

INDIA NIPPON ELECTRICALS LIMITED

Regd. Office: 'Aalim Centre' 2nd Floor, No.82, Dr Radhakrishnan Salai

Mylapore, Chennai-600004 CIN: L31901TN1984PLC011021

Tel: 044-28110063/74. Fax: 044-28115624

E.mail: inelcorp@inel.co.in; investorscomplaints@inel.co.in

Website: www.indianippon.com



Notice to Shareholders

NOTICE is hereby given that the Twenty Ninth Annual General Meeting of the Shareholders of the Company will be held on Wednesday, the 27th August 2014 at Kasturi Srinivasan Hall, (Music Academy Annexe) No.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 2014 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 2014 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 and ₹ 5 per share declared by the Board of Directors of the Company on 28th Jan'14 and 23rd May'14 on 11310712 equity shares of ₹10/- each fully paid, absorbing a total sum of ₹ 1017.97 lacs (excluding dividend tax of ₹ 173 lacs paid) in the aggregate, be and are hereby treated as the final dividend for the year ended 31st March 2014.

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, pursuant to the provisions of Section 139 of the Companies Act 2013 and Rules made thereunder, the retiring Auditors M/s Brahmayya & Co., Chartered Accountants (Regn. No.000511S) be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the Thirty Second Annual General Meeting of the Company (subject to ratification of the appointment by the members at every AGM held after this AGM) and that the Board of Directors be and are hereby authorised to fix such remuneration as may be determined by the Audit Committee in addition to travelling and other out-of-pocket expenses actually incurred by them in connection with audit.

4. Retirement of a Director by rotation

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

RESOLVED THAT Mr Yuji Tomita, who retires by rotation and does not seek re-election, be not re-appointed as Director of the Company.

Special Business

5. Appointment of Independent Director: Mr G Chidambar

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 149, 150, 152 and other applicable provisions if any of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act 2013, Mr G Chidambar (holding DIN 00017015), an Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149 (6) of the Act and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from the conclusion of the Annual General Meeting of 2014 until the conclusion of the Annual General Meeting in 2019 and the provisions of Section 152 (6) and (7) in respect of retirement of directors by rotation shall not be applicable to appointment of Independent Director Mr G Chidambar.

6. Appointment of Independent Director: Mr V Balaraman

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 149, 150, 152 and other applicable provisions if any of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act 2013, Mr V Balaraman (holding DIN 00267829), an Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149 (6) of the Act and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from the conclusion of the Annual General Meeting of 2014 until the conclusion of the Annual General Meeting in 2019 and the provisions of Section 152 (6) and (7) in respect of retirement of directors by rotation shall not be applicable to appointment of Independent Director Mr V Balaraman.

7. Appointment of Independent Director: Mr K G Raghavan

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 149, 150, 152 and other applicable provisions if any of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act 2013, Mr K G Raghavan (holding DIN 00359471), an Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149 (6) of the Act and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from the conclusion of the Annual General Meeting of 2014 until the conclusion of the Annual General Meeting in 2019 and the provisions of Section 152 (6) and (7) in respect of retirement of directors by rotation shall not be applicable to appointment of Independent Director Mr KG Raghavan.



8. Appointment of Independent Director: Mr R Vijayaraghavan

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 149, 150, 152 and other applicable provisions if any of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act 2013, Mr R Vijayaraghavan (holding DIN 00026763), an Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149 (6) of the Act and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from the conclusion of the Annual General Meeting of 2014 until the conclusion of the Annual General Meeting in 2019 and the provisions of Section 152 (6) and (7) in respect of retirement of directors by rotation shall not be applicable to appointment of Independent Director Mr R Vijayaraghavan.

9. Appointment of Independent Director: Dr (Mrs) Jayshree Suresh

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 149, 150, 152 and other applicable provisions if any of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act 2013, Dr (Mrs) Jayshree Suresh (holding DIN 06861217), Independent Director of the Company who was appointed by the Board on 26th March 2014 in the casual vacancy caused by the resignation of Mr N S Murthy and shall hold office upto the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of Director, be and is hereby appointed as an Independent Director who shall hold office for five consecutive years from the conclusion of this Annual General Meeting until the conclusion of the Annual General Meeting of the Company to be held in 2019 and the provisions of Section 152 (6) and (7) in respect of retirement of directors by rotation shall not be applicable to appointment of Independent Director Dr (Mrs) Jayshree Suresh.

