



# 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

FROST & SULLIVAN

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**The Economic Times India Manufacturing**

**Excellence Awards 2010**

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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.





#### h. Financial / Operational Performance:

Particulars	2010-2011		2009-2010	
	Rs.Lacs	%	Rs.Lacs	%
Sales (Net of Excise Duty)	22885	97.34	16908	96.46
Other income	624	2.66	620	3.54
<b>Total Income</b>	<b>23509</b>	<b>100.00</b>	<b>17528</b>	<b>100.00</b>
Raw material consumed	15343	65.26	11330	64.64
Staff cost	2260	9.61	1708	9.74
Stores & tools consumed	311	1.32	236	1.35
Power & fuel	367	1.56	285	1.63
Repairs & maintenance	275	1.17	214	1.22
Marketing expenses	535	2.28	247	1.41
Other expenses	651	2.77	556	3.17
Provision for diminution in value of investments	-	-	-	-
Interest and Bank charges	17	0.07	18	0.10
Depreciation	415	1.77	357	2.04
<b>Total Expenditure</b>	<b>20174</b>	<b>85.81</b>	<b>14951</b>	<b>85.30</b>
Profit Before Tax	3335	14.19	2577	14.70
Provision for taxation (including deferred tax)	792	3.37	585	3.34
<b>Profit After Tax</b>	<b>2543</b>	<b>10.82</b>	<b>1992</b>	<b>11.36</b>

#### i. Corporate Social Responsibility

Your Company contributes to the society at large, through donations to reliable organisations who promote the cause of down trodden by running Educational Institutions and other related activities and also to Institutions who support physically challenged persons, etc.

Conservation of natural resources and promotion of the cause of green environment are the social responsibilities to which your Company stands committed. Sewage water generated within the plant and is treated and reused for gardening. Disposal of hazardous waste is done as per specified norms through agencies appointed by the Government.

Felling of trees is prohibited in the factory premises and in the event of unavoidable removal of trees for building expansion etc, your Company has a programme of either relocating them elsewhere or planting new ones.

#### j. Cautionary statement

Statements in the Management Discussion and Analysis Report describing your Company's objectives, projections, estimates and expectations are "forward looking statements" within the meaning of applicable securities and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to your Company's operations

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include, among other things, economic conditions affecting demand / supply and prices in the domestic and overseas markets in which your Company operates, changes in Government regulations, tax laws, other statutes and other incidental factors.

### **4. PT AUTOMOTIVE SYSTEMS INDONESIA (PT ASI)**

As reported earlier, your Company has obtained approval from the designated authorities at Indonesia for extension of time by two years for commencing commercial production which is expiring in March 2012. Your Company is continuing to explore various options and an appropriate decision will be made.

Your Company has obtained approval from the Ministry of Corporate Affairs, New Delhi vide letter no.47/102/2011-CL-III dated 9th February 2011, in terms of Section 212 (8) of the Companies Act, 1956 exempting it from attaching the annual report of its subsidiary company.

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. SYNERGY SHAKTHI RENEWABLE ENERGY LTD**

To promote sustainable economic development, the Government of India has placed considerable emphasis on power generation out of renewable resources. Reflecting our commitment to this cause, we have made an investment in Synergy Shakthi Renewable Energy Limited (SSREL) which is a project for producing power out of biomass. The company has now completed one full year of operation. SSREL is, however, facing acute shortage of biomass availability. As a result of overall economic growth, a number of industries are competing to procure biomass not only for

power generation but also for other industrial purposes. Consequently, SSREL along with other investors in the renewable energy in Tamilnadu have been facing shortage of raw material coupled with the rising cost of inputs, affecting their operations. Consequently, despite growing demand for power, SSREL is unable to generate to its full capacity and incurring some losses. In the near term, the company is making determined efforts to find alternate sources of biomass. The company is also planning to raise additional finance from other strategic investors. The company has clearly a long-term potential given the support that the renewable energy segment is poised to receive from the government

### **6. DIVIDEND**

Your Company had paid interim dividends of Rs.5.00, Rs.3.50 and Re. 1.00 per share in the months of Dec'10, Mar'11 and May'11. The total dividend of Rs.9.50 per share is being treated as final dividend for the year. The dividends will absorb a sum of Rs.767.51 lacs besides an additional outgo on dividend distribution tax of Rs.127.15 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 CEO/ 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:

- a) that in the preparation of accounts for the financial year ended 31st March 2011 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 2011 on a 'going concern' basis.

## 12. DIRECTORS

Mr H Nanjo has resigned from the Board of Directors and Mr M Namatame has been inducted in his place effective 1st April 2011. Mr. M Namatame will be proposed for appointment as a Director not liable to retire by rotation in the ensuing Annual General Meeting. Mr K Nakamura, who was appointed by the shareholders as a Director not liable to retire by rotation in the Annual General Meeting held on 21st August 2008 is resigning with effect from 20th August 2011 as such non-retiring Director and will be proposed for appointment as a Director liable to retire by rotation in the ensuing Annual General Meeting.

Mr K G Raghavan and Mr V Balaraman are retiring by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

## 13. AUDITORS

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

## 14. 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  
27.05.2011

**T K BALAJI**  
*Chairman*

## Annexure I to Directors' Report to the Shareholders

Information as required under Section 217(1) (e) of the Companies Act, 1956:

### 1. CONSERVATION OF ENERGY

**a) The results of energy conservation measures taken up during the year under review are:**

The power consumed per Standard Unit of Production is being monitored as a part of energy conservation measures and achieved 9 % reduction during the year 2010-11 by implementing various activities like

- ★ Demand Management system,
- ★ Introduction of Energy Efficient Compressor,
- ★ Utilizing natural lighting by providing translucent sheets in the shop floor roofing
- ★ Reductions in AC load by relocating ovens.
- ★ Reduction in diesel consumption by providing a dedicated power line to Rewari Plant.

**b) Future plans for energy conservation:**

The company is aiming at greater energy conservation by practicing energy conservation measure like introducing highly energy efficient Induction lamps in FWM shop floor & LED lamps in Electronics assembly area, providing Solar heating system to washing machines & Induction heating ovens to replace the conventional ovens.

### 2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

- i. We were successful in satisfying demanding requirements of an overseas Customer by using our existing technologies, resulting in export business.

This year saw adaptation of INEL's new concept in vehicle Power management by

a Japanese Customer. Mass production of this product called "Smart Regulator" is expected to commence in early 2011-12.

Our continuous R&D effort has resulted in the invention of a simple method for voltage control of a permanent magnet generator. We have applied for a patent.

In the coming years, whilst we will continue our efforts in pursuing new ideas, we plan to consolidate our position in the industry by implementing technologies developed in the recent past as also VA/VE solutions with our customers.

ii. Expenditure on R&D:

	Rs. lacs
Capital	32.22
Revenue	150.47
	<u>182.69</u>
% on net turnover	0.8%

### 3. FOREIGN EXCHANGE OUTGO AND EARNINGS:

**Export Activities**

Exports during the year ended 31st March 2011 amounted to Rs. 7.63 crores as against Rs.3.16 crores of the previous year.

**Total foreign exchange used and earned:**

The foreign exchange outgo and earnings for the Company for the period under review were Rs.34.77 crores and Rs.5.06 crores respectively.

For and on behalf of the Board of Directors

Chennai  
27.05.2011

**T K BALAJI**  
Chairman





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## **Declaration under Clause 49 of the Listing Agreement Regarding adherence to the Code of Conduct**

The Shareholders of the Company

27.05.2011

On the basis of the written representations received from members of the Board and Senior Management Personnel as at 31st March 2011, in terms of Clause 49 of the Listing Agreement, we hereby certify that both the members of the Board and the Senior Management Personnel have affirmed compliance with the respective provisions of the Code of Business Conduct and Ethics of the company as laid down by the Board of Directors.

G Murali  
Chief Executive Officer

S Sampath  
Chief Financial Officer

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### **Auditors' Certificate**

To the members of India Nippon Electricals Limited

We have examined the compliance of conditions of Corporate Governance by India Nippon Electricals Limited for the year ended on 31st March 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month which is not acted upon by the Company as per the records maintained by the Shareholders'/Investors' Grievance Committee.

