



INDIA NIPPON ELECTRICALS LIMITED

**28th ANNUAL REPORT
2012-2013**



INDIA NIPPON ELECTRICALS LIMITED

Board of Directors

Chairman

T K BALAJI

Directors

ARVIND BALAJI (Whole-time Director)

R D FLINT

M NAMATAME

Y TOMITA

K SESHADRI

KG RAGHAVAN

V BALARAMAN

G CHIDAMBAR

N S MURTHY

R VIJAYARAGHAVAN

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

Cost Auditor

K SURYANARAYANAN

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

Factories

1. Hosur-Thalli Road
Uliveeranapalli 635 114
Denkanikotta Taluk, Krishnagiri District - Tamilnadu
Ph : 04347 - 233432 - 233438
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									
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Profit and Loss Account											
1.	Sales (excluding Excise duty)	14956	15066	14419	14319	12023	12792	16908	22885	26005	26802
2.	Other income	608	243	543	532	732	872	620	624	803	890
3.	Total Income (1+2)	15564	15309	14962	14851	12755	13664	17528	23509	26808	27692
4.	Gross Profit before interest, depreciation and tax	3991	3018	2885	2550	2141	1793	2952	3767	4525	4146
5.	Depreciation	476	436	428	364	326	284	357	415	528	613
6.	Profit before interest & tax	3515	2582	2457	2186	1815	1509	2595	3352	3997	3533
7.	Interest	13	10	11	18	11	17	18	17	21	18
8.	Profit before tax	3502	2572	2446	2168	1804	1492	2577	3335	3976	3515
9.	Profit after tax	2499	1847	2025	1845	1502	1175	1992	2543	3130	2837
Balance Sheet											
10.	Net Fixed Assets (including revaluation reserves)	2576	2462	2291	2144	1867	1798	2633	2832	3710	3935
11.	Investments	5647	6353	7749	8546	9962	7272	9999	8857	9344	10968
12.	Net Current Assets	1410	1885	1994	2469	1951	5221	2943	5477	6059	5859
13.	Total (10+11+12)	9633	10700	12034	13159	13780	14291	15575	17166	19113	20762
14.	Share capital	808	808	808	808	808	808	808	808	1131	1131
15.	Reserves & Surplus	8442	9509	10843	11995	12818	13425	14709	16358	17982	19631
16.	Net Worth (14+15) (including revaluation reserves)	9250	10317	11651	12803	13626	14233	15517	17166	19113	20762
17.	Loan funds	383	383	383	356	154	58	58	-	-	
18.	Total	9633	10700	12034	13159	13780	14291	15575	17166	19113	20762
19.	Return on Net Worth (%) (excluding revaluation reserves)	28	19	18	15	11	8	13	15	17	14
20.	Return on Capital Employed (%) (excluding revaluation reserves)	38	25	21	17	14	11	17	20	21	17
21.	Earning per share (₹)	31	23	25	23	19	15	25	22	28	25
22.	Dividend per share (₹)	8.5	8.5	7.5	7.5	7.0	6.0	7.5	9.5	9	9
23.	Book value per share (₹) (excluding revaluation reserves)	109	122	139	153	164	171	187	208	165	180
24.	Fixed Assets Turnover (No. of times)	6	6	6	7	6	7	6	8	7	7
25.	Working Capital Turnover (No. of times)	11	8	7	6	6	2	6	4	4	5
26.	Gross profit as % of total income	26	20	19	17	17	13	17	16	17	15
27.	Net profit as % of total income	16	12	14	12	12	9	11	11	12	10
28.	No. of Employees	521	557	618	539	510	542	646	809	971	927
29.	No. of Shareholders	4088	4516	4576	4760	4828	4827	6052	5806	6289	6295

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 Eighth Annual General Meeting of the Shareholders of the Company will be held on Monday, the 26th August 2013 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 2013 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 2013 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 6th Feb'13 and 28th May'13 on 11310712 equity shares of ₹ 10/- each fully paid, absorbing a total sum of ₹ 1017.97 lacs (excluding dividend tax of ₹ 169.51 lacs paid) in the aggregate, be and are hereby treated as the final dividend for the year ended 31st March 2013.

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 R D Flint, who retires by rotation and does not seek re-election, be not re-appointed as a director of the Company.

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.

6. 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

7. Appointment of Mr Arvind Balaji 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 Arvind Balaji, be and is hereby appointed as Director of the Company not liable for retirement by rotation.