10. Appointment of Mr T Momose 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 T Momose, in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of director, be and is hereby appointed as Director of the Company liable for retirement by rotation.

By order of the Board

S SAMPATH

Chief Financial Officer &
Company Secretary

Chennai
23rd May 2014

Notes:

- a. **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.**
- b. The Register of Members and Share Transfer Books of the Company will remain closed from 5th June 2014 to 6th June 2014 [both days inclusive] for the purpose of payment of second interim dividend for the year 2013-14.
- c. Consequent upon the amendment to Section 205A read with Section 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.
- d. 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:
- e. The Notice of the 29th Annual General Meeting of the Company and instructions for e-voting, along with the Attendance slip and proxy form, is being sent by electronic mode to all members whose e.mail addresses are registered with the Company / Depository Participant(s) unless a member has requested for a hard copy of the same. For members who have not registered their e.mail addresses, physical copies of the aforesaid documents are being sent by the permitted mode.
- f. Members are requested to affix their signature at the space provided on the attendance slip annexed to proxy form and hand over the slip at the entrance of the meeting hall.
- g. As a measure of economy, copies of the annual report will not be distributed at the meeting hall. Members are, therefore, requested to bring their copy of the annual report.

SI No. 4 of the Notice to shareholders

Mr Y Tomita who retires by rotation at this Annual General Meeting, does not seek re-election.

Explanatory Note under Section 102 of the Companies Act 2013 read with the Listing Agreement requirements :

The following explanatory statement sets out all material facts relating to the special business mentioned in the accompanying notice dated 23rd May 2014 and shall be taken as forming part of the notice.

Item Nos. 5 to 9 of the Notice to Shareholders

The Company had, pursuant to the provisions of the Clause 49 of the Listing agreements entered into with the Stock Exchanges, appointed Mr G Chidambar, Mr V Balaraman, Mr K G Raghavan, R Vijayaraghavan and Dr (Mrs.) Jayshree Suresh as Independent Directors at various times in compliance with the requirements of the clause.

Pursuant to the provisions of Section 149 of the Act, which came in to effect from April 1, 2014, every listed public company is required to have at least one-third of the total number of directors as independent directors, who are not liable to retire by rotation.

The Board of Directors at their meeting held on 23rd May 2014 recommended the appointment of the above directors as Independent Directors from the conclusion of this Annual General Meeting until the conclusion of the Annual General Meeting to be held in 2019.



M/s G Chidambar, V Balaraman, K G Raghavan, R Vijayaraghavan and Jayshree Suresh have given a declaration to the Board that they meet the criteria of independence as provided under section 149 (6) of the Act. In the opinion of the Board, each of these Directors fulfil the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Directors and they are independent of the management.

The Independent Directors are entitled to receive remuneration by way of fees and reimbursement of expenses for participation in the meetings of the Board and / or Committees and profit related commission in terms of Section 197 and other applicable provisions of the Companies Act, 2013, as determined by the Board from time to time, within the overall limits specified under the Companies Act 2013.

The Company has received a Notice under Section 160 of the Companies Act 2013 from member(s) intimating the intention to propose the appointment of these directors as Independent Directors of the Company at this meeting and for that purpose to move resolutions as set out under item nos. 5 to 9 of the Notice.

Except M/s G Chidambar, V Balaraman, K G Raghavan, R Vijayaraghavan and Jayshree Suresh, directors, being appointees, none of the other directors or key managerial personnel of the company or their relatives is concerned or interested, financially or otherwise, in the appointments as set out under item nos.5 to 9.

In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the Members for their approval. The Board of Directors recommend each of the resolutions in relation to the appointment of Directors for approval by the shareholders of the Company.

A brief profile of the Independent Directors to be appointed is given below:

Mr G 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 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 as Managing Director of LIC of India after a tenure of about 2 years in that position. Mr G Chidambar currently is a Director of Mahaveer Finance Ltd, Royal Soft Services Ltd and Coromandel Stampings and Stones Ltd. He is also the Chairman of the Audit Committee of Royal Soft Services Ltd and Coromandel Stampings and Stones Ltd. He does not hold any shares in India Nippon Electricals Limited and is not related to any director of the Company.