We further state that, such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **BRAHMAYYA & CO.,**  
*Chartered Accountants,*  
Registration No.: 000511S

Chennai,  
27.05.2011

**P S KUMAR**  
*Partner*  
Membership No.:15590

## INDIA NIPPON ELECTRICALS LIMITED

### REPORT ON CORPORATE GOVERNANCE

(As required by Clause 49 of the Listing Agreement with the Stock Exchanges)

#### A. MANDATORY REQUIREMENTS

##### 1. Company's Philosophy:

The Company believes in transparency, accountability, professionalism, risk management and code of ethics, which are the basic principles of Corporate Governance and would constantly endeavour to improve on these aspects.

##### 2. Board of Directors:

The Company has 9 Directors, 3 foreign Directors (two Japanese and one UK national), and 6 resident Directors. All 9 Directors are non-executive Directors.

The Chairman of the Company is a non whole time Director. The Board and Committees meet at regular intervals. Policy formulation, evaluation of performance and control functions vest with the Board, while the Committees oversee operational issues.

##### 3. Attendance of each Director at the Meetings of the Board of Directors and the last Annual General Meeting:

The Board met 8 times between 1st April 2010 and 31st March 2011 as given below:

Date of Meeting	Directors Present
27.04.2010	5
26.05.2010	4
26.07.2010	4
26.08.2010	5
29.10.2010	6
29.12.2010	6
04.02.2011	5
25.03.2011	6

The last AGM was held on 26th August 2010. Five Directors attended the AGM.

The composition of Board of Directors, their directorship in other Companies and membership in committees (Audit Committees, Shareholders Grievance Committees) and the details of their attendance at the Board Meetings of India Nippon Electricals Ltd are given below:

Name M/s.	Category	Attendance particulars		Number of directorships and committee memberships / chairmanships		
		Board Meeting	Last AGM	Other directorships*	Committee memberships**	Committee chairmanships
T K Balaji	Non Executive Director	7	Yes	14	3	Nil
R D Flint	Non Executive Independent Director	0	No	Nil	Nil	Nil
K Nakamura	Non Executive Director	1	Yes	Nil	Nil	Nil
Hirotooshi Nanjo	Non Executive Director	Nil	No	1	Nil	Nil
K Seshadri	Non Executive Director	7	Yes	7	3	1
V Balaraman	Non Executive Independent Director	8	Yes	5	2	Nil
K G Raghavan	Non Executive Independent Director	4	No	1	Nil	Nil
G Chidambar	Non Executive Independent Director	6	No	3	2	2
N S Murthy	Non Executive Independent Director	8	Yes	1	Nil	Nil

\* includes private companies; \*\* including committees where the Director is also Chairman.

Mr K Seshadri holds 1339 equity shares in India Nippon Electricals Ltd and other Directors do not hold any shares.

Mr H Nanjo has resigned from directorship and ceased to be a director as of 31st March 2011 and Mr M Namatame was inducted in his place effective 1st April 2011.



#### 4. Audit Committee:

The Board had constituted an Audit Committee on 19.06.2000. The Committee has 5 members with 4 non-executive independent directors and one non-executive director. The Chairman of the Audit Committee is an Independent Director. The role and terms of reference of the Audit Committee cover the areas mentioned in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

During the year the committee of Directors met 7 times on 26th Apr'10, 26th May'10, 26th Jul'10, 29th Oct'10, 29th Dec'10, 3rd Feb'11 and 25th Mar'11.

The composition of Audit Committee of the Board and the details of their attendance in the meetings of the Audit Committee are given below (01.04.2010 to 31.03.2011):

Sl. No	Name of the Member	Status	No. of Meetings Attended
1.	Mr. K G Raghavan, Chairman	Non-Executive Independent Director	3
2.	Mr. K Seshadri, Member	Non-Executive Director	6
3.	Mr. V Balaraman, Member	Non-Executive Independent Director	7
4.	Mr. G Chidambar, Member	Non-Executive Independent Director	6
5.	Mr. N S Murthy, Member	Non-Executive Independent Director	5

The Company Secretary is the Secretary to the Audit Committee.

#### 5. Remuneration Committee & Policy:

The Company has not constituted a Remuneration Committee. This is a non-mandatory provision in the Listing Agreement.

The Board of Directors determines the remuneration payable to the Manager taking

into account his qualification, experience, expertise, contribution and the prevailing levels of remuneration in Companies of corresponding size and standing.

#### Appointment of Manager:

In terms of Section 269 of the Companies Act 1956, Mr. G Murali was appointed as a Manager of the Company with effect from 01.04.2003 by the Board of Directors for a period of five years. He was reappointed as Manager for a further period of 5 years from 1st April 2008 and the terms of appointment were approved by the shareholders at the AGM held on 21st August 2008.

#### Non Executive Directors:

Non-Executive Directors are paid remuneration by way of commission not exceeding 1% of the net profits computed in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 as approved by the shareholders at their meeting held on 21st August 2008 for a period of five years from 01.04.2008 to 31.03.2013.

Provision has been made in the accounts towards commission to the Directors for the period ended 31st March 2011 as given below:

Name of the Directors	Amount Rs. lacs
Mr. T K Balaji, Chairman	3.00
Mr. K Seshadri	3.00
Mr. K G Raghavan	4.00
Mr. V Balaraman	4.50
Mr. G Chidambar	4.50
Mr. N S Murthy	3.00
Total	22.00



## INDIA NIPPON ELECTRICALS LIMITED

The Commission has been determined taking all relevant factors into account, including responsibilities discharged and participation in the Company's affairs.

### 6. Shareholders' / Investors' Grievance Committee:

The Board had constituted the Shareholders' / Investors' Grievance Committee comprising the following three Directors which met four times during the year.

Sl. No.	Name of the Member	Status	No. of Meetings
1.	Mr. T K Balaji	Chairman	4
2.	Mr. K Seshadri	Member	4
3.	Mr. G Chidambar	Member	3

The functions of the Investors' Grievance Committee are to review and redress Shareholders' / Investors' query / grievance / complaint on matters relating to transfer of shares, non-receipt of balance sheet / dividend warrants, etc., and to approve transfers, transmission, consolidation and splitting of share certificates and to authorise the officials to make necessary endorsements on the share certificates.

The Board has authorised Mr G Murali, Manager under the Companies Act 1956 or Mr S Sampath, Compliance Officer of the Company to approve periodically the following:

- i) Share transfers, transmissions, transpositions of names
- ii) Issue of share certificates-duplicate, consolidation and splitting and
- iii) Other matters connected with share transfers

Investors' Grievance Committee ratifies the transactions at appropriate intervals.

As required by Securities and Exchange Board of India (SEBI) Mr S Sampath, Financial Controller and Secretary of the Company has been appointed as Compliance Officer. For any clarification, shareholders may contact Mr S Sampath, Financial Controller and Secretary of the Company. The Company has a dedicated e.mail id for investors' complaints – investorscomplaints@inel.co.in and investorscomplaintsstascl.co.in effective 1st April 2007, as required vide amended Clause 47(f) of the Listing Agreement.

Two complaints were received and redressed during the financial year 2010-2011 as detailed below:

Nature of complaints received and redressed	
Non receipt of dividend warrants	Others
2	Nil

All the complaints were addressed to the satisfaction of the concerned investors.