8. **Appointment of Mr R Vijayaraghavan 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 R Vijayaraghavan, be and is hereby appointed as Director of the Company liable for retirement by rotation.

9. **Appointment of Mr Arvind Balaji as Whole-time Director of the Company 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 pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (the Act), as amended or re-enacted from time to time, read with schedule XIII to the Act, the Company hereby approves the appointment of Mr Arvind Balaji, as a Whole-time Director of the Company for a period of five years, subject to renewal for further periods of five years at a time, with effect from 1st April 2013 on a remuneration, as set out in the agreement dated 1st April 2013 entered into between the Company and Mr. Arvind Balaji and as detailed below:

I. Salary: ₹ 2,00,000 (Rupees two lakhs only) per mensem in the salary range of ₹ 2,00,000- ₹ 4,00,000, for five years, subject to revision from time to time, as may be determined by the Board of Directors of the Company.

II. Commission: Such amount as may be determined by the Board depending on the Company's performance every year.

III. Perquisites:

a. PF, Pensionary and other benefits:

- Company's contribution to provident fund,

which will not exceed 12% of the salary or such other higher rate as may be notified by the Central Government, from time to time.

- Gratuity as per rules of the Company, not exceeding half a month's salary for each completed year of service.
- Earned leave: As per rules of the Company, but not exceeding one month's leave for every eleven months of service. Leave accumulated shall be encashable at the end of the tenure.

b. Entertainment and Travel: Reimbursement of all actual expenses, including expenses incurred by him on entertainment and travelling in the course of the Company's business.

c. Sitting Fees: No sitting fees be paid for attending the meetings of the Board of Directors or Committees thereof.

d. Benefits and Amenities:

- (i) Loan and other schemes – Benefits under loan and other schemes in accordance with the practices, rules and regulations in force, in the Company, from time to time; and
- (ii) Other benefits and amenities – Such other benefits and amenities as may be provided by the Company to other senior officers from time to time.

Total remuneration as aforementioned together with the remuneration drawn from any other company shall not exceed higher of the 5% of the net profits of either of the Companies as computed under section 349 of the Companies Act, 1956 every year.

IV. Minimum Remuneration:

In the event of any loss or inadequacy of profits, the remuneration payable to Mr Arvind Balaji shall be restricted to such amount as may be agreed to by the Board



of Directors and the Whole-Time Director and within the limits prescribed in this regard under Schedule XIII to the Companies Act, 1956.

V. Variation / Modification:

The terms and conditions shall be subject to such variation and/or modification as may be mutually agreed or as may become desirable or necessary or as may be permitted or authorized by or under the Companies Act, 1956, for the time being in force or any statutory modification or re-enactment thereof or any rules and regulations framed there under or otherwise.

10. Commission to Directors

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

RESOLVED THAT pursuant to the provisions of Articles 118 (b) (ii) of the Articles of Association of the Company, Section 198, Section 309 and other applicable provisions, if any, of the Companies Act, 1956, a sum not exceeding one percent per annum of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, be paid to and distributed amongst the Directors (other than Managing/ whole-time Directors) or some or any of them in such amounts or proportions and in such manner as may be decided by the Board of Directors and such payments shall be made in respect of the profits of the Company for each year for a period of five financial years commencing from 1st April 2013.

By order of the Board

S SAMPATH

Chennai
28th May 2013

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 23rd August 2013 to 26th August 2013 [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 31.03.2007 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 R D Flint who also retires by rotation at this Annual General Meeting, does not seek re-election.

SI No. 5 of the Notice to shareholders

Mr K Seshadri (Age 79) 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

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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 Synergy Shakthi Renewable Energy Ltd and Member of the Audit Committee of Delphi-TVS Diesel Systems Ltd and Lucas Indian Service Ltd. He holds 1874 equity shares in the Company.

He is not a relative to any director of the Company.

The resolution is recommended for the approval of the shareholders.

SI No. 6 of the Notice to shareholders

Mr K G Raghavan (age 58) is a partner of Dua Associates with offices at New Delhi, Mumbai, Chennai, Bangalore, Pune and Gurgaon. He holds a Bachelor's 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, MRTP 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 and is not a relative to any director of the Company.

The resolution is recommended for the approval of the shareholders.

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 28th May 2013 and shall be taken as forming part of the notice.

