



INDIA NIPPON ELECTRICALS LIMITED

**27th ANNUAL REPORT
2011-2012**

Domestic Customers



Global Customers





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

SUBHASIS DEY

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

'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

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INDIA NIPPON ELECTRICALS LIMITED

FINANCIAL HIGHLIGHTS OF TEN YEARS PERFORMANCE

₹ lacs

S.No.	Description	Year ended 31st March									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Profit and Loss Account											
1.	Sales (excluding Excise duty)	14554	14956	15066	14419	14319	12023	12792	16908	22885	26005
2.	Other income	459	608	243	543	532	732	872	620	624	803
3.	Total Income (1+2)	15013	15564	15309	14962	14851	12755	13664	17528	23509	26808
4.	Gross Profit before interest, depreciation and tax	4103	3991	3018	2885	2550	2141	1793	2952	3767	4525
5.	Depreciation	327	476	436	428	364	326	284	357	415	528
6.	Profit before interest & tax	3776	3515	2582	2457	2186	1815	1509	2595	3352	3997
7.	Interest	39	13	10	11	18	11	17	18	17	21
8.	Profit before tax	3737	3502	2572	2446	2168	1804	1492	2577	3335	3976
9.	Profit after tax	2770	2499	1847	2025	1845	1502	1175	1992	2543	3130
Balance Sheet											
10.	Net Fixed Assets (including revaluation reserves)	1905	2576	2462	2291	2144	1867	1798	2633	2832	3710
11.	Investments	4674	5647	6353	7749	8546	9962	7272	9999	8857	9344
12.	Net Current Assets	1330	1410	1885	1994	2469	1951	5221	2943	5477	6059
13.	Total (10+11+12)	7909	9633	10700	12034	13159	13780	14291	15575	17166	19113
14.	Share capital	808	808	808	808	808	808	808	808	808	1131
15.	Reserves & Surplus	6718	8442	9509	10843	11995	12818	13425	14709	16358	17982
16.	Net Worth (14+15) (including revaluation reserves)	7526	9250	10317	11651	12803	13626	14233	15517	17166	19113
17.	Loan funds	383	383	383	383	356	154	58	58	-	-
18.	Total	7909	9633	10700	12034	13159	13780	14291	15575	17166	19113
19.	Return on Net Worth (%) (excluding revaluation reserves)	39	28	19	18	15	11	8	13	15	17
20.	Return on Capital Employed (%) (excluding revaluation reserves)	51	38	25	21	17	14	11	17	20	21
21.	Earning per share (₹)	34	31	23	25	23	19	15	25	22	28
22.	Dividend per share (₹)	8.5	8.5	8.5	7.5	7.5	7.0	6.0	7.5	9.5	9
23.	Book value per share (₹) (excluding revaluation reserves)	88	109	122	139	153	164	171	187	208	165
24.	Fixed Assets Turnover (No. of times)	8	6	6	6	7	6	7	6	8	7
25.	Working Capital Turnover (No. of times)	11	11	8	7	6	6	2	6	4	4
26.	Gross profit as % of total income	27	26	20	19	17	17	13	17	16	17
27.	Net profit as % of total income	18	16	12	14	12	12	9	11	11	12
28.	No. of Employees	485	521	557	618	539	510	542	646	809	971
29.	No. of Shareholders	3987	4088	4516	4576	4760	4828	4827	6052	5806	6289

NB : Share capital raised from ₹8.08 crores to ₹11.31 crores following the allotment of bonus shares during September 2011.



Notice to Shareholders

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 30th August 2012 at Kasturi Srinivasan Hall, (Music Academy Annexe) No.168 (Old No.306), T.T.K. Road, Royapettah, Chennai 600 014 at 10.30 A.M. to transact the following business.

Ordinary Business

1. Adoption of audited accounts for the year ended 31st March 2012 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 2012 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 and second interim dividends respectively of ₹4.00 and ₹5.00 per share declared by the Board of Directors of the Company on 3rd Feb'12 and 30th May'12 on 11310712 equity shares of ₹10/- each fully paid, absorbing a total sum of ₹1017.97 lacs (excluding dividend tax of ₹165.15 lacs paid) in the aggregate, be and are hereby treated as the final dividend for the year ended 31st March 2012.

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 N S Murthy, be and is hereby appointed as a 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 G Chidambar, be and is hereby appointed as a Director of the Company liable for retirement by rotation.

Special Business

6. Appointment of Mr Y Tomita 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 Y Tomita, be and is hereby appointed as Director of the Company liable for retirement by rotation.

