



INDIA NIPPON ELECTRICALS LIMITED

**25th ANNUAL REPORT
2009-2010**

Products

- Power Generation (AC Generator)
- Power Management (Regulator / Rectifier)
- Ignition Management (Control Unit / Ignition Coil)
- Automotive Electronics (Engine Control Unit / Start – Stop Controller / Oil Level Sensor / Smart RR)
- Test Kits for CDI (Analog/Digital) /Regulator & Rectifier



Domestic Customers



Global Customers





INDIA NIPPON ELECTRICALS LIMITED

Board of Directors

Chairman

T K BALAJI

Directors

R D FLINT

H NANJO

K NAKAMURA

K SESHADRI

KG RAGHAVAN

V BALARAMAN

G CHIDAMBAR

N S MURTHY

Audit Committee

K G RAGHAVAN

(Chairman)

K SESHADRI

V BALARAMAN

G CHIDAMBAR

Investors' Grievance Committee

T K 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

`Adlim 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

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INDIA NIPPON ELECTRICALS LIMITED

FINANCIAL HIGHLIGHTS OF TEN YEARS PERFORMANCE

Rs. lacs

S.No.	Description	Year ended 31st March									
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Profit and Loss Account											
1.	Sales (including Excise duty)	11130	11779	16902	17346	17509	16778	16637	13882	14384	18410
2.	Other income	344	276	459	608	243	543	532	732	872	620
3.	Total Income (1+2)	11474	12055	17361	17954	17752	17321	17169	14614	15256	19030
4.	Gross Profit before interest, depreciation and tax	2411	2633	4103	3991	3018	2885	2550	2141	1793	2952
5.	Depreciation	291	283	327	476	436	428	364	326	284	357
6.	Profit before interest & tax	2120	2350	3776	3515	2582	2457	2186	1815	1509	2595
7.	Interest	24	10	39	13	10	11	18	11	17	18
8.	Profit before tax	2096	2340	3737	3502	2572	2446	2168	1804	1492	2577
9.	Profit after tax	1386	1762	2770	2499	1847	2025	1845	1502	1175	1992
Balance Sheet											
10.	Net Fixed Assets (including revaluation reserves)	1391	1356	1905	2576	2462	2291	2144	1867	1798	2633
11.	Investments	2619	2903	4674	5647	6353	7749	8546	9962	7272	9999
12.	Net Current Assets	1393	1666	1330	1410	1885	1994	2469	1951	5221	2943
13.	Total (10+11+12)	5403	5925	7909	9633	10700	12034	13159	13780	14291	15575
14.	Share capital	515	475	808	808	808	808	808	808	808	808
15.	Reserves & Surplus	4539	5055	6718	8442	9509	10843	11995	12818	13425	14709
16.	Net Worth (14+15) (including revaluation reserves)	5054	5530	7526	9250	10317	11651	12803	13626	14233	15517
17.	Loan funds	349	395	383	383	383	383	356	154	58	58
18.	Total	5403	5925	7909	9633	10700	12034	13159	13780	14291	15575
19.	Return on Net Worth (%) (excluding revaluation reserves)	30	35	39	28	19	18	15	11	8	13
20.	Return on Capital Employed (%) (excluding revaluation reserves)	43	43	51	38	25	21	17	14	11	17
21.	Earning per share (Rs.)	27	22	34	31	23	25	23	19	15	25
22.	Dividend per share (Rs.)	8.5	10	8.5	8.5	8.5	7.5	7.5	7.0	6.0	7.5
23.	Book value per share (Rs.) (excluding revaluation reserves)	89	107	88	109	122	139	153	164	171	187
24.	Fixed Assets Turnover (No. of times)	8	9	9	7	7	7	8	7	8	7
25.	Working Capital Turnover (No. of times)	8	7	13	12	9	8	7	7	3	6
26.	Gross profit as % of total income	21	22	24	22	17	17	15	15	12	16
27.	Net profit as % of total income	12	15	16	14	10	12	11	10	8	10
28.	No.of Employees	420	450	485	521	557	618	539	510	542	646
29.	No.of Shareholders	3515	3776	3987	4088	4516	4576	4760	4828	4827	6052

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 Fifth Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 26th August 2010 at Kasturi Srinivasan Hall [Music Academy Annexe] 168 (Old No.306), T T K Road, Royapettah, Chennai 600014 at 10.30 A.M. to transact the following business.

