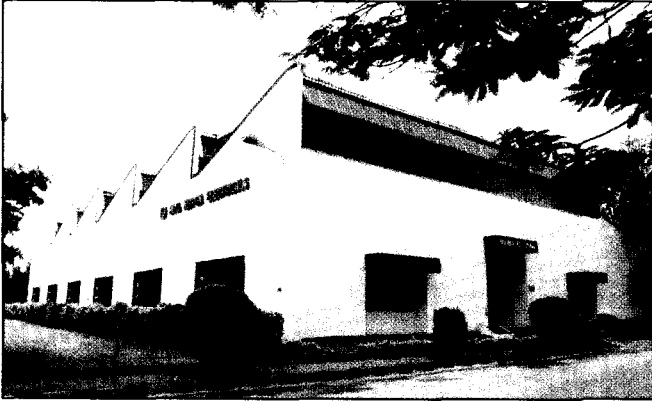




INDIA NIPPON ELECTRICALS LIMITED

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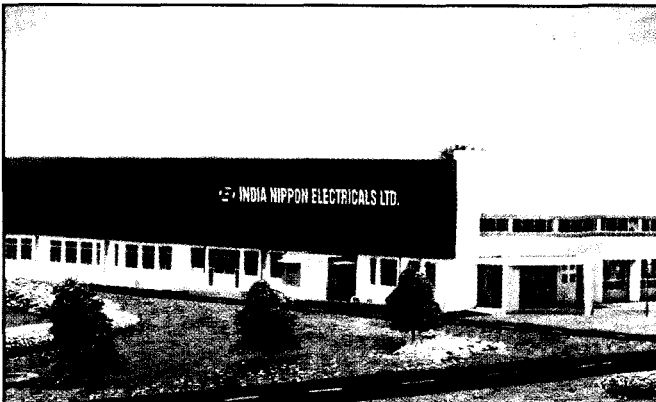
**20th ANNUAL REPORT
2004-2005**



Hosur Plant



Pondicherry Plant



Rewari Plant



INDIA NIPPON ELECTRICALS LIMITED

Board of Directors

Chairman

T K BALAJI

Directors

R D FLINT

A TERASAKI

H NANJO

K SESHADRI

K N RAMASWAMI

K R ANANDAKUMARAN NAIR

K G RAGHAVAN

R VIJAYARAGHAVAN

Audit Committee

K SESHADRI

(Chairman)