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 a director of Empower Works Limited, New Jersey and AnandaNidra Sleep Medicine Center Pvt. Ltd. Mr V Balaraman was also the past president of Madras Chamber of Commerce and Industry/ Madras Management Association. He is a Consultant for Strategy, Branding and Marketing for a few companies and also coaches and mentors CEOs / Senior Business Leaders. Currently, he is a Director in Computer Age Management Services Pvt Ltd, Mahindra World City Developers Ltd, Adrenaline eSystems Ltd, CAMS Repository Service Ltd, Parry Enterprises India Ltd, Ponds Exports Ltd, Polaris Financial Technology Ltd and Mother Dairy Fruit & Vegetable P Ltd. He is also the Member of the Audit Committee of Computer Age Management Services P Ltd, Mahindra World City Developers Ltd, Parry Enterprises India Ltd and Mother Dairy Fruit & Vegetable P Ltd. He does not hold any shares in the Company and is not related to any director of the Company.

Mr K G Raghavan was born on 2nd May 1954. He is a Senior Advocate in Karnataka High Court. 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, CEGAT, Consumer Fora and Civil Courts. He is a director in Karnataka Hybrid Micro Devices Ltd., Bangalore. He does not hold any shares in India Nippon Electricals Limited and is not related to any director of the Company.

Mr R Vijayaraghavan was born on 2nd January 1950. He is an Advocate in Chennai and has been practising Law for over 29 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 is a Director in Sanco Trans Ltd, Sundaram Clayton Ltd, T.Stanes Ltd, Currents Technology Retail (India) Ltd, Redington (India) Investment Ltd, Lucas-TVS Ltd, Thiru Arooran Sugars Ltd and Bimetal Bearings Ltd. He is also the Chairman of the Audit Committee of Sanco Trans Ltd, Thiru Arooran Sugars Ltd and Lucas TVS Ltd and Member of the Audit Committee of Bimetal Bearings Ltd. He is a Member of the Stakeholders Relationship Committee of Sundaram Clayton Ltd. He does not hold any shares in India Nippon Electricals Limited and is not related to any director of the Company.

Dr (Mrs.) Jayshree Suresh was appointed as an Independent Director at the Board Meeting held on 26th March 2014 in the casual vacancy caused by the resignation of Mr N S Murthy. The company has received a consent letter from Dr Jayshree Suresh to act as a director of the company in terms of Sections 264 (2)/ 266 (1) (a) and 266 (1) (b) (iii) of the Companies Act 1956 and also the declaration under section 149 of the Companies Act 2013 that she qualifies to be the Independent Director. Dr. Jayshree Suresh was born on 2nd October, 1952. She had done her Ph.D, M.B.A. and B.A. She is Dean, Faculty of Management, SRM University. She has won 3 Best Faculty Awards: Citation from Asia, a gold medal from Cognizant Technologies in SRM and silver plate in MOP Vaishnav College. She is author of "Entrepreneurial Development" and co-author of "Human Values and Professional Ethics". She has worked in IIMA for 10 years in the Marketing Area. At present she is the Vice-President of Society for Entrepreneurship Educators (SEE) at ISB. She does not hold any shares in India Nippon Electricals Limited and is not related to any director of the Company.

Item No. 10 of the Notice

Mr Tadaya Momose was born on 29th September 1959. He acquired Law and Economics degree from Chiba University, Japan. He started his career in 1982 and he served as General Manager of Nissan Motor Co Ltd, Japan until 2014 and in April 2014, he joined Kokusan Denki Co Ltd as Operating Officer and Dy. GM of Sales Division.

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 160 of the Companies Act 2013 intimating the intention to propose the appointment of Mr T Momose as a Director of the Company, liable for retirement by rotation, at this meeting and for that purpose to move a resolution as set out under item 10 of the Notice.



Mr T Momose is interested in the resolution relating to his appointment as a Director of the Company and none of the other directors is interested or key managerial personnel of the company or their relatives is concerned or interested, financially or otherwise, in the resolution for appointment as set out under item no.10.

The resolution is recommended for the approval of the shareholders.

