



INDIA NIPPON ELECTRICALS LIMITED

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For INDIA NIPPON ELECTRICALS LTD.**

A.R. RAJAGOPALAN
Financial Controller & Secretary

**23rd ANNUAL REPORT
2007-2008**



GREAVES

SINCE 1859

Greaves Cotton Limited

Light Engines Units

Aurangabad

CERTIFICATE OF APPRECIATION

Greaves Cotton Limited awards

Direct on Line Supplier status to

M/s. India Nippon Electricals Ltd.

for Excellent Performance in

Quality, Cost and Delivery

*for establishing the Systems as specified by the
company during the Period 2007-2008.*

This certificate is valid up to Jan2010

Subject to Agreement Dated 02-02-2008

HOD - QA

HOD - PUR

GGM - MFG



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

AXIS 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

Factorles

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Uliveeranapalli 635 114

Denkanikotta Taluk, Krishnagiri District - Tamilnadu

Ph : 04347 - 233432 - 233438

email : inelhsr@inel.co.in

2. Madukarai Road

Kariamamickam, Nettapakkam 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

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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									
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Profit and Loss Account											
1.	Sales (including Excise duty)	8507	9797	11130	11779	16902	17346	17509	16778	16637	13882
2.	Other income	192	248	344	276	459	608	243	543	532	747
3.	Total income (1 + 2)	8699	10045	11474	12055	17361	17954	17752	17321	17169	14629
4.	Gross Profit before interest, depreciation and tax	1754	2165	2411	2633	4103	3991	3018	2885	2550	2141
5.	Depreciation	211	240	291	283	327	476	436	428	364	326
6.	Profit before interest & tax	1543	1925	2120	2350	3776	3515	2582	2457	2186	1815
7.	Interest	18	13	24	10	39	13	10	11	18	11
8.	Profit before tax	1525	1912	2096	2340	3737	3502	2572	2446	2168	1804
9.	Profit after tax	909	1191	1386	1762	2770	2499	1847	2025	1845	1502
Balance Sheet											
10.	Net Fixed Assets (including revaluation reserves)	1092	1211	1391	1356	1905	2576	2462	2291	2144	1867
11.	Investments	700	2182	2619	2903	4674	5647	6353	7749	8546	9962
12.	Net Current Assets	1848	1118	1393	1666	1330	1410	1885	1994	2469	1951
13.	Total (10+11+12)	3640	4511	5403	5925	7909	9633	10700	12034	13159	13780
14.	Share capital	515	515	515	475	808	808	808	808	808	808
15.	Reserves & Surplus	2808	3599	4539	5055	6718	8442	9509	10843	11995	12818
16.	Net Worth (14+15) (including revaluation reserves)	3323	4114	5054	5530	7526	9250	10317	11651	12803	13626
17.	Loan funds	317	397	349	395	383	383	383	383	356	154
18.	Total	3640	4511	5403	5925	7909	9633	10700	12034	13159	13780
19.	Return on Net Worth (%) (excluding revaluation reserves)	32	33	30	35	39	28	19	18	15	11
20.	Return on Capital Employed (%) (excluding revaluation reserves)	48	47	43	43	51	38	25	21	17	14
21.	Earning per share (Rs.)	18	23	27	22	34	31	23	25	23	19
22.	Dividend per share (Rs.)	6	7	8.5	10	8.5	8.5	8.5	7.5	7.5	7.0
23.	Book value per share (Rs.) (excluding revaluation reserves)	56	71	89	107	88	109	122	139	153	164
24.	Fixed Assets Turnover (No.of times)	8	8	8	9	9	7	7	7	8	7
25.	Working Capital Turnover (No.of times)	5	9	8	7	13	12	9	8	7	7
26.	Gross profit as % of total income	20	22	21	22	24	22	17	17	15	15
27.	Net profit as % of total income	10	12	12	15	16	14	10	12	11	10
28.	No. of Employees	323	330	420	450	485	521	557	618	539	510
29.	No. of Shareholders	3484	3464	3515	3776	3987	4088	4516	4576	4760	4828

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 Third Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 21st August 2008 at Kasturi Srinivasan Hall [Music Academy Annexe] 168 (Old No.306), T T K Road, Royapettah, Chennai 600 014 at 11 A.M.