K G RAGHAVAN

R VIJAYARAGHAVAN

Investors' Grievance Committee

T K BALAJI

K SESHADRI

R VIJAYARAGHAVAN

Manager

G MURALI

Financial Controller & Secretary

A R RAJAGOPALAN

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

The 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

e mail : inelcorp@inel.co.in

Factories

1. Hosur-Thalli Road

Ulveeranapalli 635 114

Denkanikotta Taluk

Krishnagiri District - Tamilnadu

Ph : 04347 - 233432 - 233438

email : inelhsr@inel.co.in

2. Madukarai Road

Kariamanickam

Nettapakkam Commune

Pondicherry 605 106

Ph : 0413 - 2699052 / 2699402

email : inelpondy@inel.co.in

3. Masani Village

Rewari District, Haryana 122 106

Ph : 01274 - 240860 / 240212

email : inelrewari@inel.co.in

Website : www.indianippon.com

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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									
		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Profit and Loss Account											
1.	Sales (including Excise duty)	4829	6602	7108	8507	9797	11130	11779	16902	17346	17509
2.	Other income	94	87	96	192	248	344	276	459	608	271
3.	Total income (1 + 2)	4923	6689	7204	8699	10045	11474	12055	17361	17954	17780
4.	Gross Profit before interest depreciation and tax	764	1365	1470	1754	2165	2411	2633	4103	3991	3018
5.	Depreciation	78	225	225	211	240	291	283	327	476	436
6.	Profit before interest & tax	686	1140	1245	1543	1925	2120	2350	3776	3515	2582
7.	Interest	43	35	16	18	13	24	10	39	13	10
8.	Profit before tax	643	1105	1229	1525	1912	2096	2340	3737	3502	2572
9.	Profit after tax	413	675	753	909	1191	1386	1762	2770	2499	1847
Balance Sheet											
10.	Net Fixed Assets (including revaluation)	594	609	1111	1092	1211	1391	1356	1905	2576	2462
11.	Investments	202	206	301	700	2182	2619	2903	4674	5647	6353
12.	Net Current Assets	792	1187	1464	1848	1118	1393	1666	1330	1410	1885
13.	Total (10+11+12)	1588	2002	2876	3640	4511	5403	5925	7909	9633	10700
14.	Share capital	198	198	198	515	515	515	475	808	808	808
15.	Reserves & Surplus	1133	1699	2562	2808	3599	4539	5055	6718	8442	9509
16.	Net Worth (14+15) (including revaluation reserves)	1331	1897	2760	3323	4114	5054	5530	7526	9250	10317
17.	Loan funds	257	105	116	317	397	349	395	383	383	383
18.	Total	1588	2002	2876	3640	4511	5403	5925	7909	9633	10700
19.	Return on Net Worth (%) (excluding revaluation reserves)	37	40	33	32	33	30	35	39	28	19
20.	Return on Capital Employed (%) (excluding revaluation reserves)	50	64	52	48	47	43	43	51	38	25
21.	Earning per share (Rs.)	21	34	38	18	23	27	22	34	31	23
22.	Dividend per share (Rs.)	4	5	6	6	7	8.5	10	8.5	8.5	8.5
23.	Book value per share (Rs.) (excluding revaluation reserves)	56	84	116	56	71	89	107	88	109	122
24.	Fixed Assets Turnover (No.of times)	8	11	6	8	8	8	9	9	7	7
25.	Working Capital Turnover (No.of times)	6	6	5	5	9	8	7	13	12	9
26.	Gross profit as % of total income	16	20	20	20	22	21	22	24	22	17
27.	Net profit as % of total income	8	10	10	10	12	12	15	16	14	10

NB : Fixed assets revalued in March '93 - Rs.230.71 lacs, in March '98 - Rs.233.30 lacs. Share Capital raised from Rs.4.75 crores to Rs.8.08 crores following the allotment of bonus shares during December 2002.



Notice to the Shareholders

NOTICE is hereby given that the Twentieth Annual General Meeting of the Shareholders of the Company will be held on Monday, the 5th September, 2005 at Kasturi Srinivasan Hall (Music Academy Annexe) 306, TTK Road, Chennai 600 014 at 10.15 AM.

Ordinary Business

1. Adoption of audited accounts for the year ended 31.03.2005 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 2005 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 Board of Directors, the first interim dividend of Rs.5 per share on 8079080 equity shares of the Company of Rs. 10/- each fully paid, declared by the Board of Directors of the Company on 29.11.2004 and paid on 13.12.2004 and the second interim dividend of Rs.3.50 per share on 8079080 equity shares as aforesaid, declared by the Board of Directors of the Company on 25.03.2005 and paid on 07.04.2005, to those Members whose names appeared in the Register of Members of the Company on such Record Dates as were fixed earlier, absorbing in the aggregate a sum of Rs.686.72 lacs (excluding dividend tax of Rs.89.75 lacs paid), be and are deemed and approved as the final dividend for the year ended 31st March, 2005.

3. 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

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 H Nanjo, be and is hereby appointed as Director of the Company liable for retirement by rotation".

5. 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 G Raghavan, be and is hereby appointed as Director of the Company liable for retirement by rotation".

By order of the Board

Chennai
20th June 2005

A R RAJAGOPALAN
Financial Controller & 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 1st September, 2005 to 5th September, 2005 (both days inclusive)
3. Consequent to the amendment to Section 205A read with 205C of the Companies Act, 1956, dividend declared for the year ended 31.03.1998 and remaining unclaimed as on 22nd October 2005 will be transferred to the Investors Education and Protection Fund on 22nd October, 2005. 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.
4. 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 :

Sl. No.4 of the Notice to Shareholders

Mr Hirotoishi Nanjo (Age 58) is a Director in Kokusan Denki Co Ltd, Japan. He holds a Bachelor degree in Electricals Engineering from Nagoya Institute of Technology, Japan with specialisation in Electrical Engineering . He has been with Kokusan Denki Co. Ltd. for more than 34 years.

