. Appointment of Mr.G Murali as Manager

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

THAT Subject to the provisions of Section 269 and other applicable provisions of the Companies Act, 1956 read with schedule XIII to the Companies Act, Mr.G Murali be and is hereby appointed as Manager of the Company for a period of five years from 1st April 2003 and he shall work under the overall supervision and directions of the Board of Directors and his duties will be handling of day to day affairs of the Company which include appointment of employees, operating of bank accounts, signing of cheques, pro notes and reporting the activities of the Company regularly to the Board and discharge various duties, the Board may delegate to him from time to time.

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THAT subject to the limits contained in sections 198 and 309 of the Companies Act, 1956, read with part II of Schedule XIII, the remuneration by way of salary and allowance will comprise the following:

	Rs. per month
i. Basic Salary	62,000
ii. House rent allowance	31,000
iii. Other allowances	32,000

THAT in addition to the above remuneration, Mr.G Murali will also be entitled to the following perquisites.

	Rs. per month
i. Gas and Electricity	2,000
ii. Subscription to Books and Periodicals	2,500
iii. Leave travel Assistance	8,000
iv. Club Subscription	At actual (one)
v. Premium on Personal accident Insurance	At actual
vi. Premium for medical expenses for self and family	At actual

THAT Mr.G Murali is entitled to Company's contribution to provident fund, gratuity and encashment of unavailed leave at the end of the tenure as per the rules framed by the Company.

THAT Mr.G Murali will also be provided with company's car for official duties and telephone at residence (including payment for local and long distance official calls) which shall not be included in the computation of perquisites.

THAT in the event of loss or inadequacy of profits for any financial year, the Board of Directors shall revise the remuneration payable to the Manager during such financial year in such manner as agreed to between the Board of Directors and the Manager and such remuneration shall be within the limits prescribed in this behalf under schedule XIII to the Companies Act, 1956.

THAT the Manager be entitled to reimbursement of all actual expenses, including travelling, entertainment and other out of pocket expenses incurred in the course of the Company's business.

THAT the Board of Directors of the Company to have the authority to vary or increase or enhance the remuneration and perquisites to be granted and paid to Mr.G Murali on an annual basis in accordance with the provisions relating to payment of managerial remuneration, and to vary/modify/amend any of the terms and conditions to bring them in conformity with the applicable provisions of the Companies Act, 1956 as may be amended from time to time.

7. Commission to Directors

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

Resolved that having regard to the provisions of Article 118(b) (ii) of the Articles of Association of the Company and sub section 4 of Section 309 of the Companies Act, 1956, subject to such approvals as may be necessary, the Board of Directors of the Company be authorised at its discretion, to pay as necessary, a sum not exceeding 1% of the net profits of the company computed in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 to the Directors of the Company (other than Managing / whole time Directors if any) in such amounts or proportions and in such manner and in all respects as may be decided by the Board of Directors and that the Board be authorised to make at its discretion such payment in respect of the profits of the Company for each year for a period of five years commencing 1st April 2003.

By order of the Board

Chennai
19th June 2003

P S Achar
Secretary



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 11th to 14th August 2003 (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 below :
4. Consequent to the amendment to section 205A read with section 205C of the Companies Act, 1956, dividend declared for the year ended 31.03.1996 and remaining unclaimed as on 1st October 2003 will be transferred to the Investors Education and Protection Fund on 1st October 2003. Dividends declared by the company in the subsequent years, which remain unclaimed for a period of 7 years will be transferred to the Investors Education and Protection Fund on due dates. Members who have not encashed their dividend warrants are requested to make their claims with the company by surrendering the unencashed dividend warrants immediately.

Sl. No. 3 of the Notice to shareholders

Mr. Gopal Srinivasdn (Age 44) is a commerce graduate from Loyola College, Chennai and is a Master of Business Administration (Industrial and Business Administration) from the University of Michigan, Ann Arbor, USA. He was co-opted as a director by the Board on 28.07.1986.

He was the president of Manufacturer's Association for Information Technology and has been representing IT industry in the country and negotiating with the Government of India on its policies. He is also a member of the panel on development, manufacture and export of IT hardware constituted under the National Task Force on Information Technology and Software Development constituted under the authority of

the office of the Prime Minister and a member of the State Level Information Technology Task Force headed by the Chief Minister of Tamil Nadu. He is a member of the small group set up by the Commerce and Industry Minister, Government of India to suggest policy and procedural changes to bring about a quantum jump in the export of electronic hardware.