Ordinary Business

1. Adoption of audited accounts for the year ended 31st March 2010 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 2010 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.3.50 per share, declared by the Board of Directors of the Company on 21.12.2009 together with the second interim dividend of Rs.4 per share declared by the Board of Directors of the Company on 27.04.2010 on 8079080 equity shares of Rs.10/- each fully paid, absorbing a total sum of Rs.605.93

lacs (excluding dividend tax of Rs.101.73 lacs paid) in the aggregate and paid to the shareholders on 4th January 2010 and 13th May 2010 respectively, be and are hereby treated as the final dividend for the year ended 31st March 2010.

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 (Registration No.: 000511S) 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".

INDIA NIPPON ELECTRICALS LIMITED

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

26th May 2010

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 24th August 2010 to 26th August 2010 [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 31.03.2003 and remaining unclaimed as of 19th September 2010 and dividend declared for the year ended 31.03.2004 and remaining unclaimed as on 12th December 2010 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. R D Flint (Age 77) 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.

SI No. 5 of the Notice to shareholders

Mr. K Seshadri (Age 76) 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 Lucas-TVS Ltd, Delphi-TVS Diesel Systems Ltd, Hastham Swasthi Pvt Ltd, Lucas

Indian Service Ltd, PT Automotive Systems Indonesia, Punarvasu Swasthi Pvt Ltd and Synergy Shakthi Renewable Energy Ltd.

He is also the Chairman of the Audit Committee of India Japan Lighting Pvt Ltd and Member of the Audit Committee of Delphi-TVS Diesel Systems Ltd, Lucas Indian Service Ltd and Synergy Shakthi Renewable Energy Ltd.

Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Twenty Fifth Annual Report and Audited Accounts for the year ended 31st March 2010.

1. FINANCIAL HIGHLIGHTS

	Year ended 31st March 2010	Rs. lacs Year ended 31st March 2009
Sales (Net of excise duty)	16908	12792
Profit before depreciation and taxes	2934	1776
Less:		
Depreciation	357	284
Profit before tax	2577	1492
Taxation	585	317
Profit after tax	1992	1175
Profit brought forward from previous year	4101	3611
Dividends	606	485
Dividend distribution tax	101	82
Transfer to general reserve	4550	118
Retained in Profit and Loss Account	836	4101

2. OPERATIONS

Your Company's sales grew by 32% over the previous year, from Rs.127.92 crores to Rs.169.08 crores. This was mainly attributable to the double digit growth of the two-wheeler industry. Motorcycle recorded a 24% growth, scooters 29% and mopeds 31%. Your Company also improved its business in electronics during the year and that contributed to additional growth, as was reported earlier, as a new line of business. Profit before tax at Rs.25.77 crores recorded an impressive growth of 73% over the previous year.

3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**a. Economic Overview:**

The fiscal year 2009-10 began on a difficult note due to the economic meltdown in the industrialized nations in 2007/2008 which spread across the world. The turnaround for the Indian economy came in the second quarter and the year ended with a GDP growth of over 7%.

b. Industry structure and developments:

The two and three wheeler industry recorded a growth of over 25% during the year under review. The moped segment showed the highest rate of growth followed by scooters and motorcycles.

c. Performance Review:

Sales of the Company's products to the Scooter and Genset segments rose by more than 100% due to the increased share of business with the main customers in these segments. In the three wheeler and moped segment, growth of your Company's sales were respectively at 43% and 27%. The growth related to products supplied to Motor Cycle was not significant during the year under review. The growth is expected to be better during 2010-11 when your Company's product is approved on a new model by a major customer.

The Electronic Control Unit, meant for 4 wheeler application contributed about 5% of the sales for the year under review. Direct sales in the aftermarket have also commenced during the year as planned. The establishment of the network is in progress to ramp up sales in this segment. Exports were lower compared to the previous year due



to the continued recession in the Western Countries for the better part of the year and the deferment of schedules from the new customer in U.S.

