



INDIA NIPPON ELECTRICALS LIMITED

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**24th ANNUAL REPORT
2008-2009**

BUREAU VERITAS
Certification



Certificate of Approval

Awarded to

INDIA NIPPON ELECTRICALS LIMITED

Thalli Road, Uliveernapalli,
635 114 - HOSUR, TAMIL NADU - INDIA

Bureau Veritas Certification certify that the Quality Management System of the above organisation
has been audited and found to be in accordance with the requirements of

ISO/TS 16949 - Second edition

and the applicable customer specific requirements

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SCOPE

Design, development and manufacturing

PERMITTED EXCLUSION(S)

None

PRODUCT(S) DELIVERED

AC Generator (Flywheel Magneto, FMA), Electronic Control Unit, Ignition Coil,
Igniter and Regulator/Rectifier Unit.

Date of certification: **09 September 2008**

Date of expiration: **08 September 2011**

LATF Certificate N°: 72095

Bureau Veritas Certification Certificate N°: IND-233163/1

For Bureau Veritas Certification Holding, 2nd Floor, Tower Bridge Court, Tower Bridge Road 224 - 226, London SE1 2TX - United Kingdom





INDIA NIPPON ELECTRICALS LIMITED

Board of Directors

Chairman

TK BALAJI

Directors

R D FLINT

K NAKAMURA

H NANJO

K SESHADRI

K G RAGHAVAN

V BALARAMAN

G CHIDAMBAR

N S MURTHY

Audit Committee

K G RAGHAVAN
(Chairman)

K SESHADRI

V BALARAMAN

G CHIDAMBAR

Investors' Grievance Committee

TK BALAJI
(Chairman)

K SESHADRI

G CHIDAMBAR

Manager

G MURALI

Financial Controller & Secretary

S SAMPATH

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

Factories

1. Hosur-Thalli Road

Uliveeranapalli 635 114

Denkanikotta Taluk, Krishnagiri District - Tamilnadu

Ph : 04347 - 233432 - 233438

email : inelhsr@inel.co.in

2. Madukarai Road

Kariamanickam, Nettapakkam Commune

Puducherry 605 106

Ph : 0413 - 2697801-2697827

3. Masani Village

Rewari District, Haryana 122 106

Ph : 01274 - 240860 / 240212

Website : www.indianippon.com

Contents	Page no.
Financial Highlights	02
Notice to the Shareholders	03
Directors' report to the Shareholders	07
Management Discussion and Analysis Report	11
Report on Corporate Governance	15
Auditors' report to the Members	24
Balance Sheet	28
Profit & Loss Account	29
Schedules	30
Cash Flow Statement	56
Statement pursuant to Sec.212	58
Consolidated Accounts	61
Financial Highlights (Graphical)	83