He is Director in the following companies viz., TVS Finance and Services Ltd (Chairman), TVS Investments Limited (Chairman), Harita Infoserve Limited, (Chairman), Sundaram Clayton Limited (JMD), TVS Electronics Limited (Whole-time Director), TVS Motor Company Limited, ICICI Venture Funds Management Company Limited, Lucas-TVS Limited, India Japan Lighting Pvt. Limited, Sundaram Industries Limited, T V Sundram Iyengar & Sons Limited, Harita Infoserve Inc. USA, Harita Electronics Private Ltd and Vidhar Fabricators and Engineering Pvt. Ltd.

Sl.No. 4 of the Notice to shareholders

Mr. K R Anandakumaran Nair (Age 63), is a graduate from Kerala University and a M.Tech from IIT, Mumbai. He was co-opted as a Director by the Board on 1st April 1999. He served for 14 years in BEST & CROMPTON. He was responsible for building up an excellent research team that worked on multidiscipline areas like, microprocessor based controls, power electronics, actuators and hydraulic machinery in Best & Crompton.

Currently he is the Executive Director-Development of LUCAS-TVS and is responsible for all product and manufacturing process developments as well as for a large special purpose machinery division.

He is also a Director in INDIA JAPAN LIGHTING PVT. LTD.

He has spent the last 35 years in managing technology development and product development.

He is keenly interested in computer aided engineering and Product Life Cycle management. His special interests are CAD/CAM, Design automation, Technology innovation management, Automobile electronics and creativity.

INDIA NIPPON ELECTRICALS LIMITED**Explanatory Note under Section 173(2) of the Companies Act****Item no. 6 of the notice**

As per Section 269 of the Companies Act, 1956 read with Rule 10A, a Company with a paid up Share Capital of Rs.5 Crores or above shall have a Managing Director or a Whole Time Director or a Manager.

Consequent to the allotment of Bonus Shares for a face value of Rs.332.67 lacs, the paid up capital of the Company has gone up to Rs.807.91 lacs.

The Board appointed Mr.G Murali as Manager of the Company at a meeting held on 30.01.03 subject to the provisions of the Companies Act, with effect from 01.04.03 for a period of 5 years at a remuneration, which does not exceed the limits prescribed in Schedule XIII to the Companies Act.

Mr.G Murali (Age 53) has the following qualifications :

BE (Mechanical)

Previous experience

Name of the Company	Position held	No.of years of service
Lucas-TVS Ltd.	Vice President (O)	26

The resolution set out under item 6 of the notice is recommended for adoption by the members.

Item no. 7 of the notice

At the EGM held on 21.01.1999, shareholders approved a proposal of payment of commission not exceeding 2% of the net profits of the company to the non-whole time directors of the company for a period of 5 years. The validity of the above resolution expired on 31.03.2003.

With the formation of various committees of Directors under corporate governance, the role and responsibilities of non-whole time Directors have considerably increased and they have been devoting time and attention for improving the operations of the company. Hence, it is considered desirable and necessary to pay remuneration by way of commission to the non-whole time Directors.

Section 309(4) of the Companies Act, provides that in the case of the Directors (other than Managing Director or whole time Director) the company may by special resolution authorise payment of commission.

The above proposal was approved by the Board, at the meeting held on 19.06.2003.

The Directors of the Company may be deemed to be interested in the resolution to the extent of commission payable to them.

The resolution is recommended for the approval of the Shareholders.



Directors' Report to Shareholders

Your Directors have pleasure in presenting the eighteenth Annual Report and Audited Accounts for the year ended 31st March, 2003.