Your Company has deferred commencement of manufacturing at Uttarakhand due to changes in the customers' plans. Manufacturing will commence at an appropriate time depending on volumes. Meanwhile, your Company is meeting customers' requirements from its unit at Rewari.

d. Business Outlook:

The year 2010-11 has started on a strong note for the 2 wheeler industry with waiting periods for delivery of all popular models reaching 4 to 6 weeks. Your Company's share of business in the scooter segment is expected to record a strong growth with its status as a leading source of CDI for major customers. Your Company's products have been approved for use on a new model of scooter by one of the major customers. Approval for your Company's FWM is expected to be received in the early part of the year for yet another popular model of motorcycle. Your Company continues to be a major supplier to engine manufacturers supplying to the 3 wheeler industry.

With the power situation in the country not showing any signs of improvement, the Genset industry is also likely to grow, for which your Company is a major supplier of ignition systems.

Supplies to the new customer in US are expected to commence in the early part of the year and the customer evinced interest to source one more product from your Company. With these developments, the Directors of your Company expect growth in 2010-11 in excess of 15%.

e. Human Resources and Industrial Relations:

Regular programs for skill level enhancement of workmen and competency development for supervisors are held to help them to reach higher levels of competence. Regular meetings are also held with workmen to improve their morale and productivity.

The long term wage settlement for the unionised employees of Hosur unit has come up for revision during the year under review. Discussions are in progress and the settlement is expected to be completed soon.

The number of people employed in your Company as on 31st March 2010 was 646.

f. Risks and Concerns:

In the second half of the year 2009-10 metal prices started rising. Copper rose by almost 50% from the beginning of the year to March 2010 and Aluminium by 40%. Likewise, prices of steel and products made of steel went up. To recoup the cost increases fully from the customers is becoming increasingly difficult due to competitive pressures. As a counter measure, your Company is exploring sourcing from more competitive vendors.

Your Company's engineers continue to develop VA/VE products to overcome the cost pressure and the response of the customers for some of them are encouraging.

g. Internal Control System:

Your Company has adequate internal control systems commensurate with its size. The internal auditors periodically review these controls at all the locations of the Company. The Audit Committee reviews their findings at its meetings and takes corrective measures as necessary.

INDIA NIPPON ELECTRICALS LIMITED

h. Financial / Operational Performance:

Particulars	2009-2010		2008-2009	
	Rs.Lacs	%	Rs.Lacs	%
Sales (Net of Excise Duty)	16908	96.46	12792	93.62
Other income	620	3.54	872	6.38
Total Income	17528	100.00	13664	100.00
Raw material consumed	11330	64.64	8814	64.51
Staff cost	1708	9.74	1408	10.31
Stores & tools consumed	236	1.35	198	1.45
Power & fuel	285	1.63	222	1.62
Repairs & maintenance	214	1.22	160	1.17
Marketing expenses	247	1.41	238	1.74
Other expenses	556	3.17	554	4.05
Provision for diminution in value of investments (net)	-	-	277	2.03
Interest	18	0.10	17	0.12
Depreciation	357	2.04	284	2.08
Total Expenditure	14951	85.30	12172	89.08
Profit Before Tax	2577	14.70	1492	10.92
Provision for taxation (including deferred tax and fringe benefit tax)	585	3.34	317	2.32
Profit After Tax	1992	11.36	1175	8.60

i. Cautionary statement

Statements in the Management Discussion and Analysis Report describing your Company's objectives, projections, estimates and expectations are "forward looking statements" within the meaning of applicable securities and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to Your Company's operations include, among other things, economic conditions affecting demand / supply and prices in the domestic and overseas markets in which your Company operates, changes in Government regulations, tax laws, other statutes and other incidental factors.

4. PT AUTOMOTIVE SYSTEMS INDONESIA (PT ASI)

The production volumes of the principal customer of your Company which manufactures two wheelers in Indonesia are showing steady but slow progress. The current volumes do not however justify commencing operations of the subsidiary immediately. The customer is procuring the requirement for the Indonesian production from your Company in India. In view of this situation, your Company had appointed an agent to explore the possibility of disposal of the company at Indonesia or the land. Meanwhile, as an interim measure, your Company has obtained approval from