INSTRUCTIONS FOR VOTING ELECTRONICALLY:

- a) The Company is pleased to provide members a facility to exercise their right to vote on the resolutions as set out in the Notice calling for the Annual General Meeting (AGM) by 'electronic means' and all the businesses may be transacted through e-Voting services provided by National Securities Depository Limited (NSDL) / Central Depository Services (India) Limited (CDSL), in compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules 2014.
- b) Voting rights are reckoned on the basis of the shares registered in the names of the members / beneficial owners as on the record date fixed for this purpose, viz., 23rd July 2014.
- c) Mr S Ananthanarayan, Practicing company Secretary, Chennai has been appointed as scrutinizer for conducting the e-Voting process in a fair and transparent manner.
- d) Members are requested to read the instructions given below:
- (A) The instructions for e-Voting are as under:
- In case of members' receiving e-mail from NSDL [for members whose email IDs are registered with the Company / Depository Participants(s)]:
- (i) Open e-mail and then open PDF file viz., "India Nippon Electricals Limited – 29th AGM e-Voting.pdf" with their Client ID or Folio No. as password. The said PDF file contains the User ID and password for e-Voting. Please note that the password is an initial password.
 - (ii) Launch internet browser by typing the following URL in the address bar: www.evoting.nsdl.com
 - (iii) Click on shareholder – Login
 - (iv) Enter User ID and password as initial password noted in step (i) above. Click Login.
 - (v) Password change menu appears. Change the password with new password with minimum 8 digits / characters or combination thereof. Note the new password. It is strongly recommended not to share the password with any other person and take utmost care to keep the password confidential.
 - (vi) Home page of e-Voting opens. Go to "eVoting" icon and select "Active Evoting Cycles".
 - (vii) Select "EVEN" of India Nippon Electricals Limited.
 - (viii) Now members are ready for e-Voting as Cast Vote page opens.
 - (ix) Cast the vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
 - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
 - (xi) Once the member has voted on the resolution, such member will not be allowed to modify their vote, subsequently.
 - (xii) Institutional members (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF / JPG Format) of the relevant board resolution / authority letter etc. together with the attested specimen signature of the duly authorized signatory(ies), who are authorized to vote, to the Scrutinizer through e-mail to 'geethakumar2000@yahoo.com' with a copy marked to evoting@nsdl.co.in and kr.raman@scl.co.in.
- (B) In case of members receiving physical copy of the Notice of AGM:
- (i) Initial password is provided as below / at the bottom of the Attendance Slip for the AGM:
- | EVEN (e-Voting Event Number) | USER ID | PASSWORD / PIN |
|------------------------------|---------|----------------|
| | | |
- (ii) Please follow all steps carefully as explained in sl no.(d) (A) (ii) to (xii) above to cast vote.
- (e) In case of any queries, members may refer to the Frequently Asked Questions (FAQs) for Members and e-Voting user manual for Members available at the downloads section of www.evoting.nsdl.com or contact NSDL at the following Telephone No: 022- 24994600.
- (f) If members are already registered with NSDL for e-Voting, then they can use their existing user ID and password for casting the vote.
- (g) Members can also update their mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- (h) The e-Voting period commences on 20th August 2014 (9:00 A.M.) and ends on 22nd August 2014 (6:00 P.M.). During this period, members holding shares either in physical form or in dematerialized form, as on 23rd July 2014, may cast their votes electronically. The e-Voting module will be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by a member, such member will not be allowed to change it subsequently.
- (i) The Scrutinizer shall within a period not exceeding three working days from the conclusion of the e-Voting period unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast "in favour" or "against", if any, forthwith to the Chairman of the Company.
- (j) The Results declared along with the Scrutinizer's Report will be placed on the Company's website www.indianippon.com and on the website of NSDL within two days of passing of the resolutions at the AGM and communicated to the Stock Exchanges where the stocks of the Company are listed.
- (k) All documents referred to in the accompanying Notice and the Explanatory Statement will be open for inspection at the Registered Office of the Company during 10.00 am to 12.00 noon on all working days up to and including the date of the AGM.



INDIA NIPPON ELECTRICALS LIMITED

Board of Directors

Chairman

T K BALAJI

Directors

ARVIND BALAJI (Whole-time Director)

M NAMATAME

Y TOMITA

K SESHADRI

KG RAGHAVAN

V BALARAMAN

G CHIDAMBAR

R VIJAYARAGHAVAN

Dr (Mrs.) JAYSHREE SURESH

Audit Committee

K G RAGHAVAN (Chairman)

K SESHADRI

V BALARAMAN

G CHIDAMBAR

R VIJAYARAGHAVAN

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

'Aalim Centre', 82 Dr. Radhakrishnan Salai,
Mylapore, Chennai 600 004

Ph: 044-28110063/28110074 Fax: 044-28115624

E.mail: inelcorp@inel.co.in,

investorscomplaints@inel.co.in

CIN: L31901TN1984PLC011021

Website : www.indianippon.com.