Sl. No.5 of the Notice to Shareholders

Shri K G Raghavan (Age 51) is a Partner of M/s Dua Associates with offices at New Delhi, Mumbai, Chennai, Bangalore, Pune and Gurgaon. He holds a Bachelor's Degree in Commerce and a Bachelor of Law Degree from Bangalore University. His areas of specialisation are Corporate and Commercial Law, Arbitration, Intellectual Property Law, Central Excise, Customs, Labour and Constitutional Law and he has represented parties at pleadings before the Supreme Court, High Courts, Company Law Board, MRTP Commission, CEGAT, Consumer Fora and Civil Courts. He is a Director in Karnataka Hybrid Micro Devices Ltd., Bangalore.



Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956.

The following explanatory statement sets out all material facts relating to the special business mentioned in the accompanying notice dated 20th June 2005 and shall be taken as forming part of the notice.

Appointment of Director

Mr H Nanjo was appointed as a Director with effect from 01.09.2002 in the casual vacancy caused by the resignation of Mr N Ogasawara.

The Company has received from a shareholder a Notice under Section 257 of the Companies Act, 1956 intimating his intention to propose the appointment of Mr H Nanjo as a Director of the Company at this meeting and for that purpose to move a resolution set out under item 4 of the Notice.

Interest of Directors

Mr H Nanjo is interested in the resolution relating to his appointment as a Director of the Company.

Appointment of Director

Mr K G Raghavan was appointed as a Director with effect from 25.03.2005 in the casual vacancy caused by the resignation of Mr S S Sundharesan.

The Company has received from a shareholder a Notice under Section 257 of the Companies Act, 1956 intimating his intention to propose the appointment of Mr K G Raghavan as a Director of the Company at this meeting and for that purpose to move a resolution set out under item 5 of the Notice.

Interest of Directors

Mr K G Raghavan is interested in the resolution relating to his appointment as a Director of the Company.

INDIA NIPPON ELECTRICALS LIMITED

Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Twentieth Annual Report and Audited Accounts for the year ended 31st March, 2005.

1. FINANCIAL HIGHLIGHTS

	Rs. Lacs	
	Year ended 31st Mar'05	Year ended 31st Mar'04
Sales		
(including excise duty)	17509	17346
Profits from Operations		
before depreciation		
and finance charges	2747	3383
Other income	271	608
Less: Depreciation	436	476
Finance charges	10	446
	13	489
Profit before tax	2572	3502
Balance brought forward from previous year	800	726
Excess provision for earlier year written back	-	14
	3372	4242
Provision for taxation		
Current tax	732	1030
Deferred tax	(7)	(13)
	2647	3225
Dividend	687	687
Provision for Dividend tax	90	88
Transfer to General Reserve	1050	1650
Balance carried forward to next year	820	800

2. OPERATIONS

The year under review saw the two wheeler industry grow at 16%, with motorcycles at 19.3%, scooters at 5.4%, and mopeds at 4.3%. Your Company's sales during the year, however, showed only a very marginal growth. This was mainly because of the competitive pressures faced by one of its leading customers, the decision taken by another customer to develop sources of supply in house and the price reductions Your Company had offered to all its

principal customers. Your Company also has had to absorb the steep increases in steel and copper prices. In the result, operating profits decreased by Rs.5.93 crores. With interest income also impacted by lower returns due to the downward secular trend in interest rates, profits after tax dropped from Rs.24.85 crores to Rs.18.47 crores. However, the cost pressures arising out of increase in the prices of steel are now showing signs of easing. Your Company's state-of-art facility at their second location at Pondicherry is also now fully operative. The coming year should see a further consolidation of Your Company's position with new businesses from leading customers. The efforts to tap the export market are also beginning to bear fruit. Your Company, therefore, is poised to grow during the years to come.

