



# INDIA NIPPON ELECTRICALS LIMITED

**CERTIFIED TRUE COPY**  
For India Nippon Electricals Ltd.

**S. Sampath**  
Chief Financial Officer & Company Secretary



## 26th ANNUAL REPORT 2010-2011



THE ECONOMIC TIMES

INDIA

MANUFACTURING EXCELLENCE AWARDS

IN PARTNERSHIP WITH

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**Aroop Zutshi**

*President*

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**Ravi Dharwal**

*Chief Executive Officer - Publishing*

BENNETT, COLEMAN & COMPANY LTD





## Notice to Shareholders

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 8th September 2011 at Vani Mahal Mini Hall, 103 G N Road, Chennai 600 017 at 10.30 A.M. to transact the following business.

### Ordinary Business

#### 1. Adoption of audited accounts for the year ended 31st March 2011 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 2011 and the Profit and Loss account of the Company for the year ended on that date, together with the Directors' report and the Auditor's 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, second and third interim dividends respectively of Rs.5.00, Rs.3.50 and Re.1.00 per share declared by the Board of Directors of the Company on 29th Dec'10, 25th Mar'11 and 27th May'11 on 8079080 equity shares of Rs.10/- each fully paid, absorbing a total sum of Rs.767.51 lacs (excluding dividend tax of Rs.127.15 lacs paid) in the aggregate, be and are hereby treated as the final dividend for the year ended 31st March 2011.

#### 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 K G Raghavan, 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 V Balaraman, be and is hereby appointed as Director of the Company liable for retirement by rotation.

### Special Business

#### 6. Appointment of Mr M Namatame 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 M Namatame, be and is hereby appointed as Director of the Company not liable to retire by rotation.

#### 7. Appointment of Mr K Nakamura 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 K Nakamura, be and is hereby appointed as Director of the Company liable for retirement by rotation.

#### 8. Issue of Bonus Shares

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

RESOLVED -

- a. THAT, pursuant to article 175 of the articles of association of the Company and upon recommendation of the Board of



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Directors of the Company, and subject to applicable provisions of the Companies Act, 1956 and such guidelines/regulations prescribed by the Securities and Exchange Board of India, such other consents or approvals under various statutes, as may be required or applicable in this regard, consent of the shareholders, be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the Board), for capitalization of a sum not exceeding Rs.3,23,16,320 from the general reserve account of the Company and accordingly the said sum of Rs.3,23,16,320 standing to the credit of the general reserve account of the Company, be and is hereby capitalized and distributed amongst the holders of the existing equity shares of the Company as on the record date to be fixed hereinafter on the footing that they become entitled thereto, as capital and not as income and that the same be applied on behalf of such shareholders as aforesaid in paying up in full at par 32,31,632 new equity shares of Rs.10/- each to be allotted, distributed and credited as fully paid-up amongst the said shareholders of the Company, in proportion of two new equity share of Rs.10/- each for every five equity shares of Rs.10/- each, held by them;

- b. THAT the new equity shares of Rs.10/- each to be allotted as bonus shares shall be, subject to the memorandum and articles of association of the Company, and such other applicable statutory provisions under various statutes, shall rank "pari passu" in all respects with and carry the same rights as the existing equity shares of the Company and shall be entitled to participate in full in any dividend declared after the bonus shares are so allotted;
- c. THAT the issue and allotment of new equity shares in terms hereof to the non-resident shareholders of the Company shall be subject to the compliance under the applicable regulations under the Foreign Exchange Management Act, 1999, if required;