### 6A. Sitting Fees Paid :

The sitting fee for attending a Board meeting was raised during the year to Rs.7000 and for attending a Committee meeting it was raised to Rs.6000. Remuneration by way of Sitting Fee for attending Board/ Committee Meetings paid to non-executive Directors for the year ended 31st March 2011 is tabulated hereunder:



Name of the Directors	Board Rs.	Audit Committee Rs.	Investors Grievance Committee Rs.	Total Rs.
Mr. T K Balaji, Chairman	37000	-	18000	55000
Mr. K Seshadri	37000	24000	18000	79000
Mr. K G Raghavan	22000	12000	-	34000
Mr. V Balaraman	41000	27000	-	68000
Mr. G Chidambar	33000	24000	15000	72000
Mr. N S Murthy	41000	21000	-	62000
Total	211000	108000	51000	370000

## 7. Annual General Meetings :

### 7.1 The last three Annual General Meetings were held as under

Meeting	Year	Location	Date	Time
23rd AGM	2008	Kasturi Srinivasan Hall 168 (Old 306), TTK Road, Chennai - 600 014	21.08.2008	11.00 AM
24th AGM	2009	Kasturi Srinivasan Hall 168 (Old 306), TTK Road, Chennai - 600 014	31.08.2009	12 Noon
25th AGM	2010	Kasturi Srinivasan Hall 168 (Old 306), TTK Road, Chennai - 600 014	26.08.2010	10.30 AM

### 7.2 Special resolutions passed in the previous annual general meetings :

During the last three years, namely 2007-2008 to 2009-2010, approval of the shareholders was obtained by passing special resolutions in respect of the following:

Year	Subject matter of special resolution	Date of AGM
2007-2008	Commission to Directors	21.08.2008
2008-2009	Alteration of the Articles of Association of the Company	31.08.2009
2009-2010	Nil	26.08.2010

**7.3** There was no requirement to seek the approval of Shareholders by postal ballot in the last year.

**7.4** No item of business in relation to matters specified in Clause 49 of the Listing Agreement with the Stock Exchange and or Section 192A of the Companies Act, 1956 which requires voting by postal ballot is included in the notice convening the AGM of the Company.

## 8. Disclosures :

- There were no transactions of material nature with the promoters, Directors or the management or their subsidiaries or relatives, etc., potentially conflicting with Company's interest at large, during the year.
- There were no instances of non-compliance on any matter related to the capital market, during the last three years.

## 9. Means of Communication :

- Quarterly results were published in Business Line and the Tamil version of the same was published in Dinamani. The Company has opted to publish the audited annual results for the year ended 31st March 2011 within the stipulated time and therefore has not published the last quarter unaudited results.
- The quarterly results and also the annual audited results are published in the Company's website viz. [www.indianippon.com](http://www.indianippon.com).

## INDIA NIPPON ELECTRICALS LIMITED

### 10. General Information for Shareholders :

1.	Date, Time and Venue of the Annual General Meeting	8th September 2011 @ 10.30 A.M. Venue: Mini Hall, Vani Mahal 103, G.N. Road, T Nagar Chennai-600017.		
2.	Financial Reporting for the Quarter ending: 30th June 2011 30th September 2011 31st December 2011 31st March 2012	1st fortnight of Aug 2011 1st fortnight of Nov 2011 1st fortnight of Feb 2012 May 2012		
3.	Period of Book Closure	9th August 2011 to 11th August 2011 (both days inclusive)		
4.	1st Interim Dividend (50%)			
	Declared on 29.12.2010	Record Date 05.01.2011	Payment Date 11.01.2011	
	2nd Interim Dividend (35%)			
	Declared on 25.03.2011	Record Date 31.03.2011	Payment Date 08.04.2011	
	3rd Interim Dividend (10%)			
	Declared on 27.05.2011	Record Date 11.06.2011	Payment Date 17.06.2011	
The above Rs.9.50 per share dividend is recommended as final dividend.				

### 10.1 The Company's Equity Shares are listed on the following stock exchanges :

- Madras Stock Exchange Ltd, Chennai
- Bombay Stock Exchange Ltd, Mumbai
- National Stock Exchange of India Ltd, Mumbai

### 10.2 Trade Symbol at stock exchanges :

National Stock Exchange of India Ltd INDNIPPON EQ  
Madras Stock Exchange Ltd -  
Bombay Stock Exchange Ltd 1823/99

### 10.3 Demat ISIN in NSDL and CDSL :

INE092B01017

### 10.4 Annual Listing Fees for the year ended March 2011 have been paid to the above stock exchanges.

### 11. Share Price Data :

Share Price in Rs. Nominal Value of Share Rs.10

Month	National Stock Exchange of India Ltd.		Bombay Stock Exchange Ltd.	
	High	Low	High	Low
Apr'10	265.00	205.00	267.00	205.00
May'10	253.00	221.10	254.00	219.25
Jun'10	244.00	216.80	245.95	220.00
Jul'10	268.90	230.05	267.00	229.85
Aug'10	264.40	235.00	264.00	239.00
Sep'10	284.80	240.15	268.90	241.35
Oct'10	292.85	244.00	300.90	250.20
Nov'10	326.00	261.00	325.00	261.00
Dec'10	298.95	250.50	309.70	254.00
Jan'11	299.00	230.50	300.00	237.00
Feb'11	251.75	216.05	258.45	214.00
Mar'11	267.00	221.00	250.75	221.75

Share price performance in comparison to broadbased indices – NSE Nifty and BSE Sensex.

Company's share price performance in comparison to NSE Nifty based on the share price as on 31st March, during the last 2 years is as follows:

Date	Company's Share Price Close (Rs.)	Nifty Points (Close)	Percentage Change in	
			Company's share price	Nifty
31.03.2010	203	5249	128	74
31.03.2011	244	5833	20	11

Company's share price performance in comparison to BSE Sensex based on the share price as on 31st March, during the last 2 years is as follows:





Date	Company's Share Price Close (Rs.)	Sensex Points (Close)	Percentage Change in	
			Company's share price	Sensex
31.03.2010	205	17527	128	81
31.03.2011	243	19445	19	11

## 12. Distribution of Equity Share holding as on 31st March 2011 :

Number of Shares held	No. of Share holders	% of Share holders	No. of Shares held	Share holding (%)
1 – 100	2713	46.8	115546	1.4
101-500	1796	30.9	512033	6.3
501-1000	945	16.3	641534	7.9
1001-2000	226	3.9	326298	4.0
2001-3000	50	0.9	125963	1.6
3001-4000	20	0.3	69239	0.9
4001-5000	14	0.2	65546	0.8
5001-10000	26	0.4	183106	2.3
10001 & above	16	0.3	6039815	74.8
Total	5806	100.00	8079080	100.00

## 13. Pattern of Equity Shareholding as on 31st March 2011 :

Shareholders	No. of Shares held	% of Total Shares held
NRI's	56775	0.7
Promoter Company	3706190	45.9
Directors and Relatives	3991	0.0
Collaborator	1657500	20.5
Nationalised Banks	85	0.00
Mutual funds	152245	1.9
Financial Institutions	25000	0.3
Foreign Venture Capital Investors	-	-
Corporate Bodies	372123	4.6
Resident Individuals	2105171	26.1
Total	8079080	100.0

## 14. Share Transfer System :

Securities and Exchange Board of India [SEBI] in its circular No.D & CC / FITC / Cir - 15 dated 27th December 2002 had stipulated that a Company should have a common agency for handling the share registry work for both physical and electronic transfers i.e., either in-house or by

way of a SEBI registered Registrar and Transfer Agent [RTA].

The Board of Directors have appointed Sundaram-Clayton Ltd [SCL] as Share Transfer Agents to carry out the registry work pertaining to transfer of shares and to provide connectivity with the depositories for handling transactions taking place in electronic form.

With effect from 15th Oct'2004 M/s Sundaram-Clayton Ltd (SCL), [located at No.22, Railway Colony 3rd Street, Mehta Nagar, Chennai-600 029. Telefax (44) 2374 1889, Tel (44) 23742939], have been acting as a Registrar and Share Transfer Agents [RTA] for providing the connectivity with NSDL and CDSL and also for transfer of shares held in physical form. The present approval received by RTA (Registration no. INR200003942) from SEBI expires on 20th April 2013. The agreement entered into by the company with the RTA is being renewed once in three years and the current agreement is valid till 15th Oct 2013.

Share transfer is normally effected within a maximum period of 30 days from the date of receipt, if the documents submitted are in order. The Share Transfer Committee approves share transfers / transmissions at the Committee meeting.