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

figs. in Rs. lacs

S.No.	Description	Year ended 31st March									
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Profit and Loss Account											
1.	Sales (including Excise duty)	9797	11130	11779	16902	17346	17509	16778	16637	13882	14384
2.	Other income	248	344	276	459	608	243	543	532	732	893
3.	Total income (1+2)	10045	11474	12055	17361	17954	17752	17321	17169	14614	15277
4.	Gross Profit before interest, depreciation and tax	2165	2411	2633	4103	3991	3018	2885	2550	2141	1793
5.	Depreciation	240	291	283	327	476	436	428	364	326	284
6.	Profit before interest & tax	1925	2120	2350	3776	3515	2582	2457	2186	1815	1509
7.	Interest	13	24	10	39	13	10	11	18	11	17
8.	Profit before tax	1912	2096	2340	3737	3502	2572	2446	2168	1804	1492
9.	Profit after tax	1191	1386	1762	2770	2499	1847	2025	1845	1502	1175
Balance Sheet											
10.	Net Fixed Assets (including revaluation reserves)	1211	1391	1356	1905	2576	2462	2291	2144	1867	1798
11.	Investments	2182	2619	2903	4674	5647	6353	7749	8546	9962	7272
12.	Net Current Assets	1118	1393	1666	1330	1410	1885	1994	2469	1951	5221
13.	Total (10+11+12)	4511	5403	5925	7909	9633	10700	12034	13159	13780	14291
14.	Share capital	515	515	475	808	808	808	808	808	808	808
15.	Reserves & Surplus	3599	4539	5055	6718	8442	9509	10843	11995	12818	13425
16.	Net Worth (14+15) (including revaluation reserves)	4114	5054	5530	7526	9250	10317	11651	12803	13626	14233
17.	Loan funds	397	349	395	383	383	383	383	356	154	58
18.	Total	4511	5403	5925	7909	9633	10700	12034	13159	13780	14291
19.	Return on Net Worth (%) (excluding revaluation reserves)	33	30	35	39	28	19	18	15	11	8
20.	Return on Capital Employed (%) (excluding revaluation reserves)	47	43	43	51	38	25	21	17	14	11
21.	Earning per share (Rs.)	23	27	22	34	31	23	25	23	19	15
22.	Dividend per share (Rs.)	7	8.5	10	8.5	8.5	8.5	7.5	7.5	7.0	6.0
23.	Book value per share (Rs.) (excluding revaluation reserves)	71	89	107	88	109	122	139	153	164	171
24.	Fixed Assets Turnover (No.of times)	8	8	9	9	7	7	7	8	7	8
25.	Working Capital Turnover (No.of times)	9	8	7	13	12	9	8	7	7	3
26.	Gross profit as % of total income	22	21	22	24	22	17	17	15	15	12
27.	Net profit as % of total income	12	12	15	16	14	10	12	11	10	8
28.	No. of Employees	330	420	450	485	521	557	618	539	510	542
29.	No. of Shareholders	3464	3515	3776	3987	4088	4516	4576	4760	4828	4827

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 Fourth Annual General Meeting of the Shareholders of the Company will be held on Monday, the 31st August 2009 at Kasturi Srinivasan Hall [Music Academy Annexe] 168 (Old No.306), T T K Road, Royapettah, Chennai 600 014 at 12 Noon to transact the following business.

Ordinary Business

1. Adoption of audited accounts for the year ended 31.03.2009 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 2009 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.3 per share, declared by the Board of Directors of the Company on 26.12.2008 together with the second interim dividend of Rs.3 per share declared by the Board of Directors of the Company on 24.04.2009 on 8079080 equity shares of Rs.10/- each fully paid, absorbing a total sum of Rs.484.75 lacs (excluding dividend tax of Rs.82.38 lacs paid) in the aggregate and

paid to the shareholders on 8th January, 2009 and 8th May 2009 respectively, be and are hereby treated as the final dividend for the year ended 31st March 2009.

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. Appointment of Mr.V Balaraman as 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 V Balaraman, be and is hereby appointed as Director of the Company liable for retirement by rotation".

INDIA NIPPON ELECTRICALS LIMITED**5. Appointment of Mr.G Chidambar as 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.G Chidambar, who was appointed as an Additional Director of the Company and holds office upto the date of the Annual General Meeting, in terms of Section 260 of the Companies Act, 1956 be and is hereby appointed as Director of the Company liable for retirement by rotation".

6. Appointment of Mr.N S Murthy as 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 S Murthy, be and is hereby appointed as Director of the Company liable for retirement by rotation".

7. Alteration of the Articles of Association of the Company

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

RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act 1956, the Articles of Association of the Company be altered by substituting the following new Article in place of the existing Article 110 of the Articles of Association of the Company:

"Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 259 of the Act, the number

of Directors (including the Managing Director, Nominated Director and Nominee Director but excluding Debenture and Alternate Directors) shall not be less than three nor more than twelve."

By Order of the Board

Chennai

29.06.2009.

S SAMPATH

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 28th August 2009 to 31st August 2009 [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 31.03.2002 and remaining unclaimed as on 21st September 2009 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:

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 29th June 2009 and shall be taken as forming part of the notice.