- d. THAT no fractional entitlement shall be allotted to the members and all fractional entitlements remaining after allotment of bonus shares as aforesaid shall be consolidated into fully paid up bonus shares which shall be allotted to a Director of the company nominated by the Board as a trustee for those shareholders who are entitled to fractional entitlements of bonus shares and the said Director shall sell the same at the prevailing market price through the stock exchange and pay to the company the net sale proceeds for distribution to the members in proportion to their fractional entitlements.
- e. THAT no letter of allotment shall be issued to the allottees of the bonus equity shares and that the share certificates, in respect of the new equity shares, shall be issued and despatched to the members and shareholders thereof, who are holding the existing equity shares in physical form, within the period prescribed or that may be prescribed in this behalf, from time to time, and in the case of members and shareholders who hold their existing equity shares in dematerialized form, the bonus shares shall be credited to the respective beneficiary account of the members and shareholders with their respective Depository Participants; and
- f. THAT the Board of Directors be and is hereby authorised to take all such other steps and to do all such acts, as may be necessary, to give effect to the aforesaid resolutions including fixing of record date, allotment and application for listing and trading of new bonus shares with the stock exchanges, where the existing shares of the Company are presently listed and also to determine all other terms and conditions of the issue of bonus equity shares, as the Board, may in its absolute discretion deem fit and proper, including settling any question, doubt or difficulty that may arise with regard to or in relation to the issue or allotment of the bonus equity shares without requiring the Board to secure any further consent or approval





of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto and for the matters connected herewith or incidental hereto expressly by the authority of this resolution.

By order of the Board

Chennai

8th Aug 2011

**S SAMPATH**

Chief Financial Officer &  
Company 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 9th August 2011 to 11th August 2011 [both days inclusive]
3. Consequent to the amendment to Section 205A read with 205C of the Companies Act, 1956, dividends declared which remain unclaimed for a period of seven years will be transferred to the Investors Education and Protection Fund established by the Central Government on due dates. The particulars of due dates for transfer of such unclaimed dividends to Investors Education and Protection Fund are furnished in the report on corporate governance, forming part of the annual report. Members 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 K G Raghavan was born on 2nd May 1954. He is a designated Senior Advocate. He holds a commerce degree and is a Bachelor of Law. 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, CESTAT, Consumer Fora and Civil Courts.

**SI No. 5 of the Notice to shareholders**

Mr V Balaraman was born on 18th August 1946. He is a B.Tech. in Chemical Engineering from Madras University and 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 was the MD and CEO of Adrenalin eSystems Ltd for 4 years. Mr V Balaraman was also the past President of Madras Chamber of Commerce and Industry/ Madras Management Association. 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, Adrenalin eSystems Ltd. (where he is also a mentor) and AnandaNidra Sleep Medicine Center Pvt. Ltd. Mr Balaraman is currently a Member of the Advisory Board of Nokia India.

**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 8th August 2011 and shall be taken as forming part of the notice.

**SI No. 6 of the Notice to shareholders**

Mr M Namatame was born on 14th August 1955. He holds a Bachelor in Economy degree. He joined Hitachi Ltd., Japan as Manager in April 1978 and served till March 2010. From April 2010 onwards, he is the Director and General Manager, Administration & Finance at Kokusan Denki Co. Ltd., Japan. He has expertise in Finance and Audit. He is not holding directorship in any other companies.

Mr M Namatame was appointed with effect from 1st April 2011 as an additional Director of



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the Company in the vacancy caused by the resignation of Mr H Nanjo. Mr Namatame 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 M Namatame as a Director of the Company, not liable to retire by rotation, at this meeting and for that purpose to move a resolution set out under item 6 of the Notice.

### **Interest of Directors**

Mr M Namatame 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**

Mr K Nakamura was born on 19th July 1949. He 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 was a director of Kokusan Denki Co Ltd., Japan for 2 years w.e.f. 20.06.2008. He is not holding directorship in any other companies.

He joined India Nippon Electricals Ltd as a director effective 1st July 2008 and was appointed as a Director not liable to retire by rotation by the shareholders in the Annual General Meeting held on 21st August 2008. He has submitted his resignation as such Director not liable to retire by rotation, to take effect from 20th August 2011.

Mr K Nakamura 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 K Namakura as a Director of the Company, liable for retirement by rotation, at this meeting and for that purpose to move a resolution set out under item 7 of the Notice.

Keeping in view of his expertise and experience in automobile ancillary industry, the Board considers

it desirable that the Company should continue to avail the services of Mr K Nakamura.

### **Interest of Directors**

Mr K 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.