1. FINANCIAL HIGHLIGHTS

	(Figs. in Rs. Lacs)	
	Current Year	Previous Year
Sales (including Excise Duty)	16,902	11,779
Profits from operations before depreciation and finance charges	3,644	2,357
Other Income	459	276
Less:		
Depreciation	327	283
Finance charges	39	10
	<u>366</u>	<u>293</u>
Profit before tax	3,737	2,340
Balance brought forward from previous year	530	443
Excess provision for earlier year written back	20	-
	<u>4,287</u>	<u>2,783</u>
Provision for Taxation (including deferred tax)	987	578
	<u>3,300</u>	<u>2,205</u>
Dividend	687	475
Provision for dividend tax	88	-
Transfer to General Reserve	1,800	1,200
Balance carried forward to next year	<u>725</u>	<u>530</u>

2. PERFORMANCE REVIEW

During the year under review, the growth of the two wheeler industry continued at a faster rate of 19.6%. Motorcycle segment showed an impressive growth of 34.7% over the previous year; the scooter and moped showed a declining trend.

Last year your Directors had reported that, with the growth in demand for motorcycles continuing, your company will show a more aggressive growth in the year 2002-03. The performance of the company during the year under review has exceeded the expectations of your Directors with the company achieving sales of Rs.169 crores as compared to Rs.118 crores, registering a rise of 43%. The profit before tax has also recorded a substantial increase of 59% from Rs.23.40 crores to Rs.37.37 crores. Included in this year is an amount of Rs.3.17 crores being the profit on sale of certain mutual fund investments and this has also given a boost to the profit of the year.

With intense competition amongst vehicle manufacturers, new model launches have taken place at frequent intervals. Being alive to this situation and with pro-active response, your company offered new products during the year to HMSI for their 'Eterno' model scooter and to TVSM for their 4 stroke 'Pep' model scooterette.

Your Directors are happy to report that your company has taken a number of measures to make the operations more cost effective with a view to sustaining its growth in the face of severe competition in the market, necessitating lowering of prices. These steps include new initiatives in sourcing of materials, components at competitive costs, enhancement in productivity by improvements to manufacturing methodology, redesigning of products, etc.

The above trend of new model launches and price reductions are expected to continue in the current year also. Your Directors expect the company to show further growth in 2003-04.

Your Directors are pleased to report that during the year 2002-03 Hosur unit of your Company was awarded a certificate for ISO 14001 by the BVQI. Efforts are in progress to get certification for other units also.

3. R&D AND NEW PRODUCTS

Vehicle manufacturers are launching new models with more efficient engines as well as incorporating additional features like improved lighting, battery

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charging, sensors at appropriate places for monitoring working of the engine. In order to achieve these, they are demanding from vendors, products of sophisticated designs.

Efforts are continued to strengthen the R&D capabilities to bring out innovative and cost effective products. Further, focussed attention is being laid on investment for state-of-the-art equipment and facilities for designing, developing and testing purposes.

4. OUTLOOK

As per the survey of a leading global consultancy firm, the two wheeler industry will be the fastest growing segment of the Indian Automobile Industry. Sale will receive a boost from cuts in excise duty, new model launches, higher disposable income and a changing consumer mind set. The projections made by some captains of the two wheeler industry also suggest that the rate of growth of the industry will continue around 15% per year, with motorcycles continuing to lead.

Innovative and technologically superior products to exacting quality standards at specified target prices are demanded by all the customers. Your Company has taken steps to offer such products to major customers which are expected to materialise into an additional revenue of Rs.15 crores during the year 2003-04.

For meeting with the growing demand of customers, your company will be augmenting its production capacity in all the three units and the investment in the year 2003-04 is expected to be around Rs.8 crores.

5. DEVELOPMENT OF HUMAN RESOURCES

The company's philosophy continues to pursue development of human resources and making available facilities for acquisition of specialised knowledge by engineers and advanced skills by workmen. In this context several programmes including 'on the job' training at collaborator's company are being organised.

6. PAID UP CAPITAL

During the year under review, a part of the free reserves was capitalised by issuing 3326680 bonus shares of Rs.10 each, raising the paid up capital of the company to Rs.8,07,90,800.

7. DIVIDEND

Your Directors recommend a dividend of Rs.8.50 per share (tax free) for the year ended 31st March, 2003 absorbing an amount of Rs.687 lacs. It may be noted that this dividend will not be taxable in the hands of the shareholders. The dividend if approved by the shareholders would be payable to those shareholders whose names appear in the register of members as on 14.08.2003.

8. 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.

9. 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.

10. CORPORATE GOVERNANCE

A separate report on corporate governance as prescribed by the Listing Agreement and its compliance is given in page nos.14 to 19.

11. 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, 2003, 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.