## 15. Dematerialisation of Shares and Liquidity:

Your Company's shares have been compulsorily dematerialised effective 28.04.2001. As on 31.03.2011, there were 2584591 shares in electronic mode, including 225440 shares held by a promoter. Shares held in electronic mode (excluding promoter group) accounted for 86.88% of Public holding. The shareholding pattern in physical and demat is as given under:

## INDIA NIPPON ELECTRICALS LIMITED

Shares in Nos.

	Particulars	Physical Mode	Electronic mode	Total holding
a)	No. of shareholders as on 31.03.2011	718	5088	5806
b)	Promoters holding Lucas Indian Service Ltd, Chennai Kokusan Denki Company Ltd, Japan	3480750 1657500	225440 -	3706190 1657500
c)	Non Promoters holding	356239	2359151	2715390
	Total (b+c)	5494489	2584591	8079080
	%	68.01	31.99	100
	% of shares held in electronic mode excluding promoters	86.88%		

### 16. Plant Locations :

1. India Nippon Electricals Ltd  
Hosur-Thalli Road, Uliveeranapalli  
Hosur 635 114, Denkanikotta Taluk  
Krishnagiri Dist. Tamilnadu  
Tel: (4347) 233438  
E.mail: inelhsr@inel.co.in  
sampath.s@inel.co.in  
investorscomplaints@inel.co.in
2. India Nippon Electricals Ltd  
Madukarai Road, Kariamanickam Village  
Nettapakkam Commune, Puducherry 605106  
Tel: (413) 2699052
3. India Nippon Electricals Ltd  
Masani Village, Rewari District  
Haryana 122 106. Tel: (1274) 240860
4. Address for Investors Correspondence:  
India Nippon Electricals Ltd  
82, Dr. Radhakrishnan Salai, Mylapore,  
Chennai 600 004  
Ph. (044) 2811 0063 / 2811 0074  
Fax. (044) 2811 5624  
E.mail: inelcorp@inel.co.in  
investorscomplaints@inel.co.in

5. For investors complaints  
investorscomplaints@inel.co.in,  
and investorscomplaintssta@scl.co.in

### B. NON MANDATORY REQUIREMENT

#### a. Remuneration Committee :

As already stated no Remuneration Committee has been constituted by the Company. The remuneration paid to Mr G Murali, who was appointed as Manager under Section 269 of the Companies Act, 1956, was approved by the shareholders at the AGM held on 14.08.2003 for period upto 31.03.2008. Consequent to his reappointment for a further period of 5 years effective 1st April 2008 approval of shareholders for remuneration paid to him was obtained during the AGM held on 21st Aug 2008.

#### b. Whistle Blower Policy:

The Company had formulated a Whistle Blower Policy during the year Apr 2007-Mar 2008 and the policy mainly covers the information on suspected unethical and improper practices or wrongful conduct, which employees, in good faith, believe exist.

- c. The company follows treatment as prescribed in the accounting standards for the preparation of final accounts, notified by the Central Government of India under Companies (Accounting Standards) Rules, 2006 with relevant provisions of the Companies Act 1956.
- d. As required under Section 266A of the Companies Act 1956, the Directors Identification Numbers have to be obtained by the directors. The Director Identification Numbers of all the directors of India Nippon Electricals Ltd are as under:



<u>Director name</u>	<u>DIN</u>
Mr. T K Balaji	00002010
Mr. K Seshadri	00301839
Mr. K G Raghavan	00359471
Mr. V Balaraman	00267829
Mr. G Chidambar	00017015
Mr. N S Murthy	00583761
Mr. R D Flint	00627285
Mr. M Namatame	03353077
Mr. K Nakamura	02187569

**e. Quarterly / Half-Yearly Results:**

The quarterly / half-yearly results of the Company are published in one English newspaper having wide circulation and in one Tamil newspaper. These results are published in the website though they are not sent to the shareholders individually.

**C. GENERAL**

**a. Prevention of insider trading and code of corporate disclosure practices:**

SEBI formulated the SEBI (Insider Trading) Regulations 1992 which came into force with effect from November, 1992. These regulations were made applicable to all the listed Companies. To strengthen these regulations and to create a framework for prevention of insider trading, SEBI amended the existing regulations, with effect from 20th February 2002.

In terms of the amended regulations, INEL adopted a code of conduct.

- i. for prevention of insider trading and
- ii. corporate disclosure practices

at the Board Meeting held on 27.06.2002. The Company has appointed a Compliance Officer for this purpose. Buying and selling of securities are prohibited for a period of 15 days prior to the Board Meeting and 24 hours after the publication of the results by specified persons, i.e. Directors/ Officers/ designated employees who shall maintain confidentiality of all price sensitive information coming

into their possession or control. Changes in shareholding by the specified persons are reported to the Board by the Compliance Officer.

Shares lodged for transfer are normally processed within 10 days from the date of lodgement, if the documents are clear in all respects. All requests for dematerialisation of securities are processed and the confirmation is given to the depositories within 7 days. Grievances received from shareholders and other miscellaneous correspondence on changes of addresses, mandates etc, is processed by the Share Transfer Department of the Company within 7 days.

**b. Secretarial Audit:**

SEBI by the Circular D&CC/FIT/CIR-16/2002, dated 31st December 2002, directed all the Companies to carry out a secretarial audit by a qualified Chartered Accountant or Company Secretary to cover the following aspects and certify among others that:

- i. the total shares held in NSDL, CDSL and in the physical form tally with the issued / paid up capital
- ii. the register of members is updated
- iii. the dematerialisation requests have been confirmed within 21 days and by explaining the reasons if any, for pending beyond 21 days

The Audit Report titled Report on Reconciliation of Share Capital should contain changes in share capital consequent to rights, bonus, preferential issues, buy-back of shares, amalgamation and de-merger, etc. during the quarter. The auditor has to report, whether in-principle approval for listing the shares has been obtained from the stock exchanges in respect of further issue of capital.

The Secretarial Report was submitted by the Company to the Stock Exchanges on a quarterly basis and for the quarter ended 31st March 2011, this was submitted on 12th April 2011.



## INDIA NIPPON ELECTRICALS LIMITED

### c. Request to Investors

Members who have not encashed their dividend warrants in respect of dividends declared for the year ended 31st March 2003 and for any financial year thereafter may contact the Company and surrender their warrants for payment or write to the Company with folio number and details. Members are requested to note that the dividend not claimed for a period of seven years from the date they became due for payment shall be transferred to Investor Education and Protection Fund [IEPF] in terms of Section 205C of the Companies Act, 1956. Information in respect of unclaimed dividends due for remittance into IEPF is given below:

Particulars of unclaimed dividend of India Nippon Electricals Limited:

Financial Year	Date of Declaration	% of dividend	Date of transfer to special account	Date of transfer to IEPF
2003-2004 2nd interim 3rd & Final Dividend	19.05.2004 03.09.2004	30 5	24.06.2004 09.10.2004	24.06.2011 09.10.2011
2004-2005 1st interim 2nd interim	29.11.2004 25.03.2005	50 35	04.01.2005 30.04.2005	04.01.2012 30.04.2012
2005-2006 1st interim 2nd interim	27.12.2005 20.03.2006	45 30	02.02.2006 25.04.2006	02.02.2013 25.04.2013
2006-2007 1st Interim 2nd interim	29.12.2006 22.03.2007	45 30	03.02.2007 27.04.2007	03.02.2014 27.04.2014
2007-2008 1st interim 2nd interim	25.12.2007 21.03.2008	45 25	30.01.2008 20.04.2008	30.01.2015 20.04.2015
2008-2009 1st interim 2nd interim	26.12.2008 24.04.2009	30 30	31.01.2009 30.05.2009	31.01.2016 30.05.2016

2009-2010 1st interim 2nd interim	21.12.2009 27.04.2010	35 40	25.01.2010 02.06.2010	25.01.2017 02.06.2017
2010-2011 1st interim 2nd interim 3rd Interim	29.12.2010 25.03.2011 27.05.2011	50 35 10	03.02.2011 30.04.2011 02.07.2011	03.02.2018 30.04.2018 02.07.2018

### Investors are requested to note the following:

- Investors holding shares in physical mode are requested to communicate the change of address, if any, directly to the Registered Office of the Company at the above address.
- As required by SEBI, investors are advised to furnish details of their bank account number, name and address of the bank for incorporating the same in the dividend warrants. This information is required to avoid wrong credits being obtained by unauthorised persons.
- Investors who have not availed nomination facility are requested to fill in the nomination form and submit the same to the Company along with the requisite proof of nomination.
- Investors are requested to note that any dividend which remains unencashed for a period of seven years will be transferred to 'Investor Education and Protection Fund' in terms of Section 205C of the Companies Act, 1956.
- Those who have not encashed their warrants may contact the Company immediately and surrender their warrants for further action.
- Investors holding shares in electronic form are requested to deal only with their depository participant in respect of change of address, nomination facility and furnishing bank account number, etc.