Subsidiary Company

PT Automotive Systems Indonesia

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

Contents	Page no.
Financial Highlights	2
Directors' Report to the Shareholders	3
Report on Corporate Governance	10
Auditors' Report to the Members	21
Balance Sheet	26
Statement of Profit & Loss	27
Cash Flow Statement	28
Notes	30
Statement pursuant to Sec.212	53
Consolidated Accounts	55
Financial Highlights (Graphical)	83

INDIA NIPPON ELECTRICALS LIMITED

FINANCIAL HIGHLIGHTS OF TEN YEARS PERFORMANCE

₹ lacs

S.No.	Description	Year ended 31 st March									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Profit and Loss Account											
1.	Sales (excluding Excise duty)	15066	14419	14319	12023	12792	16908	22885	26005	26802	26153
2.	Other income	243	543	532	732	872	620	624	803	890	846
3.	Total Income (1+2)	15309	14962	14851	12755	13664	17528	23509	26808	27692	26999
4.	Gross Profit before interest, depreciation and tax	3018	2885	2550	2141	1793	2952	3767	4525	4146	3183
5.	Depreciation	436	428	364	326	284	357	415	528	613	562
6.	Profit before interest & tax	2582	2457	2186	1815	1509	2595	3352	3997	3533	2621
7.	Interest	10	11	18	11	17	18	17	21	18	12
8.	Profit before tax	2572	2446	2168	1804	1492	2577	3335	3976	3515	2609
9.	Profit after tax	1847	2025	1845	1502	1175	1992	2543	3130	2837	1966
Balance Sheet											
10.	Net Fixed Assets (including revaluation reserves)	2462	2291	2144	1867	1798	2633	2832	3710	3935	3970
11.	Investments	6353	7749	8546	9962	7272	9999	8857	9344	10968	11913
12.	Net Current Assets	1885	1994	2469	1951	5221	2943	5477	6059	5859	5654
13.	Total (10+11+12)	10700	12034	13159	13780	14291	15575	17166	19113	20762	21537
14.	Share capital	808	808	808	808	808	808	808	1131	1131	1131
15.	Reserves & Surplus	9509	10843	11995	12818	13425	14709	16358	17982	19631	20406
16.	Net Worth (14+15) (including revaluation reserves)	10317	11651	12803	13626	14233	15517	17166	19113	20762	21537
17.	Loan funds	383	383	356	154	58	58	-	-	-	-
18.	Total	10700	12034	13159	13780	14291	15575	17166	19113	20762	21537
19.	Return on Net Worth (%) (excluding revaluation reserves)	19	18	15	11	8	13	15	17	14	9
20.	Return on Capital Employed (%) (excluding revaluation reserves)	25	21	17	14	11	17	20	21	17	12
21.	Earning per share (₹)	23	25	23	19	15	25	22	28	25	17
22.	Dividend per share (₹)	8.5	7.5	7.5	7.0	6.0	7.5	9.5	9	9	9
23.	Book value per share (₹) (excluding revaluation reserves)	122	139	153	164	171	187	208	165	180	187
24.	Fixed Assets Turnover (No. of times)	6	6	7	6	7	6	8	7	7	7
25.	Working Capital Turnover (No. of times)	8	7	6	6	2	6	4	4	5	5
26.	Gross profit as % of total income	20	19	17	17	13	17	16	17	15	12
27.	Net profit as % of total income	12	14	12	12	9	11	11	12	10	7
28.	No. of Employees	557	618	539	510	542	646	809	971	927	966
29.	No. of Shareholders	4516	4576	4760	4828	4827	6052	5806	6289	6295	6427

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



Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Twenty Ninth Annual Report and Audited Accounts for the year ended 31st March 2014.