Ordinary Business

1. Adoption of audited accounts for the year ended 31.03.2008 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 2008 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 25.12.2007 together with the second interim dividend of Rs.2.50 per share declared by the Board of Directors of the Company on 21.03.2008 on 8079080 equity shares of Rs.10/- each fully paid, absorbing a total sum of Rs.565.53 lacs (excluding dividend tax of Rs.96.11 lacs paid) in the aggregate and paid to the shareholders on 8th January 2008 and 31st March 2008 respectively, be and are hereby treated as the final dividend for the year ended 31st March 2008 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 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".

Special Business

6. Re-appointment of Shri G Murali as Manager u/s 269 of the Companies Act 1956 and also to seek approval of the General Body of Shareholders.

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, approval of the Company be and is hereby given for the re-appointment of Shri G Murali as

INDIA NIPPON ELECTRICALS LIMITED

Manager of the Company for a further period of 5 years from 1st April 2008 upto 31st March 2013 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, pronotes 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.

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 :

Sl no.	Description	Effective 01.04.2008 Rs. per month
i.	Basic Salary	95,000
ii.	House rent allowance	47,500
iii.	Other allowances	77,500

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

Sl. no.	Description	Effective 01.04.2008 Rs. per month
i.	Gas and Electricity	19,000
ii.	Subscription to Books and Periodicals	5,000
iii.	Leave Travel Assistance	16,000
iv.	Club Subscription	At actual
v.	Premium on Personal Accident Insurance	At actual
vi.	Premium for medical expenses for self and family	At actual

THAT Mr G Murali will also be paid a lumpsum payment of Rs.2 Lacs.

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 Articles 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 2008.

8. Appointment of Mr Kenji Nakamura as a Director not 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 Kenji Nakamura, be and is hereby appointed as a Director of the Company not liable to retire by rotation".

By Order of the Board

Chennai

A R RAJAGOPALAN

21.06.2008.

Financial Controller & 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 19th August 2008 to 21st August 2008 [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 31.03.2001 and remaining unclaimed as on 28th September 2008 will be transferred to the Investors Education and Protection Fund. 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:

SI No.4 of the Notice to Shareholders

Mr. H Nanjo (age 61) 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 37 years. He does not hold any shares in the Company.

SI No.5 of the Notice to Shareholders

Mr K G Raghavan (age 54) is a partner of Dua Associates with offices at New Delhi, Mumbai, Chennai, Bangalore, Pune and Gurgaon. He holds a Bachelor 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, MRTD Commission, CEGAT Consumer Fora and Civil Courts. He is a director in Karnataka Hybrid Micro Devices Ltd., Bangalore. He does not hold any shares in the Company.

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Explanatory Note under Section 173 (2) of the Companies Act.

The following explanatory statement sets out all material facts relating to the special business mentioned in the accompanying notice dated 21st June 2008 and shall be taken as forming part of the notice.

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 Wholetime Director or a Manager.

The Board appointed Mr G Murali as Manager of the Company at a meeting held on 30.01.2003 subject to the provisions of the Companies Act, with effect from 01.04.2003 for a period of 5 years at a remuneration, which does not exceed the limits prescribed in Schedule XIII to the Companies Act.

That subject to the provisions of Section 269 and other applicable provisions of the Companies Act 1956, Mr G Murali has been re-appointed as Manager of the Company for a further period of 5 years from 1st April 2008 at a remuneration, which does not exceed the limits prescribed in Schedule XIII to the Companies Act.

Mr G Murali (Age 58) has the following qualifications: B.E. (Mechanical)

Previous experience

Name of the Company	Position held	No. of years of service
Lucas-TVS Ltd.	Vice President (O)	35

The resolution set out under item no.6 of the Notice is recommended for adoption by the members.

Item No.7 of the Notice

At the AGM held on 14th August 2003, Shareholders approved a proposal for payment of commission not exceeding 1% of the net profits of the company to the non-wholetime directors of the company for a period of 5 years from 01.04.2003. The validity of the above resolution expired on 31.03.2008.

With the formation of various committees of Directors under corporate governance, the role and responsibilities of non-wholetime 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-wholetime Directors.

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

The above proposal was approved by the Board, at the meeting held on 21st March 2008.

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.

Item No.8 of the Notice

Appointment of Director

Mr Kenji Nakamura, aged 59 years, is a Bachelor of Electrical Engineering from Ibaraki University, Japan. He started his career in April 1973 as a Manager in Hitachi Ltd, Japan and worked till February 2001. He became Vice President and Executive Officer of Japan Servo Co. Ltd, Japan and served from March 2001 till June 2007. He joined Kokusan Denki Co Ltd in July 2007 and now is a General Manager of Gotemba Factory, Kokusan Denki Co Ltd., Japan.