Item No. 7 of the Notice

Mr. Arvind Balaji was born on 8th December 1974 and did his B.E. (Mech.) from Birla Institute of Technology and Science and M.S in Manufacturing System Engineering from Stanford University besides M.B.A. (Finance) from the Wharton School, Pennsylvania.

Mr. Arvind Balaji worked as a staff and Senior Consultant with Oracle Consulting Group of Oracle Corporation between 1998 and 2000 followed by a stint in 2001 as a Summer Associate in Credit Suisse First Boston Technology Group in San Francisco where he acquired valuable experience in the field of mergers and acquisitions. Between 2002 and 2004 he worked as an Associate in Banc of America Securities LLC, New York in the field of Investment Banking.

Mr. Arvind Balaji joined Lucas Indian Service Ltd as Whole-time Director in 2004 and his services were placed at the disposal of Lucas-TVS for appointment as Vice President Business Planning. He became Joint Managing Director of M/s Lucas-TVS Ltd, Chennai in April 2008. He joined India Nippon Electricals Ltd as a director effective 30th October 2012. He is a Joint Managing Director in Lucas-TVS Ltd. He is a Director in Lucas Indian Service Ltd, TVS Automotive Systems Ltd, Synergy Shakthi Renewable Energy Ltd, Delphi-TVS Diesel Systems Ltd, TVS Motor Services Ltd, Harita Arvind Energy Pvt Ltd, Harita Greens Pvt Ltd, India Japan Lighting Pvt Ltd, Punarvasu Swasthi Pvt Ltd and Hastham Swasthi Pvt Ltd. He is the Regional President in Automotive Component Manufacturers Association of India. He is also the Member of the Audit Committee of TVS Motor Services Ltd.



Mr. Arvind Balaji 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. Arvind Balaji as a Director of the Company, not liable for retirement by rotation, at this meeting and for that purpose to move a resolution set out under item 7 of the Notice.

Interest of Directors

Mr. Arvind Balaji is interested in the resolution relating to his appointment as a Director of the Company besides Mr. T K Balaji, Chairman, who is related to Mr. Arvind Balaji.

The resolution is recommended for the approval of the shareholders.

Item No. 8 of the Notice

Mr R Vijayaraghavan was born on 2nd January 1950. He is an Advocate in Chennai and has been practising Law for over 28 years. He has a vast breadth of experience in the fields of Corporate Law, Mergers and Acquisitions, Tax Laws, Commercial aspects of doing business in India.

He holds a Master Degree in Science from Madurai University and MBA from Syracuse University, USA besides being a Law graduate from Dr. Ambedkar Law College, Chennai.

He holds the position as director in Sanco Trans Limited, Bimetal Bearings Limited, T.Stanes & Company Limited, Lucas TVS Limited, Sundaram-Clayton Limited and Redington (India) Investments Limited.

He is the Chairman of the Audit Committee of Sanco Trans Ltd and a Member of the Audit Committee of T Stanes & Co Ltd and Bimetal Bearings Ltd.

He is also a member of the Remuneration Committee of Bimetal Bearings and T Stanes Co Ltd.

He does not hold any shares in India Nippon Electricals Limited and is not related to any director of 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. R Vijayaraghavan 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 8 of the Notice.

Interest of Directors

Mr. R Vijayaraghavan 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.

Item No. 9 of the Notice

Mr. Arvind Balaji, Director was appointed as a Whole-time Director of the Company effective 1st April 2013, at the meeting of the Board of Directors of the Company held on 25th March 2013, as per Section 269 of the Companies Act, 1956.

The appointment of Mr. Arvind Balaji as Whole-Time Director and the payment of salary and perquisites to Mr. Arvind Balaji as set out under item 9 of the Notice are recommended for adoption by the members.

The agreement dated 1st April 2013 entered into between the Company and Mr. Arvind Balaji will be available for inspection at the Registered office of the Company on any working day between 10 AM and 12 Noon.

Interest of Directors

Mr. Arvind Balaji is interested in the resolution relating to his appointment as a Whole-time Director of the Company besides Mr. T K Balaji, Chairman, who is related to Mr. Arvind Balaji.

The resolution is recommended for the approval of the shareholders.

Item No. 10 of the Notice

At the AGM held on 21st August 2008, shareholders approved a proposal for payment of commission not exceeding 1% of the net profits of the company to the non-whole time directors of the company for a period of 5 years from 01.04.2008. The validity of the above resolution expired on 31.03.2013.

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

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

The above proposal was approved by the Board, at the meeting held on 28th May 2013

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.