1. FINANCIAL HIGHLIGHTS

	₹ Lacs	
	Year ended 31 st March '14	Year ended 31 st March '13
Sales (Net of excise duty)	26153	26802
Profit before depreciation and taxes	3172	4128
Less:		
Depreciation	562	613
Profit before tax	2610	3515
Taxation	644	678
Profit after tax	1966	2837
Profit brought forward from previous year	1181	1532
Dividends	1018	1018
Dividend distribution tax	173	170
Transfer to general reserve & share capital	750	2000
Retained in profit and loss account	1206	1181

2. OPERATIONAL PERFORMANCE

Your Company's sales during the year under review fell by 2.40% compared to the previous year owing to adverse business conditions. Your Company went for an aggressive price strategy to get enhanced market share particularly for fly wheel magneto which coupled with the loss of business of profitable electronic component due to changes in the model of one of the major customers impacted the bottom line significantly. Efforts at cost reduction which, by and large, went according to the plan drawn up and restricting price increases to suppliers helped to mitigate the impact on the company's bottom line. The tax incidence on the profit earned was more than the previous

year due to completion of the tax holiday period by one of the units of the Company.

3. MANAGEMENT DISCUSSION AND ANALYSIS

a. Economic Overview:

The downward trend in growth mainly caused by structural factors that impeded investment activity had a substantial impact on growth this year as well. Persistently high inflation and low business confidence contributed to a decline in growth.

b. Industry structure and developments:

Economic slowdown and high interest rates continued to affect demand of the automobile industry. Despite this, the two wheeler industry recorded an overall growth of around 7% led by a 21% growth in scooter segment followed by motorcycle with around 5%. The moped segment and three wheeler recorded negative growth of 7% and 1% respectively.

c. Performance Review:

Your company had a growth of around 35% with the motorcycle segment, mainly due to higher share of business for the Rewari Unit from a major motorcycle manufacturer in Haryana. Direct sales to the aftermarket also recorded a growth of around 25%. Reference was made in the last year's report to the negative growth in the scooter segment which arose from changes in the models of one of the company's major customers. Though this was made good during the current year to some extent by business from other scooter manufacturers, your Company's sales to this segment was lower by around 37%. The negative growth in the three wheeler segment also had a significant impact on the company's sales, while ECU business was affected by sluggish demand for passenger cars.

Your company's exports during the year amounted to ₹10.91 cr against previous year sales of ₹11.66 cr.

d. Business Outlook:

With the formation of a new Government with a stable majority, there is an expectation that business conditions will improve. This is already reflected in the strengthening of the rupee from ₹63 to ₹59 per dollar, though there are structural problems still to be addressed arising out of a current account deficit.

Your Company's share of business from a leading two wheeler manufacturer in Northern India has increased and your Company has been awarded 100% share of business of their new plant in Rajasthan which is expected to commence commercial production during the current financial year. Your Company has also been identified for development of ECU for the EFI system jointly with an Italian technical partner, by one of the two wheeler manufacturers for their popular model of motorcycle as well as by the US based customer. Your Company has also identified its electronic range of products and its capabilities to develop products to meet customers' requirement as a strategic growth area and expanded capacities to make such products. The response from customers has also been encouraging in this direction. Your company has also developed good business relationship with the US based customer due to its performance on quality and delivery. This will help to boost exports in a significant way.

e. Human Resources and Industrial Relations:

The long term wage settlement has fallen due for revision at the Hosur unit. The union has given its charter of demand and negotiations are under way. Industrial relations in all the units of the company continue to be harmonious.

The number of people employed in your Company as on 31st March 2014 was 966.

f. Risks and Concerns:

The prediction of below normal monsoon is likely to affect rural demand. The cost increases on account of costlier imports

and other cost increases like diesel price increases, power cost etc. have not been adequately compensated by customers. On the other hand the competitive intensity of the market is forcing lower selling prices to gain new business.

Your Company is focussing on development of VAVE products, improving productivity and cost reduction in every possible avenue to protect the bottom line.

g. Internal Control System:

Your Company has made a preliminary study to identify suitable ERP system to improve internal control systems to meet customer requirements and statutory obligations. During the current financial year your Company proposes to start implementation of SAP to meet these objectives. The Audit Committee will be involved in the process of identifying suitable agency and review the controls and their adequacy.

h. Corporate Social Responsibility

The Companies Act 2013 lays a lot of emphasis on corporate social responsibility and specifies the quantum and avenues where corporate entities should discharge their responsibility. Your Company will constitute a committee of the Board of Directors to review and recommend a suitable CSR policy for the Company and monitor its implementation.

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 laws 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. SUBSIDIARY COMPANY

The subsidiary of your company, PT Automotive Systems Indonesia has been granted three more years time up to March 2017 to establish manufacturing operations in Indonesia. Your Company is exploring various business opportunities in that country as it has a large two wheeler population and an appropriate decision will be taken within the time granted by the Governmental authorities of Indonesia.