Mr Kenji Nakamura was appointed as a Director (non-retiring) with effect from 1st July 2008 in the place of Mr Akashi Terasaki. Mr Kenji Nakamura is not holding any shares in the company. He is not a director in any other company.

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 Kenji Nakamura as a Director of the Company at this meeting and for that purpose to move a resolution set out under Item 8 of the Notice.

Interest of Director

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

The resolution is recommended for the approval of the Shareholders.



Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Twenty Third Annual Report and Audited Accounts for the year ended 31st March 2008.

1. FINANCIAL HIGHLIGHTS

	Rs.Lacs	
	Year ended 31st Mar '08	Year ended 31st Mar '07
Sales	13882	16637
(including excise duty)		
Profits from Operations before depreciation and finance charges	1394	2018
Other income	747	532
Less: Depreciation	326	364
Finance charges	11 337	18 382
Profits before tax	1804	2168
Balance brought forward from previous year	2921	1951
	<u>4725</u>	<u>4119</u>
Provision for taxation :		
Current tax	280	320
Fringe Benefit tax	19	18
Deferred tax	(43)	(26)
Income Tax for previous years	46	11
	4423	3796
Dividend	566	606
Provision for Dividend tax	96	85
Transfer to General Reserve	150	184
Balance carried forward to next year	<u>3611</u>	<u>2921</u>

2. OPERATIONS

The growth in two and three wheeler industries slowed down during the year to 5.5% compared to 12.6% in the previous year, due predominantly to increase in interest rates and customer resistance. Scooters and mopeds grew at 13% but there was a perceptible drop in the growth of motorcycles, for which a predominant portion of

your Company's products are supplied, to 8.6%. Moreover, customers did not fully recoup the increased metal prices on copper, steel and aluminium. All these factors contributed to the lower profitability of your Company.

New product development efforts were sustained which helped your Company to meet the needs of PT TVSM Indonesia for their Neo motorcycles, TVS Motor for 3 wheelers and Kinetic Engineering for scooters. A new plug top coil has been developed, for which a patent has been obtained. This coil has been offered to a major customer as a cost saving measure. Your Company is working on an electronic unit which is a part of the EMS in four wheelers. Commercial negotiations have been completed and supplies are expected to commence during fourth quarter of the current year. Your Directors continue to attach priority for investment in areas of higher technology, automation and improvement in quality standards.

Substantial efforts made during the year by your Company on the export front resulted in sales of Rs.578 lacs compared to Rs.44 lacs in the previous year.

The Puducherry Unit of your Company received the "Gold Certificate of Merit - India Manufacturing Excellence Awards 2007" from Frost & Sullivan.

An Early Separation Scheme was introduced during the year. So far 17 employees have opted for this scheme.

Industrial relations in all the three units of your Company continue to be cordial.

Uttarakhand Project:

One of the Company's major customers has set up a factory near Haridwar, Uttarkhand which has already gone on stream. They have invited your Company to set up a unit closer to their operation on logistic considerations which your Company is proposing to do. For this purpose, it will be purchasing land in a notified area close to the place where customer is located.

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PT Automotive Systems Indonesia:

PT Automotive Systems Indonesia (PT ASI), a subsidiary of your Company, is yet to start commercial production, as their principal customer is in the process of stabilising its contemplated volumes. Your Directors will take actions for commencing operations at the appropriate time.

Your Company has obtained exemption from the Ministry of Corporate Affairs, New Delhi vide letter no.47/354/2008-CL-III dated 30th May 2008, in terms of Section 212 (8) of the Companies Act, 1956 from attaching the Balance Sheet, Profit and Loss Account of the subsidiary company to the report of the Board of Directors and that of Auditors thereon, with the Company's accounts for the year ended 31st March 2008. A separate balance sheet for PT ASI is not therefore attached with the Annual Report. The annual accounts, reports and other documents of the subsidiary company will be made available to the members and investors at any time upon receipt of a request from them. The annual accounts of the subsidiary company will also be available at the registered office of the company and at the subsidiary company concerned, if any member or investor wishes to inspect them during the business hours of any working day.

3. DIVIDEND

Your Directors recommend a dividend for the year of Rs.7 per share. The dividend will absorb a sum of Rs.565.53 lacs besides an outgo on additional dividend distribution tax of Rs.96.11 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.

In terms of the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Directors' Report (excluding Annexure II) is being sent to all the Shareholders of the Company. Any Shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the Company.

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, 2008 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