## **FINANCIAL STATEMENTS**

### Auditors' Report to the Members of India Nippon Electricals Limited

1. We have audited the attached Balance Sheet of India Nippon Electricals Limited, as at 31st March 2011, and also the Profit and Loss account and the Cash Flow Statement for the year ended on the date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended, issued by the central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that :
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books;
  - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
  - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - v. As Informed to us and based on the verification of records, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - a. In the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2011;
    - b. In the case of the Profit and Loss Account, of the profit of the company for the year ended on that date; and
    - c. In the case of Cash Flow Statement, of the cash flows of the company for the year ended on that date.

For **BRAHMAYYA & CO.,**  
*Chartered Accountants,*  
Registration No.: 000511S

Chennai,  
27.05.2011

**P S KUMAR**  
*Partner*  
Membership No.:15590





## Annexure referred to in paragraph 3 of our report of even date

1. The provisions of the following clauses of Companies (Auditor's Report) Order, 2003 as amended are not applicable to the company for the year.
  - a. Clause 4(vi) with regard to acceptance of deposits from the public since the company has not accepted any deposits.
  - b. Clause 4(x) with regard to accumulated losses since the company's net-worth is positive and the company has not incurred cash losses during the year.
  - c. Clause 4(xii) with regard to the loans granted against pledge of securities since no loans have been granted by the company.
  - d. Clause 4(xiii) with regard to the special statutes applicable to the chit funds and nidhis since the company has not carried on such business.
  - e. Clause 4(xiv) with regard to trading in securities since the company did not carry on such activities.
  - f. Clause 4(xv) with regard to guarantee given for loans taken by others from bank or financial institutions as the company has not given any guarantees.
  - g. Clause 4(xvi) with regard to term loans and applications of funds obtained since the company has not obtained any such loans.
  - h. Clause 4(xvii) with regard to funds obtained on short term basis used for long term investment since the company has not raised such fund during the year.
  - i. Clause 4(xviii) with regard to the preferential allotment of shares to specified parties since no allotment of shares was made during the year.
  - j. Clause 4(xix) with regard to securities to be created in respect of debentures since no debentures were issued during the year;
  - k. Clause 4(xx) with regard to money raised by public issue since no money was raised by public issue during the year.
2. The company has maintained proper records showing full particulars including quantitative details and the situation of fixed assets. The company has a regular programme of physical verification of its fixed assets at reasonable intervals. In accordance with this programme, the fixed assets were verified during the year and no material discrepancies were noticed on such verification.
3. The company has not during the year disposed off substantial part of the fixed assets, which would give rise to the question of impairment of the status of the company as a going concern.
4. The management has conducted physical verification of inventory at reasonable intervals.
5. The procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
6. On the basis of the examination of the records of the inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and the book records were not material and

have been properly dealt with in the books of accounts.

7. The company has made an unsecured, inter-corporate deposit with a company in which a director of the company is interested as director. The amount involved is Rs.3 crores which is also the closing balance and the maximum amount due during the year. In our opinion the rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the company. The principal amount is not due for repayment and interest is being paid regularly.
8. The Company has not taken any loans from companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956.
9. In our opinion and according to the information given to us, there is adequate internal control procedure commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
10. Based on the audit procedures applied by us and according to the information and explanation provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 have been so entered.
11. In our opinion and according to the information and explanation given to us, the transactions made in the pursuance of the contracts or arrangements entered in the registers maintained under section 301 and exceeding the value of Five lakh rupees in respect of any party during the year have been made at the prices which are reasonable having regard to the prevailing market prices at the relevant time.
12. In our opinion, the company has an internal audit system commensurate with the size and the nature of the business.
13. On the basis of the records, we are of the opinion that prima facie cost records and accounts prescribed by the Central Government of India under section 209(1) (d) of the Companies Act, 1956 have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
14. According to the records of the company, the company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investors' Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and the Cess applicable to it. There were no arrears as on 31st March, 2011.
15. Based on the audit procedures and on the information and explanations given by the management, we furnish below the details of dues of Sales Tax / Income Tax / Custom Duty / Wealth Tax / Service Tax / Excise Duty / Cess which have not been deposited on account of disputes.



S. No.	Nature of the Statute	Nature of dues	Period to which relates (Financial Year)	Amount Due (Rs)	Forum where dispute is pending
1	Service Tax	Interest on reversal of Service tax credit availed	2004-05	7,820	Deputy Commissioner of Central Excise
2	Service Tax	Non-payment of service tax on Royalty and technical know-how	2000-01 to 2003-04	11,16,582	Assistant Commissioner of Central Excise
3	Service Tax	Disallowance of Service Tax credit availed.	2007-08 to 2009-10	4,30,384	Assistant Commissioner of Central Excise
4	Service tax	Disallowance of Service Tax credit availed.	2005-06 and 2006-07	4,27,588	CESTAT
5	Service tax	Disallowance of Service tax credit availed.	2005-06 to 2008-09	10,78,217	Commissioner of Appeals (Central excise)
6	Service Tax	Disallowance of Service Tax Credit availed.	2007-08	1,49,985	Office of the Superintendent Central Excise
7	Excise Duty	Disallowance of CENVAT credit on capital goods and non-reversal of CENVAT credit.	2001-02 to 2004-05 and 2009-10	1,53,861	Assistant Commissioner of Central Excise
8	Excise Duty	Non-reversal of CENVAT credit.	2005-06	12,39,367	Joint Commissioner Central Excise
9	Excise Duty	Short reversal of CENVAT on Capital Goods.	2006-07	1,47,653	Deputy Commissioner Central Excise
10	Excise Duty	Disallowance of CENVAT Credit.	2006-07 to 2009-10	85,27,920	Office of the Superintendent Central Excise
11	Local Area Development Tax	Local Area Development Tax Assessment demand	2003-04 and 2004-05	41,300	Joint Excise Taxation Commissioner

16. Based on our verification and according to the information and explanations given by the management, the Company did not have any dues to financial institutions nor were there any borrowings from banks. The Company has not issued any debentures during the year.

17. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the year.