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

5. ASSOCIATE COMPANY

M/s Synergy Shakthi Renewable Energy Limited (SSREL), in which your Company has made a strategic investment, reported a profit of ₹195.02 lacs for its financial year ended 31st March 2014 which has been recognised appropriately in the consolidated accounts. SSREL continued its focus on improving the capacity utilization of its power plant by securing alternate sources of biomass and stepping up its operations by addressing the plant issues. On the market front, the base was enlarged by SSREL by targeting better realizations from short term open access customers. SSREL also augmented its revenue by trading in Renewable Energy Certificates (RECs) where the market underperformed due to ineffective enforcement of Renewable Purchase Obligations (RPOs) by the regulatory authorities.

As the viability of the project is also dependent upon the performance of the REC market, the industry association is in continuous dialogue with the Government and the regulators to address this need.

6. DIVIDEND

Your Company had paid an interim dividend of ₹ 4 per share in the month of Feb'14. A further dividend of ₹ 5 will be paid in June '14. The total dividend of ₹ 9 per share is being treated as final dividend for the year. The dividends will absorb a sum of ₹ 1017.97 lacs besides an additional outgo on dividend distribution tax of ₹ 173 lacs.

7. 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.

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

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

9. PARTICULARS OF EMPLOYEES

None of the employees is drawing remuneration in excess of the amounts specified as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 as amended.

10. CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, the 'Report on Corporate Governance' is enclosed as part of this report.

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.

The certificates required from Head of Operations/ CFO, are also attached to this report.

11. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions under Section 217(2AA) of the Companies Act, 1956 on the Directors' Responsibility Statement, it is hereby confirmed:

INDIA NIPPON ELECTRICALS LIMITED

- a) that in the preparation of accounts for the financial year ended 31st March 2014 the applicable accounting standards have been followed.
- b) that the Directors have selected the accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company, at the end of the financial year under review and of the Profit of the Company, for the year under review.
- c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) that the Directors have prepared the annual accounts for the year ended 31st March 2014 on a 'going concern' basis.

12. DIRECTORS

In terms of Section 149 read with Section 152 of the Companies Act 2013, Independent Directors can be appointed for a term upto five years and they need not retire by rotation during their tenure. Accordingly, resolutions are placed for consideration of the Members to appoint independent directors for a term upto 5 years in the ensuing Annual General Meeting (A.G.M.).

Mr T K Balaji, Chairman of the Company who was appointed as Director not liable to retire by rotation in the A.G.M. held in 1987 has opted to retire by rotation to fulfil the requirement of Section 149 read with Section 152 of the Companies Act 2013.

Mr. N S Murthy resigned from the Board of Directors with effect from 29th October 2013 and Ms. Jayshree Suresh was appointed as an independent Director with effect from 26th March 2014 in the casual vacancy caused by his resignation. Mr Y Tomita retires by rotation and does not seek re-

election. Mr. Tadaya Momose is being proposed for appointment as a Non-independent Director liable for retirement by rotation. The Company has received proposals for the above appointments from shareholders as required under Section 160 of the Companies Act 2013.

The Board would like to place on record its appreciation of the valuable contributions made by M/s N S Murthy and Y Tomita during their tenure as Directors of the Company.

13. AUDITORS

M/s Brahmayya & Co., Chartered Accountants, retire at the conclusion of the Annual General Meeting and are eligible for re-appointment.

14. COST AUDITORS

Mr. K Suryanarayanan who was appointed as cost auditor for the financial year 2012-13 filed the cost audit report with the MCA within the stipulated time. He was also re-appointed as Cost Auditor by the Board of Directors, for the financial year 2013 -14 who will be completing the cost audit for the year ended 31st March 2014 and file the cost audit report before the due date.

15. GENERAL

Your Directors wish to place on record their appreciation for the good work of all the employees of the Company.

Your Directors also acknowledge the continued support received from Lucas Indian Service Ltd, Chennai, Kokusan Denki Co Ltd., Japan and also wish to thank the Governments at the Centre and in the States of Tamil Nadu, Haryana and Puducherry, Bank of Baroda, ICICI Bank Ltd, Axis Bank Ltd, and SIPCOT for the assistance rendered by them from time to time.

For and on behalf of the Board of Directors

Chennai
23rd May 2014

T K BALAJI
Chairman