



INDIA NIPPON ELECTRICALS LIMITED



**22nd ANNUAL REPORT
2006-2007**



Achievement Award

We acknowledge
with Thanks
the Commendable Performance of
M/s *India Nippon Electricals Ltd*

For Achieving the
Quality & Delivery Targets
for the year 2006-2007



Anupam Mohindroo
General Manager-Purchase



Koji Toyota
Executive Director-Purchase

8th Supplier Convention (20th March 2007)
Honda Motorcycle & Scooter India (P) Ltd.



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

R VIJAYARAGHAVAN
(Chairman)

K SESHADRI

K G RAGHAVAN

Investors' Grievance Committee

T K BALAJI

K SESHADRI

R VIJAYARAGHAVAN

Manager

G MURALI

Financial Controller & Secretary

A R RAJAGOPALAN

Auditors

M/S. BRAHMAYYA & CO

48, Masilamani Road, Balaji Nagar

Royapettah

Chennai 600 014

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

Bombay Stock Exchange Ltd., Mumbai

Registered Office

'Aalim Centre'

82 Dr. Radhakrishnan Salai, Mylapore

Chennai 600 004

Ph : 044 - 28110063 / 28110074

e mail : inelcorp@inel.co.in

Factories

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Uliveeranapalli 635 114

Denkanikotta Taluk, Krishnagiri District - Tamilnadu

Ph : 04347 - 233432 - 233438

email : inelhsr@inel.co.in

2. Madukarai Road

Kariamanickam, Nettappakkam Commune

Puducherry 605 106

Ph : 0413 - 2697801-2697827

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

Contents	Page no.
Financial Highlights	02
Notice to the Shareholders	03
Directors' report to the Shareholders	05
Management Discussion and Analysis Report	10
Report on Corporate Governance	15
Auditors' report to the Members	24
Balance Sheet	28
Profit & Loss Account	29
Schedules	30
Cash Flow Statement	51
Statement in pursuance of Sec.212(1)(e)	53
Consolidated Accounts	55
Annual Report of PT Automotive Systems Indonesia	71
India Nippon Electricals Limited - Financial Highlights (Graphical)	91

INDIA NIPPON ELECTRICALS LIMITED**FINANCIAL HIGHLIGHTS OF TEN YEARS PERFORMANCE**

figs. in Rs. lacs

S.No.	Description	Year ended 31st March									
		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Profit and Loss Account											
1.	Sales (including Excise duty)	7108	8507	9797	11130	11779	16902	17346	17509	16778	16637
2.	Other income	96	192	248	344	276	459	608	243	543	532
3.	Total income (1 + 2)	7204	8699	10045	11474	12055	17361	17954	17752	17321	17169
4.	Gross Profit before interest, depreciation and tax	1470	1754	2165	2411	2633	4103	3991	3018	2885	2550
5.	Depreciation	225	211	240	291	283	327	476	436	428	364
6.	Profit before interest & tax	1245	1543	1925	2120	2350	3776	3515	2582	2457	2186
7.	Interest	16	18	13	24	10	39	13	10	11	18
8.	Profit before tax	1229	1525	1912	2096	2340	3737	3502	2572	2446	2168
9.	Profit after tax	753	909	1191	1386	1762	2770	2499	1847	2025	1845
Balance Sheet											
10.	Net Fixed Assets (including revaluation reserves)	1111	1092	1211	1391	1356	1905	2576	2462	2291	2144
11.	Investments	301	700	2182	2619	2903	4674	5647	6353	7749	8546
12.	Net Current Assets	1464	1848	1118	1393	1666	1330	1410	1885	1994	2469
13.	Total (10+11+12)	2876	3640	4511	5403	5925	7909	9633	10700	12034	13159
14.	Share capital	198	515	515	515	475	808	808	808	808	808
15.	Reserves & Surplus	2562	2808	3599	4539	5055	6718	8442	9509	10843	11995
16.	Net Worth (14+15) (including revaluation reserves)	2760	3323	4114	5054	5530	7526	9250	10317	11651	12803
17.	Loan funds	116	317	397	349	395	383	383	383	383	356
18.	Total	2876	3640	4511	5403	5925	7909	9633	10700	12034	13159
19.	Return on Net Worth (%) (excluding revaluation reserves)	33	32	33	30	35	39	28	19	18	15
20.	Return on Capital Employed (%) (excluding revaluation reserves)	52	48	47	43	43	51	38	25	21	17
21.	Earning per share (Rs.)	38	18	23	27	22	34	31	23	25	23
22.	Dividend per share (Rs.)	6	6	7	8.5	10	8.5	8.5	8.5	7.5	7.5
23.	Book value per share (Rs.) (excluding revaluation reserves)	116	56	71	89	107	88	109	122	139	153
24.	Fixed Assets Turnover (No.of times)	6	8	8	8	9	9	7	7	7	8
25.	Working Capital Turnover (No.of times)	5	5	9	8	7	13	12	9	8	7
26.	Gross profit as % of total income	20	20	22	21	22	24	22	17	17	15
27.	Net profit as % of total income	10	10	12	12	15	16	14	10	12	11
28.	No. of Employees	289	323	330	420	450	485	521	557	618	539
29.	No. of Shareholders	3463	3484	3464	3515	3776	3987	4088	4516	4576	4760