SI No.4 of the Notice to Shareholders

Mr.V Balaraman, (age 62), is a B.Tech. in Chemical Engineering from Madras University and an M.B.A. from Indian Institute of Management, Ahmedabad. He held the position of Managing Director of Pond's India Ltd. for a period of 7 years. He was Director Exports of Hindustan Lever Limited for a period of 5 years and also served as a director of Empower Works Limited, New Jersey. Mr.V Balaraman was the past president of Madras Chamber of Commerce and Industry / Madras Management Association.

Mr.V Balaraman was appointed as a Director of the Company in the vacancy caused by the resignation of Mr.R Vijayaraghavan, with effect from 25th October 2008 to hold office upto the date Mr.R Vijayaraghavan would have held the office, in terms of Section 262 of the Companies Act 1956. Mr.V Balaraman does not hold any shares in the Company.

Currently he is a Consultant for Strategy, Branding and Marketing for a few companies and also coaches and mentors CEOs / Senior Business Leaders. Mr.V Balaraman is Chairman of Computer Age Management Services Pvt. Ltd. and holds directorship in Mahindra World City Developers Ltd., Pond's Exports Limited,

Adrenaline eSystems Ltd. (where he is also a mentor) and AnandaNidra Sleep Medicine Centers Pvt. Ltd.

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.V Balaraman 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.V Balaraman 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.

SI No.5 of the Notice to Shareholders

Mr.G Chidambar, (age 78), holds a Master's degree in Mathematics from the University of Delhi. He is also an Associate from the Institute of Actuaries, London besides being a Fellow of the Institute of Actuaries of India and Associate of Insurance Institute of India.

Mr.G Chidambar started his career as an Officer in Ruby General Insurance Company Ltd. Delhi which was taken over by LIC of India consequent to its nationalisation. He held several positions in LIC of India and retired in 1991 after a tenure of about 2 years as its Managing Director.

Mr.G Chidambar was appointed with effect from 25th October 2008 as director of the Company as an Additional Director, as provided in Article 115 of the Articles of Association of the Company and also in terms of Section 260 of the Companies Act 1956. He holds office upto the date of the Annual General Meeting. Mr.G Chidambar does not hold any shares in the Company.

INDIA NIPPON ELECTRICALS LIMITED

Mr.G Chidambar currently is a Director of Mahaveer Finance Ltd., Royal Soft Services Ltd and Coromandel Stampings and Stones Ltd.

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.G Chidambar 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.G Chidambar 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.

SI No.6 of the Notice to Shareholders

Mr.N S Murthy, (age 81) holds a Bachelor of Science degree and worked as a Graduate Trainee in Lucas, UK between 1949 and 1952. Later he served Lucas Indian Service Ltd for over 4 decades from 1952 and retired as Executive Director in 1990.

Currently he is a Director in Delphi TVS Diesel Systems Ltd.

Mr.N S Murthy was appointed with effect from 24th April 2009 as a director of the Company in the vacancy caused by the resignation of Mr.K R Anandakumaran Nair to hold office upto the date Mr.K R Anandakumaran Nair would have held the office, in terms of Section 262 of the Companies Act 1956. Mr.N S Murthy does not hold any shares in the 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.N S Murthy as a Director of the Company at this meeting and for that purpose to move a resolution set out under item 6 of the Notice.

Interest of Directors

Mr.N S Murthy 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.

SI No.7 of the Notice to Shareholders

Article 110 of the Articles of Association of the Company stipulates the minimum strength of the Board of Directors as nine. Article 121 of the Articles of Association of the Company specifies that if and when the strength of the Board is reduced below the minimum fixed by Article 110, the remaining directors can act only for increasing the number of directors to that number or for summoning a General Meeting. The Company has faced a difficult situation on this account during the year. To avoid recurrence of such a situation, it is proposed to alter Article 110 to reduce the provision regarding number of directors in line with the provisions of the Companies Act 1956.

A copy of the Memorandum of Association and Articles of Association together with the proposed alterations is available for inspection by the members of the Company at the registered office of the Company between 11.00 A.M. and 1.00 P.M. on any working day of the Company.

Interest of Directors

None of the Directors is interested in the resolution.

The resolution is recommended for the approval of the shareholders.



Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Twenty Fourth Annual Report and Audited Accounts for the year ended 31st March 2009.