Your Directors are also alive to the need to bolster the Company's position in the market by meeting customers' expectations in terms of technology and price. Your Directors are confident that the state-of-art technology facility at Pondicherry will meet customers' expectations in this regard. Sales from this Unit have grown from Rs.24 crores last year to Rs.36 crores during the year under review. During the year, Your Company introduced new products for 3 models of TVS Motor Company, a compact new digital integral unit for 4 stroke motorcycles, apart from a digital transistorised controlled ignition unit for Bajaj 3 wheelers and electronic ignition system for LML's Graptor motorcycles.

Industrial relations in all the three plants of Your Company continue to be cordial. The Company continues to maintain its focus on the training and development of employees.

3. DIVIDEND

Your Directors consider that dividends for the year aggregating 85%, declared and paid by Your Company, in line with what was declared last year, are reasonable in spite of reduction in profits in the current year. The dividends would absorb a sum of Rs.686.72 lacs in addition to a dividend distribution tax of 12.5% with surcharge and cess thereon.



4. PUBLIC DEPOSITS

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

5. CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE OUTGO AND EARNINGS

Please refer to Annexure-I to the Directors' Report to the Shareholders.

6. CORPORATE GOVERNANCE

A report on corporate governance prescribed by the Listing Agreement appears as part of this report. Please refer to Annexure-II.

7. 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, 2005 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 financial 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, 2005 on a "going concern" basis.

8. DIRECTORS

There has been a change in the constitution of Board of Directors of Your Company since the

last Annual General Meeting. Shri Gopal Srinivasan and Shri S S Sundharesan have resigned and Shri R Vijayaraghavan and Shri K G Raghavan have been inducted in their places. Your Directors wish to place on record their appreciation of the valuable services rendered by Shri Gopal Srinivasan and Shri S S Sundharesan during their tenure as Director.

Shri K G Raghavan who was appointed as a Director of Your Company in the casual vacancy caused by the resignation of Shri S S Sundharesan vacates his office at the ensuing Annual General Meeting.

Shri H Nanjo who was appointed as a Director in the casual vacancy caused by the resignation of Shri N Ogasawara vacates his office at the ensuing Annual General Meeting.

9. AUDITORS

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

10. PARTICULARS OF EMPLOYEES

No employee has been paid above the limit prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975.

11. GENERAL

Your Directors wish to place on record their appreciation of the good work of all the employees of the Company.

They also acknowledge 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, ICICI Bank Ltd., UTI Bank Ltd. and SIPCOT for the assistance rendered by them from time to time.

For and on behalf of the Board of Directors

Chennai
20th June 2005

T K BALAJI
Chairman

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 measures taken up during the year under review are :**

- i. Installation of Lamps with Electronic ballast for tube lights which saves Energy
- ii. Installation of Compressed air Energy Saver resulting in 5% reduction in running cost of Compressor.
- iii. Installation of Automatic Power Transfer System (ATS) from Mains to Genset and vice-versa resulting in efficient power switch-over preventing overlap losses.

b) Future plans for Energy Conservation :

Installation of Solar Water Heaters in manufacturing process where hot water is used.

Development of these facilities has facilitated the continued recognition of the in-house R&D by Department of Scientific and Industrial Research, Government of India upto 31st March 2008, besides increasing product range capability and enabling material cost savings.

The Company continues to absorb technology from collaborator under a license agreement for purposes of developing new products.

Expenditure on R& D :

	Rs. Lacs
Capital	: 100.20
Revenue	: 112.63
Total of R&D expenditure	: 212.83
% of net turnover	: 1.41%

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

Specific areas in which capabilities have been acquired by R&D are :

- i. Embedded software development capability for Digital Control units to enhance their performance and provide diagnostic features.
- ii. Engine test facility for development of Ignition and Injection control strategies.

3. FOREIGN EXCHANGE OUTGO AND EARNINGS :

The foreign exchange outgo and earnings for the Company under review were Rs.1271.59 lacs and Rs.20.34 lacs respectively.

For and on behalf of the Board of Directors

Chennai
20th June 2005

T K BALAJI
Chairman