NB : Fixed assets revalued in March '93 - Rs.230.71 lacs, in March'98 - Rs.233.31 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 Shareholders

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Shareholders of the Company will be held on Friday, the 31st August, 2007 at Kasturi Srinivasan Hall [Music Academy Annexe] 168 (Old No.306), T T K Road, Royapettah, Chennai 600 014 at 10 A.M.

Ordinary Business

1. Adoption of audited accounts for the year ended 31.03.2007 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 2007 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 the first interim dividend of Rs.4.50 per share, declared by the Board of Directors of the Company on 29.12.2006 together with the second interim dividend of Rs.3 per share declared by the Board of Directors of the Company on 22.03.2007 on 8079080 equity shares of Rs.10/- each fully paid, absorbing a total sum of Rs.605.93 lacs (excluding dividend tax of Rs.84.98 lacs paid) in the aggregate and paid to the shareholders on 12th January, 2007 and 30th March 2007 respectively, be and are hereby treated as the final dividend for the year ended 31st March, 2007 and recommended to the General Meeting of the Company.

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.

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 R D Flint, 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 Seshadri, be and is hereby appointed as Director of the Company liable for retirement by rotation".

By order of the Board

Chennai
21st June 2007

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 28th August, 2007 to 31st August, 2007 (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 31.03.2000 and remaining unclaimed as on 20th June 2007 were transferred to the Investors Education and Protection Fund on 20th June 2007. 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 R. D. Flint (Age 74) is a science graduate from the University of Aston, and a Diploma holder in Engineering Production from the University of Birmingham. He is a Chartered Engineer and a Fellow of the Institution of Electrical Engineers. He was co-opted as a Director by the Board on 28.07.1986.

Starting his career as a Methods Engineer in Lucas Electricals, UK in 1957, he retired as a Managing Director of Lucas-TVS Ltd, Chennai. He has over 45 years of experience in Methods Engineering, Production Engineering and Manufacturing, out of which 10 years as Managing Director. Currently he is a Director on the Board of Cramlington Precision Forge Ltd., UK.

Sl.No.5 of the Notice to Shareholders

Mr. K Seshadri (Age 73), holds a Post graduate degree in Economics from the University of Madras. He is a fellow Member of the Institute of Chartered Certified Accountants, U.K., Institute of Cost Management Accountants, U.K., Institute of Company Secretaries, U.K., besides being an Associate Member of the Institute of Company Secretaries of India. He has 50 years of experience in Finance, Company Law and Taxation in Government, Public Sector and Private Sector organisations. He was co-opted as a director by the Board on 23.04.1996. He is a Director in Delphi-TVS Diesel Systems Ltd., Hastham Swasthi Pvt. Ltd. and Lucas Indian Service Ltd. and Commissioner in PT Automotive Systems Indonesia.

He is also Chariman of the Audit Committee of Delphi-TVS Diesel Systems Ltd. and Lucas Indian Service Ltd., Chennai.



Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Twenty Second Annual Report and Audited Accounts for the year ended 31st March, 2007.

1. FINANCIAL HIGHLIGHTS

	Rs.Lacs	
Yead ended 31st Mar '07	Year ended 31st Mar '06	
Sales (including excise duty)	16637	16778
Profit from Operations before depreciation and finance charges	2018	2342
Other income	532	543
Less: Depreciation	364	428
Finance charges	18 382	11 439
Profit before tax	2168	2446
Balance brought forward from previous year	1951	820
	4119	3266
Provision for taxation :		
Current tax	320	438
Fringe Benefit tax	18	22
Deferred tax	(26)	(39)
Income Tax for Previous Years	11	-
	3796	2845
Dividend	606	606
Provision for Dividend tax	85	85
Transfer to General Reserve	184	203
Balance carried forward to next year	2921	1951

2. OPERATIONS

The two wheeler industry grew by 12.6% over the previous year. Vehicle manufacturers have been competing intensely to gain market share. In this situation, Tier I suppliers, like Your Company, had to bear unprecedented increase of metal prices such as Copper, Aluminium & Steel which could

not be recouped fully from customers. A change in product mix also resulted in the sales of your Company declining by 1%. A growth of 4% on electronic products was achieved.