1. FINANCIAL HIGHLIGHTS

	Rs.Lacs	
	Year ended 31st Mar '09	Year ended 31st Mar '08
Sales	12792	12023
(Net of excise duty)		
Profits before depreciation and taxes	1776	2130
Less:		
Depreciation	284	326
Profits before tax	1492	1804
Taxation	317	302
Profit after tax	1175	1502
Profit brought forward from previous year	3611	2921
Dividends	485	566
Dividend distribution tax	82	96
Transfer to general reserve	118	150
Retained in Profit and Loss Account	4101	3611

2. OPERATIONS

Despite the slow down in the Indian economy, the two wheeler business showed a growth, with motorcycles recording 5%, scooters 8%, mopeds 1% and three wheelers 1%. Input metal prices during the year increased substantially but your Company's customers recouped the increase only partially. This along with the increases in establishment and administration costs impacted your Company's profits during the year. With the measures put in place for cost control, the situation is expected to improve during the current year.

A new customer in North America has approved your Company's products. Supplies are scheduled to commence by November '09.

Your Company has also entered a new line of business for a domestic customer for supply of E.C.U. for diesel passenger car application.

In view of the steep escalation in steel prices, as also adverse foreign exchange movements, your Company has consciously focussed on VA/ VE and developed cost effective products for some applications.

New Projects:

Your Company has paid an advance of Rs.3.92 crores for the purchase of about 3 acres of land at Uttarakhand for setting up a unit to meet customer's requirements. Land has been allotted and registration formalities are expected to be completed shortly. Plans are under way to start commercial production before end of financial year 2009-10.

Business conditions in Indonesia suffered a severe set-back due to global recession which affected the plans of the principal customer of PT Automotive Systems Indonesia, a subsidiary of your Company. The subsidiary company is looking at various options and an appropriate decision will be taken soon.

Prospects:

The market size for your Company's products in India is expected to be around Rs.1000 Crores in 2009-10. Four key players including your Company hold 70% of this business. Your Company holds 15% of the share and the products are perceived by customers as high quality at a reasonable cost.

To provide a fillip to sales, your Company is establishing a direct presence in the after-market.

Your Company's directors expect that, with the aforesaid initiatives, your Company will show an improved performance in the year 2009-10.

Your Company's directors are happy to state that all three units of your Company have been certified under ISO/ TS 16949 - 2002.

INDIA NIPPON ELECTRICALS LIMITED**Human Relations:**

The early separation scheme which was introduced in one of the units of your Company last year was extended during the year under review. Nine more employees opted for the scheme.

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

Subsidiary Company :

The annual accounts of the subsidiary company will be available at the registered office of the Company and at the office of the subsidiary company concerned, if any member or investor wishes to inspect them during the business hours of any working day.

Your Company has obtained approval from the Ministry of Corporate Affairs, New Delhi vide letter no.47/38/2009-CL-III dated 22nd January 2009, in terms of Section 212 (8) of the Companies Act, 1956 exempting it from attaching the annual report of its subsidiary company.

3. DIVIDEND

Your Company paid an interim dividend of Rs.3 per share in the month of Jan '09. A further dividend of Rs.3 per share was paid in May '09 which is being treated as final dividend for the year. The dividends will absorb a sum of Rs.484.75 lacs besides an outgo on additional dividend distribution tax of Rs.82.38 lacs.

4. INVESTMENTS

The market value of your Company's investments declined by Rs.2.98 crores as on 31.03.2009. The value of debt fund investments was affected (Rs.2.48 cr) by the rise in interest rates following large scale borrowing by Government. However, the Company received dividends on this class of investment to the tune of Rs.1.95 crores. The investments are expected to perform better in the coming year, as Government programmes of borrowing will run conjointly with RBI actions in the market which are expected to keep interest rate stable.

The diminution in value of investments in equity funds (Rs.0.50 cr) has been partly corrected in the current year by stock market performance which is expected to be further sustained.

Your Company moved about Rs.24 crores from mutual funds to bank fixed deposits to counteract the fall in investment yields.

5. 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.

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

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

7. 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.

8. 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.