### **SI No.8 of the Notice to shareholders**

The Board of Directors of the Company, at their meeting held on 8th August 2011, recommended issue of bonus equity shares in proportion of two new equity shares of Rs.10/- each for every five equity shares of Rs.10/- each held by the members on a record date to be fixed hereinafter by the board, by capitalizing an equivalent amount standing to the credit of the general reserve account, subject to the approval of the shareholders.

In terms of the articles of association of the Company, any capitalization of reserves and issue of bonus equity shares will require the approval of the shareholders to be obtained by way of an ordinary resolution.

Accordingly, a resolution is proposed seeking the approval of the shareholders for-

(i) capitalization of an amount standing to the credit of the general reserve account by issue of bonus equity shares on the terms and conditions as set out in item no.8 of the notice to shareholders; and

(ii) authorizing the Board, to complete all such regulatory formalities as prescribed by the SEBI, RBI, Stock Exchanges on which the equity shares of the Company are listed and any other regulatory authority in connection with issue and allotment of the bonus equity shares and, if necessary, the amendment of the depository agreement and/or entering into any new depository agreement.

### **Interest of Directors**

None of the directors is deemed to be interested or concerned in this resolution except to the extent of his shareholding in the Company and entitlement to receive bonus shares in the said proportion of his holdings on the record date.



## INDIA NIPPON ELECTRICALS LIMITED

### Board of Directors

#### Chairman

T K BALAJI

#### Directors

R D FLINT

M NAMATAME

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

N S MURTHY

#### Investors' Grievance Committee

T K BALAJI

(Chairman)

K SESHADRI

G CHIDAMBAR

#### Manager

G MURALI

#### Chief Financial Officer & Company 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									
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Profit and Loss Account											
1.	Sales (including Excise duty)	11779	16902	17346	17509	16778	16637	13882	14384	18410	25303
2.	Other income	276	459	608	243	543	532	732	872	620	624
3.	Total Income (1+2)	12055	17361	17954	17752	17321	17169	14614	15256	19030	25927
4.	Gross Profit before interest, depreciation and tax	2633	4103	3991	3018	2885	2550	2141	1793	2952	3767
5.	Depreciation	283	327	476	436	428	364	326	284	357	415
6.	Profit before interest & tax	2350	3776	3515	2582	2457	2186	1815	1509	2595	3352
7.	Interest	10	39	13	10	11	18	11	17	18	17
8.	Profit before tax	2340	3737	3502	2572	2446	2168	1804	1492	2577	3335
9.	Profit after tax	1762	2770	2499	1847	2025	1845	1502	1175	1992	2543
Balance Sheet											
10.	Net Fixed Assets (including revaluation reserves)	1356	1905	2576	2462	2291	2144	1867	1798	2633	2832
11.	Investments	2903	4674	5647	6353	7749	8546	9962	7272	9999	8857
12.	Net Current Assets	1666	1330	1410	1885	1994	2469	1951	5221	2943	5477
13.	Total (10+11+12)	5925	7909	9633	10700	12034	13159	13780	14291	15575	17166
14.	Share capital	475	808	808	808	808	808	808	808	808	808
15.	Reserves & Surplus	5055	6718	8442	9509	10843	11995	12818	13425	14709	16358
16.	Net Worth (14+15) (including revaluation reserves)	5530	7526	9250	10317	11651	12803	13626	14233	15517	17166
17.	Loan funds	395	383	383	383	383	356	154	58	58	-
18.	Total	5925	7909	9633	10700	12034	13159	13780	14291	15575	17166
19.	Return on Net Worth (%) (excluding revaluation reserves)	35	39	28	19	18	15	11	8	13	15
20.	Return on Capital Employed (%) (excluding revaluation reserves)	43	51	38	25	21	17	14	11	17	20
21.	Earning per share (Rs.)	22	34	31	23	25	23	19	15	25	31
22.	Dividend per share (Rs.)	10	8.5	8.5	8.5	7.5	7.5	7.0	6.0	7.5	9.5
23.	Book value per share (Rs.) (excluding revaluation reserves)	107	88	109	122	139	153	164	171	187	208
24.	Fixed Assets Turnover (No. of times)	9	9	7	7	7	8	7	8	7	9
25.	Working Capital Turnover (No. of times)	7	13	12	9	8	7	7	3	6	5
26.	Gross profit as % of total income	22	24	22	17	17	15	15	12	16	15
27.	Net profit as % of total income	15	16	14	10	12	11	10	8	10	10
28.	No.of Employees	450	485	521	557	618	539	510	542	646	809
29.	No.of Shareholders	3776	3987	4088	4516	4576	4760	4828	4827	6052	5806

**NB :** Share capital raised from Rs.4.75 crores to Rs.8.08 crores following the allotment of bonus shares during December 2002.





## Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Twenty Sixth Annual Report and Audited Accounts for the year ended 31st March 2011.

### 1. FINANCIAL HIGHLIGHTS

	Year ended 31st March 2011	Rs. lacs Year ended 31st March 2010
Sales (Net of excise duty)	22885	16908
Profit before depreciation and taxes	3750	2934
Less:		
Depreciation	415	357
Profit before tax	3335	2577
Taxation	792	585
Profit after tax	2543	1992
Profit brought forward from previous year	836	4101
Dividends	767	606
Dividend distribution tax	127	101
Transfer to general reserve	1700	4550
Retained in Profit and Loss Account	785	836

### 2. OPERATIONS

Your Company's sales grew by 35% over the previous year, from Rs.169.08 crores to Rs.228.85 crores. Your Company achieved a double digit growth, in value terms, in all vehicle segments and the business in electronics more than doubled. Profit before tax at Rs.33.35 crores showed an improvement of 29% over the previous year.

### 3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

#### a. Economic Overview:

The Indian economy continued to outperform most emerging markets during 2010-11 retaining its position as one of the fastest growing economies in the world. GDP growth during 2010-11 reverted to the high growth trajectory and is estimated to be above 8%.

#### b. Industry structure and developments:

The two and three wheeler industry recorded a growth of over 20% during the year under review. The scooter segment showed the highest rate of growth followed by 3 wheelers and motorcycles.

#### c. Performance Review:

Sales of the Company's products to the 3 Wheeler and Scooter registered a growth of more than 40% which is ahead of the industry growth. Sales to the Genset and Moped segments recorded a growth of 33% and 19% respectively. In the Motorcycle segment where your Company did not register a significant growth last year, the growth was around 16% in the year under review.

Your Company has recorded a healthy growth in its business in electronics during the year under review. Direct sales in the aftermarket has also received encouraging response and plans are afoot to expand this business. Exports at Rs.7.6 crores was the highest recorded by your Company so far with almost half of it from a new customer in USA. During the year under review, your Company faced capacity constraints which has been addressed. The enhanced capacity will meet the requirement for 2011-12.

### **d. Business Outlook:**

The growth momentum of the 2 and 3 wheeler industry is continuing in the year 2011-12, despite the fuel price hike. Your Company has been receiving enquiries from major 2 wheeler manufacturers for various products in its range, recognizing your company's status as a dependable supplier of quality products, at affordable prices. Your Company has also received letter of intent for the new models of vehicles which one of the major customers is planning to introduce. Supplies to the Genset industry is also expected to record a good growth.

On the export front, your Company is working on some new opportunities, in addition to consolidating the business with the US and European customers.

With these developments, the Directors of your Company expect that your Company will have significant growth in 2011-12.

### **e. Human Resources and Industrial Relations:**

The long term wage settlements for the unionised employees of Hosur and Puducherry units are expected to be completed soon. The long term wage settlement for the Company's unit at Rewari is coming up for revision during the year 2011-12 and discussions have commenced on the same.

The number of people employed in your Company as on 31st March 2011 was 809.

### **f. Risks and Concerns:**

Interest rates have risen due to tightening of the monetary policy by the Government to arrest inflation, which is likely to impact the vehicle sales. The high global crude oil and other commodity prices including metals have pushed up the cost of input materials. Copper and Aluminium prices are ruling at all time high levels and are not showing any signs of abatement. The high level of inflation and the power situation have pushed up the conversion cost also. To recoup the cost increases fully from the customers continues to be difficult bringing the margins under pressure.

Your Company's engineers continue to develop VA / VE products to overcome the cost pressure and in response, customers have accepted some of the proposals.

### **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.