For **BRAHMAYYA & CO.,**  
Chartered Accountants,  
Registration No.: 000511S

Chennai,  
27.05.2011

**P S KUMAR**  
Partner  
Membership No.: 15590

## INDIA NIPPON ELECTRICALS LIMITED

### Balance Sheet as at 31st March, 2011

	Schedule Number	Rs. lacs	As at 31.03.2011 Rs. lacs	Rs. lacs	As at 31.03.2010 Rs. lacs
<b>SOURCES OF FUNDS:</b>					
Shareholders' Funds					
- Capital	01	807.91		807.91	
- Reserves & Surplus	02	<u>16,358.36</u>	17,166.27	<u>14,709.52</u>	15,517.43
<b>Loan Funds:</b>					
- Unsecured Loans	03		<u>17,166.27</u>		<u>57.85</u>
					<u>15,575.28</u>
<b>APPLICATION OF FUNDS:</b>					
<b>Fixed Assets:</b>	04				
- Gross Block		7,580.81		7,028.48	
- Less: Depreciation		<u>4,776.21</u>		<u>4,395.23</u>	
- Net Block		2,804.60		2,633.25	
- Capital Work-in-Progress		<u>27.04</u>	2,831.64	-	2,633.25
<b>Investments</b>	05		8,856.69		9,998.98
Deferred Tax Asset (Net)			263.06		260.78
<b>Current Assets and Loans &amp; Advances:</b>					
- Inventories	06	1,718.45		1,061.01	
- Sundry debtors	07	3,826.54		2,781.63	
- Cash & Bank balances	08	2,763.12		1,645.27	
- Other Current Assets	09	101.98		2.63	
- Loans & Advances	10	<u>661.68</u>		<u>339.59</u>	
		9,071.77		5,830.13	
<b>Less:</b>					
<b>Current Liabilities &amp; Provisions:</b>					
Liabilities	11	3,354.60		2,686.84	
Provisions	12	<u>502.29</u>		<u>461.02</u>	
		3,856.89		3,147.86	
Net Current Assets			<u>5,214.88</u>		<u>2,682.27</u>
			17,166.27		15,575.28

T K BALAJI  
Chairman

V BALARAMAN  
G CHIDAMBAR

Chennai  
27.05.2011

N S MURTHY  
Directors

S SAMPATH  
CFO and Company Secretary

As per our report of even date  
For **Brahmayya & Co**  
Chartered Accountants  
Registration No: 000511S

**P S KUMAR**  
Partner  
Membership No. 15590





## Profit and Loss Account for the year ended 31st March 2011

	Schedule Number	2010-2011 Rs. lacs	2009-2010 Rs. lacs
<b>INCOME:</b>			
- Gross Sales		25,303.34	18,410.09
Less : Excise Duty		2,418.17	1,501.95
Net Sales		22,885.17	16,908.14
- Other Income	13	623.88	619.58
		<u>23,509.05</u>	<u>17,527.72</u>
<b>EXPENDITURE:</b>			
- Materials consumed	14	15,343.07	11,329.77
- Stores, Spares & Tools Consumed		311.22	235.88
- Manufacturing Expenses	15	780.62	589.23
- Personnel Cost	16	2,259.96	1,707.53
- Administration Expenses	17	505.64	461.30
- Selling Expenses	18	534.90	247.01
- Finance Charges	19	16.86	17.59
- Technical Know-how / Support Fees		6.97	5.09
- Depreciation		414.79	357.17
		<u>20,174.03</u>	<u>14,950.57</u>
Profit for the year before taxation		3,335.02	2,577.15
Less : Provision for Taxation - Current Year			
Current Tax		790.00	610.00
Deferred Tax		(2.28)	(15.23)
Add : Excess provision for earlier years written back			26.48
Less : Income tax for earlier years		3.80	16.49
Profit for the year after taxation		<u>2,543.50</u>	<u>1,992.37</u>
Add : Balance Brought Forward from previous year		<u>836.20</u>	<u>4,101.49</u>
Amount available for appropriation		3,379.70	6,093.86
Interim and Final Dividend Paid		767.51	605.93
Corporate Dividend Tax paid		127.15	101.73
Transfer to General Reserve		<u>1,700.00</u>	<u>4,550.00</u>
Balance Carried Forward		785.04	836.20
Earning per share (EPS) Basic and Diluted (in Rs.)	Rs.	31.47	24.65
Nominal value of shares (in Rs.)	Rs.	10.00	10.00

T K BALAJI  
Chairman

V BALARAMAN

G CHIDAMBAR

Chennai  
27.05.2011

N S MURTHY  
Directors

S SAMPATH  
CFO and Company Secretary

As per our report of even date  
For **Brahmaya & Co**  
Chartered Accountants  
Registration No: 000511S

**P S KUMAR**  
Partner  
Membership No. 15590

## INDIA NIPPON ELECTRICALS LIMITED

	As at 31.03.2011		As at 31.03.2010	
	Rs. lacs	Rs. lacs	Rs. lacs	Rs. lacs
<b>SCHEDULE 1</b>				
<b>Capital :</b>				
Authorised 150,00,000 Equity Shares of Rs.10 each		<u>1,500.00</u>		<u>1,500.00</u>
Issued, subscribed and paid-up 80,79,080 Equity Shares (previous year 80,79,080 equity shares) of Rs.10 each fully paid up (of the above shares 71,54,680 Equity Shares of Rs.10 each have been issued as Bonus Shares by Capitalisation of General Reserve)		<u>807.91</u>		<u>807.91</u>
<b>SCHEDULE 2</b>				
<b>Reserves &amp; Surplus :</b>				
Capital Reserve-Cash Subsidy (SIPCOT) As per last Balance Sheet		15.00		15.00
Revaluation Reserve *				
As per last Balance Sheet	395.46		395.46	
Less:Revalued amount of Discarded assets	<u>-</u>		<u>-</u>	
		395.46		395.46
Capital Redemption Reserve Account As per last Balance Sheet		39.56		39.56
General Reserve				
As per last Balance Sheet	<u>13,423.30</u>		<u>8,873.30</u>	
	13,423.30		8,873.30	
Add :				
Transfer from Revaluation Reserve on account of Depreciation				
Transfer from Profit & Loss Account	<u>1,700.00</u>	15,123.30	<u>4,550.00</u>	13,423.30
Surplus in Profit & Loss Account after providing for Taxation and Dividend		785.04		836.20
		<u>16,358.36</u>		<u>14,709.52</u>
<b>SCHEDULE 3</b>				
<b>Unsecured Loans :</b>				
From a Financial Institution				
Interest Free Sales Tax Loan from SIPCOT		-		57.85

\* Please refer Note No:13



## SCHEDULE 4

### Fixed Assets :

Rs. lacs

Sl. No.	Description	GROSS BLOCK				Depreciation written off to date	NET BLOCK	
		As on 01.04.2010	Additions During the Year	Deletions During the Year	As on 31.03.2011		As on 31.03.2011	As on 31.03.2010
01.	Freehold Land	1,034.86	-	-	1,034.86	-	1,034.86	1,034.86
02.	Buildings	1,015.93	4.11	-	1,020.04	606.39	413.65	453.50
03.	Plant & Machinery including Electrical Installations ** #	4,579.98	554.13	29.52	5,104.59	3,840.10	1,264.49	1,052.50
04.	Furniture & Office Equipment	329.45	24.66	4.31	349.80	279.58	70.22	66.80
05.	Vehicles	68.26	3.26	-	71.52	50.14	21.38	25.59
	Total	7,028.48	586.16	33.83	7,580.81 **	4,776.21+	2,804.60+	2,633.25
	Previous Year	5,837.85	1,193.93	3.30	7,028.48 **	4,395.23	2,633.25	1,796.56

\*\* Includes Rs.395.46 lacs on account of revaluation of fixed assets (previous year Rs.395.46 lacs)

+ After adjustment of cumulative depreciation of Rs.33.81 Lacs as at 31.03.2011 on Assets transferred/sold and discarded during the year