7. Appointment of Mr Subhasis Dey as Manager u/s 269 of the Companies Act 1956

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

"Resolved that subject to the provisions of Section 269 and other applicable provisions of the Companies Act 1956 read

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with schedule XIII to the Companies Act, Mr Subhasis Dey be and is hereby appointed as Manager of the Company for a period of 5 years from 3rd February 2012 up to 2nd February 2017 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 and reporting the activities of the Company regularly to the Board and discharge various duties, the Board may entrust to him from time to time.

Resolved further that subject to the limits contained in sections 198 and 309 of the Companies Act, 1956, read with part II of Schedule XIII, his remuneration by way of salary and allowance will comprise the following:

Sl. No	Description	Rs Per Month
i.	Basic Salary	77,000
ii.	House rent allowance	48,000
iii.	Other allowances	66,500

Resolved further that in addition to the above remuneration, Mr Subhasis Dey will also be entitled to the following perquisites:

Sl. No	Description	Rs Per Month
i.	Gas and Electricity	5,000
ii.	Subscription to Books and Periodicals	3,500
iii.	Leave travel Assistance	10,000
iv.	Club Subscription	At actuals
v.	Premium on Personal Accident Insurance	At actuals
vi.	Premium for medical expenses for self and family	At actuals

Resolved further that Mr Subhasis Dey will also be paid a lump sum for any financial year of the Company as may be decided by the Board of Directors which was ₹2 lacs for the year 2011-12.

Resolved further that Mr Subhasis Dey is entitled to Company's contribution to provident fund, gratuity and encashment of un-availed leave at the end of the tenure as per the rules framed by the Company.

Resolved further that Mr Subhasis Dey 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.

Resolved further 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 for this purpose under Schedule XIII to the Companies Act, 1956.

Resolved further 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 as per the rules framed by the Company.

Resolved further that the Board of Directors of the Company may revise the remuneration payable to him during the currency of present tenure of office provided that the remuneration by way of salary perquisites and other allowance and benefits shall not exceed the limits prescribed under Schedule XIII and such other applicable provisions of



the Companies Act 1956 as amended and that may be in force, from time to time.

By order of the Board

S SAMPATH

Chennai
30th May 2012

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 28th August 2012 to 30th August 2012 [both days inclusive]
3. Consequent upon the amendment to Section 205A read with 205C of the Companies Act, 1956, dividends declared for the year ended 31.03.2006 and for 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 N S Murthy was born on 11th May 1928. He 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.

SI No. 5 of the Notice to shareholders

Mr Ganesan Chidambar was born on 23rd March 1931. He 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 Ganesan 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 as Managing Director of LIC of India after a tenure of about 2 years. Mr Ganesan Chidambar currently is a Director of Mahaveer Finance Ltd, Royal Soft Services Ltd and Coromandel Stampings and Stones Ltd.

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 30th May 2012 and shall be taken as forming part of the notice.

SI No. 6 of the Notice to shareholders

Mr Yuji Tomita was born on 17th September 1962. He holds a Bachelor degree in Engineering. He joined Kokusan Denki Co Ltd., Japan in April 1985 and served as Manager till September 2008. From October 2008 onwards, he is the Officer and General Manager of Kokusan Denki Co. Ltd., Japan. He is not holding directorship in any other companies.

Mr Y Tomita was appointed with effect from 1st June 2012 as a director of the Company in the casual vacancy caused by the resignation of Mr K Nakamura. Mr Tomita does not hold any shares in the Company.

The Company has received from a shareholder a Notice under Section 257 of the Companies

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Act, 1956 intimating his intention to propose the appointment of Mr Yuji Tomita as a Director of the Company, liable to retire by rotation, at this meeting and for that purpose to move a resolution set out under item 6 of the Notice.

Keeping in view of his expertise and experience in automobile ancillary industry, the Board considers it desirable that the Company should avail the services of Mr Y Tomita.

Interest of Directors

Mr Y Tomita 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

As per Section 269 of the Companies Act, 1956 read with Rule 10A, a Company with a paid up Share Capital of ₹5 Crores or above shall have a Managing Director or a Whole Time Director or a Manager.

Consequent upon the resignation of Mr G Murali as Manager of the Company, the Board appointed Mr Subhasis Dey as Manager of the Company at a meeting held on 3rd February 2012 subject to the provisions of the Companies Act, 1956 with effect from 3rd February 2012 for a period of 5 years at a remuneration,

which does not exceed the limits prescribed in Schedule XIII to the Companies Act, 1956.