Your Company has introduced new products for TVS Motor Apache and Star models. Samples of products for Hero Honda and also for customers in Malaysia & Europe are at an advanced stage of approval. These steps coupled with the TQM initiatives are expected to yield positive results in the ensuing year.

Your Directors are pleased to inform you that your Company was able to secure an order for supply of Electronic Control Unit (ECU) for four wheeler application. This is a positive development as it enlarges the range of your Company's products to four wheeler applications also.

One of your Company's customer is setting up a unit for manufacture of motorcycles in Uttarakhand and has invited your Company also to set up a Unit near their factory in Uttarakhand for taking advantage of various tax incentives. In this regard, your Company has already made an advance payment towards purchase of land and commercial production will start during the course of next year.

The Puducherry plant of Your Company has received the India Manufacturing Excellence Award (Silver) from Frost & Sullivan for the year 2006.

A wage settlement for a four year period from 1st Mar '07 was concluded at the Puducherry Unit. Industrial relations in all the three plants of your Company continue to be cordial.

INDIA NIPPON ELECTRICALS LIMITED

PT Automotive Systems Indonesia :

A subsidiary company called PT Automotive Systems Indonesia was established in Indonesia during the year for manufacture of products for one of its major customers in Indonesia. Due to changed business conditions, your Directors are reviewing the business plan. Consequently, there will be a delay in the implementation.

Others :

Some unscrupulous elements have misused the name of your Company and styled at 'India Nippon Electricals Ltd, Ankleshwar' to claim incentives from the Government. Your Company has taken up the issue with the Government, the Registrar of Companies and the Police for relevant action. The Registrar of Companies, Gujarat has confirmed that no company by that name exists in the State of Gujarat.

3. DIVIDEND

Your Directors recommend a dividend for the year of Rs.7.50 per share. The dividend will absorb a sum of Rs.605.93 lacs besides an outgo on additional dividend distribution tax of Rs.84.98 lacs.

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. PARTICULARS OF EMPLOYEES

Particulars of employees as per Section 217(2A) of the Companies Act, 1956 read with Companies [Particulars of Employees] Rules 1975 are given in Annexure II to Directors' Report to the Shareholders.

7. CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, the Management Discussion and Analysis Report and the Report on Corporate Governance are enclosed as part of this report in Annexure III.

A certificate from the Auditors of Your Company regarding compliance of the conditions of the Corporate Governance as stipulated by Clause 49 of the Listing Agreement is attached to this report.

The certificates required from CEO/CFO are also attached to this report.

8. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions 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, 2007 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, 2007 on a 'going concern' basis.

9. DIRECTORS

Shri R D Flint is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Shri K Seshadri is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

10. AUDITORS

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

11. GENERAL

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

Your Directors also acknowledge the continued support received from Lucas Indian Service Ltd., Chennai, Kokusan Denki Co Ltd., Japan and also wish to thank the Governments of Tamil Nadu, Haryana and Puducherry, 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
21st June 2007

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 :**

Installed T5 lamps in service departments for cost saving.

b) Future Plans for energy Conservation:

An energy audit is planned during the ensuing year for identifying further scope for conservation of energy.

ii. We are in the process of development of sensors to meet future requirements.

Expenditure on R& D :

	Rs. Lacs
Capital	: 20.33
Revenue	: 92.14
	: <u>112.47</u>
% of net turnover	: 0.79 %

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

i. Following new Ignition system developments have been carried out and we are discussing with potential customers for adaptation.

- System to improve startability
- Cost effective small size ignition Coil with enhanced reliability
- New Regulator for improvement in efficiency

3. FOREIGN EXCHANGE OUTGO AND EARNINGS :

The foreign exchange outgo and earnings for the Company for the period under review were Rs.2616 lacs and Rs.36.33 lacs respectively.

For and on behalf of the Board of Directors

Chennai
21st June 2007

T K BALAJI
Chairman