# Includes Plant and Machinery having Gross Block of Rs.191.28 Lacs and Net Block of Rs.107 held for disposal

# INDIA NIPPON ELECTRICALS LIMITED

## SCHEDULE 5

	As at 31.03.2011			As at 31.03.2010
	Shares/ Units in Nos	Face value Rs. (**)	Cost Rs. Lacs	Cost Rs. Lacs
<b>Investments:</b>				
<b>1. Long - term, Trade - Fully Paid up - Unquoted:</b>				
<b>i) In Subsidiary Company :</b>				
Common Shares with voting Rights (27000 Shares acquired during the year 06-07) (Cost of Purchase Rp.914300 (Indonesian Rupiah))	27000.00	914,300	1,207.98	1,207.98
<b>ii) In other than Subsidiary Company:</b>				
a) Lucas TVS Ltd., Equity Shares (82501 Shares purchased during the year 2009-10)	97351.00	100	2,824.08	2,824.08
b) Synergy Shakthi Renewable Energy Ltd ( 6000000 shares Rs.10\ - each)	6000000.00	10	600.00	600.00
<b>2. Long - term, Non Trade - Fully Paid up - Bonds Unquoted:</b>				
India Infrastructure Finance Corporation Ltd (6.85% IIFCL ( Taxfree Bonds) (2060 units purchased during the year)	2060.00	100000	2,109.54	
<b>3. Current Investments - Non Trade Units in Mutual Funds - Unquoted:-</b>				
Birla Sunlife Income Plus - Quarterly Dividend - (2661989.164 Units sold during the year)				301.98
HDFC Income Fund - Dividend (6167912.798 Units sold during the year)				700.00
HDFC Arbitrage Fund Retail Quarterly Dividend (984155.189 Units sold during the year)				100.00
HDFC Arbitrage Fund IP Quarterly Dividend (986193.294 Units sold during the year)				100.00
HDFC Short Term Plan - Dividend (1937458.83 Units sold during the year)				200.00
IDFC SSIF -Invst Plan A - Quarterly - Dividend (5502791.416 Units Sold during the year)				660.61
IDFC Arbitrage Fund - Plan BIP Dividend (1923113.944 Units sold during the year)				200.00
JM Arbitrage Advantage fund - Dividend (985979.373 Units sold during the year)				100.00
Kotak Equity Arbitrage Fund-Dividend (2818515.770 units sold during the year)				300.00
KOTAK GILT Investment Regular Plan- Quarterly Dividend (4995049.383 units sold during the year)				750.67
KOTAK FLOATER - LT- monthly dividend (1004717.538 units sold during the year)				101.25
Prudential ICICI GFIP - Dividend (Units sold during the year)				300.00
Prudential ICICI institutional income Plan Quarterly Dividend (Units sold during the year)				589.57
Prudential ICICI LT P - Premium Dividend (Units sold during the year)				200.00





	As at 31.03.2011			As at 31.03.2010
	Shares/ Units in Nos	Face value Rs. (**)	Cost Rs. Lacs	Cost Rs. Lacs
Prudential ICICI banking & PSU debt Fund weekly Dividend ( 54319.70 Units purchased during the year)	1057989.231	10	105.88	100.43
Prudential ICICI flexible income Plan - Premium - Daily Dividend 275945.187 Units purchased & 236440.16 Units sold during the year)	137238.646	100	145.15	102.66
ICICI prudential FMP - S 55 - 1 year - Plan F – growth (Units purchased during the year)	2000000	10	200.00	
ICICI Prudential FRF - Plan C - Daily Dividend (Units purchased during the year)	208792.251	100	208.92	
ICICI Prudential interval Fund 11- Quarterly interval Plan D (1999560.394 Units purchased & 1999460.159 Units sold during the year)	100.24	10	0.01	
Reliance interval Fund -Quarterly series II -IP Dividend (1999560.097 Units sold during the year)				200.00
Sundaram BNP Paribas select small CAP Fund –Dividend (250000 Units purchased during the year 07-08)	250000	10	25.00	25.00
Sundaram FTP Plan AR (367 days) (Units purchased during the year)	2000000	10	200.00	
Sundaram Energy Opportunities Fund- Dividend (500000 Units purchased during the year 08-09)	500000	10	50.00	50.00
SBI Debt Fund series - 180 days Dividend (Units purchased during the year)	5000000	10	500.00	
Templeton India Ultra Short Bond Fund IP-Dividend (Units purchased during the year)	2114299	10	211.66	
Templeton FRIF - Long Term -IP – Dividend ( Units sold during the year)				100.98
Templeton India Short Term Income Retial Plan monthly Dividend ( Units sold during the year)				206.83
UTI FTIF - Series VII - Plan 3 - Growth Plan ( Units purchased during the year)	1000000	10	100.00	
TVS Shriram Growth Fund (1.50 cr invested during the year)	35000	1000	350.00	200.00
ICICI emerging sectors Fund (1078 Units redeemed during the year)	4222	100	4.22	5.30
ICICI India Advantage Fund (3250 units purchased during the year 09-10)	25000	100	25.00	25.00
			8867.44	10,252.34
Less : Diminution in value of Investments			10.75	253.36
			8856.69	9,998.98
Aggregate amount of unquoted investments other than Mutual Funds			7,120.83	4,862.36
Aggregate amount of Unquoted Units of Mutual Funds			1,746.62	5,389.98
Aggregate Net Asset value of Units in Mutual Funds			1,735.87	5,136.62

(\*\*) All face values are expressed in rupees except for shares held in Indonesian subsidiary company which is expressed in Indonesian Rupiah.

## INDIA NIPPON ELECTRICALS LIMITED

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	As at 31.03.2011	
	Units	Face Value (Rs.)
<b>Investments Purchased and Sold during the year</b>		
ICICI Prudential Flexible Income Plan - Premium - Daily Dividend	138706.541	100
ICICI Prudential Interval Fund II - Qtrly Interval Plan A - Inst-Dividend	3000000.000	10
ICICI Prudential Liquid - Institutional Plus - Daily Dividend	248982.170	100
IDFC Ultra Short Term Fund - Monthly Dividend	1991317.850	10
Templeton Floating Rate Income Fund Inst Dividend	13680.837	10
Kotak Floater - Long Term - Monthly Dividend	35620.412	10



	As at 31.03.2011 Rs. lacs	As at 31.03.2010 Rs. lacs
<b>SCHEDULE 6</b>		
<b>Inventories * :</b>		
Rawmaterials & Components	1,275.18	666.77
Materials on high seas, in bond & in transit	45.73	26.53
Stores & Spares	4.14	4.05
Work-in-progress	176.32	159.42
Finished Goods	217.08	204.24
	<u>1,718.45</u>	<u>1,061.01</u>

\* For valuation basis refer Note No.11 (e)

#### **SCHEDULE 7**

##### **Book Debts, Unsecured :**

Debts Outstanding for a period exceeding six months		
Considered Good	15.75	6.52
Considered Doubtful	<u>153.76</u>	<u>153.76</u>
	169.51	160.28
Less:Provision for Doubtful Debts	<u>153.76</u>	<u>153.76</u>
	15.75	6.52
Other Debts Considered good	<u>3,810.79</u>	<u>2,775.11</u>
	<u>3,826.54</u>	<u>2,781.63</u>

#### **SCHEDULE 8**

##### **Cash & Bank Balances :**

Cash on Hand	0.94	1.31
With Banks in Fixed Deposit *	2,550.33	1,500.89
(Pledged to Commercial Tax Officer- Rs.0.33 lacs)		
With a Scheduled Bank in margin accounts	9.00	9.00
With Scheduled Banks in Current/Cash	202.85	134.07
Credit Accounts		
	<u>2,763.12</u>	<u>1,645.27</u>

\* Includes Investment of surplus funds of Rs.25.50 Crores (Previous year - Rs.15 Crores)

#### **SCHEDULE 9**

##### **Other Current Assets :**

Income receivables/forex receivables/deferred premium	101.98	2.63
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## INDIA NIPPON ELECTRICALS LIMITED

	As at 31.03.2011 Rs. lacs	As at 31.03.2010 Rs. lacs
<b>SCHEDULE 10</b>		
<b>Loans &amp; Advances :</b>		
Advances recoverable in cash or in kind or for value to be received - (Unsecured, considered good)		
Advances / Loans to Employees	31.67	32.11
Advance Income Tax & Tax Deducted at Source (net) (*)	54.99	66.84
Intercompany Deposits	300.00	-
Advance for Capital Expenditure	5.30	2.63
Other Advances	128.84	117.24
Balance with Excise & Customs	114.60	94.55
Sundry Deposits	26.28	26.22
	<u>661.68</u>	<u>339.59</u>

(\*) Net of provision for taxation of  
Rs.2050 lacs (previous year - Rs.1540 lacs)

## SCHEDULE 11

### Current Liabilities :

Sundry Creditors		
Total outstanding Dues of Micro, *		
Small and Medium Enterprises	157.86	141.70
Total outstanding Dues of creditors other than Micro, Small and Medium Enterprises	1,834.61	1,573.52
	<u>1,992.47</u>	<u>1,715.22</u>
Other Liabilities	1,339.69	952.60
Investor Education and Protection Fund **		
Unpaid Dividends	22.44	19.02
	<u>3,354.60</u>	<u>2,686.84</u>