Mr Subhasis Dey (age 50 years) graduated from Regional Engineering College, Durgapur in Electrical Engineering in 1983. He also holds Post Graduate Diploma in Business Management in addition to Certificate in Quality Management from British Standards Institute (UK) and Lead Assessor in Automotive Quality Systems from Omnex (USA).

Mr Subhasis Dey joined Tata Motors in 1983 as a Graduate Engineer Trainee and worked in various capacities till 2005 but for a brief period of about 3 years in between during which period he served Metaldyne Corporation of USA, a major automotive manufacturer supplying to global car makers worldwide. At the time of his departure from Tata Motors in 2005, he was heading the vendor development function for their Passenger Car Business based in Pune. He joined Lucas-TVS Ltd in 2005 as General Manager-Business Development/ Marketing and was deputed to your company in 2008. He is currently heading the Operations of your Company.

The resolution set out under item no.7 of the Notice is recommended for adoption by the members.



Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Twenty Seventh Annual Report and Audited Accounts for the year ended 31st March 2012.

1. FINANCIAL HIGHLIGHTS

	Year ended 31st March 2012	Year ended 31st March 2011
	₹ lacs	
Sales (Net of excise duty)	26005	22885
Profit before depreciation, exceptional items and taxes	4371	3750
Less:		
Depreciation	528	415
Profit before tax & exceptional items	3843	3335
Exceptional items	133	-
Profit before tax	3976	3335
Taxation	846	792
Profit after tax	3130	2543
Profit brought forward from previous year	785	836
Dividends	1018	767
Dividend distribution tax	165	127
Transfer to general reserve & share capital	1200	1700
Retained in profit and loss account	1532	785

2. OPERATIONS

Your Company's sales grew by 14% over the previous year, from ₹228.85 crores to ₹260.05 crores. Profit before tax and exceptional items at ₹38.43 crores showed an improvement of 15% over the previous year.

3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a. Economic Overview:

GDP growth moderated during the year compared to 2010-11 and is expected to be around 7%. The main cause for the decline in the trend of growth has been identified, by the Reserve Bank of India, as the emergence of significant supply bottlenecks on a number of fronts like infrastructure, energy, mining and labour besides difficult economic conditions in Europe.

b. Industry structure and developments:

The growth of two and three wheeler industry during the year under review was in double digits though lower than the previous year. The scooter segment showed the highest rate of growth at 25% followed by motorcycles, mopeds and 3 wheelers respectively at 14%, 12% and 10%.

c. Performance Review:

Sales of your Company's products to the 2/3 Wheeler segments registered a growth of around 13% with the Scooter segment recording the highest growth of over 30%.

Your Company continued to record healthy growth in its business in electronics during the year under review. Direct sales in the aftermarket recorded a growth of over 30% on account of the various initiatives taken by your company. Exports at ₹9.5 crores were 25% more than the previous year. Additional capacities were created in two of the manufacturing units during the year under review and capacity expansion has been planned in the third unit during the year 2012-13.

d. Business Outlook:

Your company's share of business with some of the major two and three wheelers manufacturers in the country is expected to have a significant growth in the year 2012-13. Your company has also received letter of intent from two of the leading two wheelers manufacturers of Japanese origin, who have ambitious growth plans for India. Enquiries for the company's products have also been received from other international manufacturers who are setting up manufacturing units in India.

On the export front, your Company's products have been well received by a North American customer and this is likely to provide further business in 2012-13. Business with other overseas customers is also expected to record a positive growth in 2012-13.

In view of these developments, your Directors expect a growth of about 20% in 2012-13.

e. Human Resources and Industrial Relations:

The long term wage settlement for unionised employees of Hosur, Puducherry and Rewari units have been completed during the year harmoniously.

The number of people employed in your Company as on 31st March 2012 was 971.

f. Risks and Concerns:

Global prices of crude and petroleum products have been going up sharply and will have an impact on the growth of the automobile industry. Although Reserve Bank of India has announced a 50 basis point reduction in interest rates, concern has been expressed about likely re-emergence of inflation which may limit the scope for further reduction. The power situation in States like Tamil Nadu is impacting the cost of production significantly. Weakening of the rupee has also pushed up the cost of imports. To recoup the cost increases fully from the customers continues to be difficult thereby bringing margins under pressure.

Your Company's engineers continue to develop VA/VE products as an alternate to expensive raw materials like rare earth magnets to overcome the cost pressure.

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.