\* Refer Note No.12 of Notes to Accounts

\*\* Not yet due

## SCHEDULE 12

### Provisions :

For Fringe Benefit Tax	78.00	78.00
For Leave Encashment	60.73	59.86
For Interim Dividend proposed after end of the year	363.56	323.16
	<u>502.29</u>	<u>461.02</u>





	2010 - 2011		2009 - 2010	
	Rs. lacs	Rs. lacs	Rs. lacs	Rs. lacs
<b>SCHEDULE 13</b>				
<b>Other Income :</b>				
Dividend Income				
- Long term from Mutual Funds		124.49		242.59
- Long term from Companies other than subsidiaries		141.15		72.19
Miscellaneous Income		57.16		80.30
Exchange fluctuation - gain (net)		3.56		-
Profit on Sale of Fixed Assets		1.35		0.12
Provision for loss on investment no longer required written back ( * )		25.59		17.26
Profit on Sale of Investments - Short term (net)		2.92		1.75
Interest Income from Banks etc ( ** )		267.66		205.37
( * ) Net of loss on sale of investment (Rs.250.71 lacs)				
( ** ) (Includes Tax Deducted at source - Rs.18.15 lacs Previous year Rs.23.73 lacs)				
		<u>623.88</u>		<u>619.58</u>
<b>SCHEDULE 14</b>				
<b>Materials Consumed :</b>				
Opening Stock : ( * )				
Raw Materials	91.49		74.15	
Components	<u>575.28</u>	666.77	<u>479.94</u>	554.09
Purchases :				
Raw Materials	3,216.11		2,244.27	
Components	<u>12,761.60</u>	15,977.71	<u>9,327.43</u>	11,571.70
		<u>16,644.48</u>		<u>12,125.79</u>
Less Closing Stock : ( * )				
Raw Materials	145.42		91.49	
Components	<u>1,126.57</u>	1,271.99	<u>575.28</u>	666.77
		<u>15,372.49</u>		<u>11,459.02</u>
<b>(Increase)/Decrease in Stocks :</b>				
Opening Stock :				
Work-in-progress	159.42		100.24	
Finished Goods	<u>204.24</u>		<u>132.26</u>	
	<u>363.66</u>		<u>232.50</u>	
Closing Stock :				
Work-in-progress	176.32		159.42	
Finished Goods	<u>217.08</u>		<u>204.24</u>	
	<u>393.40</u>		<u>363.66</u>	
		(29.74)		(131.16)
		<u>15,342.75</u>		<u>11,327.86</u>
<b>Increase/(Decrease) in Excise Duty on Finished Goods ( * *)</b>				
Excise Duty on opening goods	16.91		15.00	
Excise Duty on closing goods	<u>17.23</u>	0.32	<u>16.91</u>	1.91
		<u>15,343.07</u>		<u>11,329.77</u>

( \* ) Excluding stock in transit ( \*\* ) Refer Note No.18 (b)

## INDIA NIPPON ELECTRICALS LIMITED

	2010 - 2011		2009 - 2010	
	Rs. lacs	Rs. lacs	Rs. lacs	Rs. lacs
<b>SCHEDULE 15</b>				
<b>Manufacturing Expenses :</b>				
Power & Fuel		366.57		284.75
Repairs to Building	58.09		50.31	
Repairs to Machinery	170.16		120.34	
Repairs to Other Assets	47.00	275.25	43.06	213.71
Factory Rent		7.50		7.60
Royalty		44.12		40.93
Other Expenses		87.18		42.24
		<u>780.62</u>		<u>589.23</u>
<b>SCHEDULE 16</b>				
<b>Personnel Costs :</b>				
Salaries, Wages & Bonus ( * )		1,776.44		1,369.54
Contribution to :				
Provident Fund & ESI		80.24		67.01
Gratuity		35.88		37.61
Superannuation Fund		13.06		10.41
Staff Welfare Expenses		354.34		222.96
		<u>2,259.96</u>		<u>1,707.53</u>
( * ) Includes Rs. 0.50 lacs paid under Early Separation Scheme (Previous year - Rs. 41.22 lacs)				
<b>SCHEDULE 17</b>				
<b>Administration Expenses :</b>				
Rent		2.52		2.41
Rates & Taxes, Licences and Filing Fee		7.92		15.86
Vehicle Maintenance		7.99		7.09
Printing & Stationery		42.55		33.77
Communication Expenses		53.89		47.96
Directors Sitting Fees		3.70		2.59
Commission to Non-Whole Time Directors		22.00		14.00
Travelling & Conveyance		112.34		107.96
Insurance		34.58		27.35
Advertisement		9.19		14.13
Auditor's Remuneration & Expenses		7.13		7.24
Donation		25.23		19.53
Professional Charges		59.62		51.39
Recruitment Expenses		7.53		3.75
Remuneration to Watch & Ward		40.08		34.40
Exchange fluctuation - Loss (net)		-		1.17
Other Expenses		69.37		70.70
		<u>505.64</u>		<u>461.30</u>



	2010 - 2011		2009 - 2010	
	Rs. lacs	Rs. lacs	Rs. lacs	Rs. lacs
<b>SCHEDULE 18</b>				
<b>Selling Expenses :</b>				
Warranty		15.38		20.48
Freight Outwards		404.93		186.26
Other Expenses		114.59		40.27
		<u>534.90</u>		<u>247.01</u>
<b>SCHEDULE 19</b>				
<b>Finance Charges :</b>				
Bank Charges		16.86		17.59
		<u>16.86</u>		<u>17.59</u>

## INDIA NIPPON ELECTRICALS LIMITED

### NOTES ANNEXED TO THE ACCOUNTS

#### 1. Remuneration to Auditors :

Description	2010-2011	2009-2010
	Rs. lacs	Rs. lacs
- Towards Statutory Audit	4.00	4.00
- Towards Tax Audit Fee	0.75	0.75
- For Certification (includes for compliance of clause 41 and 49 of listing agreement)	1.40	1.53
- For Taxation Matters	0.25	0.25
- Expenses Reimbursed	0.73	0.71
	<u>7.13</u>	<u>7.24</u>

#### 2. Contingent Liabilities :

Description	2010-2011	2009-2010
	Rs. lacs	Rs. lacs
a) Letter of Credit	43.89	51.39
b) Letter of Guarantee	7.14	1.30
c) Sales Tax Demand in appeal	0.41	1.39
d) Uncalled liability on shares partly paid up	0.01	0.01
e) Excise Duty/Service Tax	134.36	48.44
f) Others	2.00	2.00

#### 3. a ) Raw materials & Components Consumed :

Description	Quantity Nos.	2010-2011	Quantity Nos.	2009-2010
		Value Rs. lacs		Value Rs. lacs
a) Copperwire (kgs.)	415,533	2,304.97	353,480	1,527.96
b) Flywheel cup- plating & casting	2,912,832	1,923.89	2,764,614	1,600.34
c) Others (which do not individually account for more than 10% of the total consumption)		11,143.95		8,332.63
		<u>15,372.81</u>		<u>11,460.93</u>

#### b) Consumption of raw materials & components and stores & spares :

Description	%	2010-2011	%	2009-2010
		Value Rs. lacs		Value Rs. lacs
a) Import Items	24.25	3,803.30	15.14	1,770.35
b) Indigenous Items	75.75	11,880.73	84.86	9,926.46
	<u>100.00</u>	<u>15,684.03</u>	<u>100.00</u>	<u>11,696.81</u>





#### 4. CIF Value of Imports :

Description	2010-2011	2009-2010
	Rs. lacs	Rs. lacs
Raw materials	395.69	277.70
Components	2,506.17	1,495.42
Capital Goods	331.15	378.34
Stores & Spares	35.53	19.58

#### 5. Expenditure in Foreign Currency :

Description	2010-2011	2009-2010
	Rs. lacs	Rs. lacs
Foreign Travel	8.79	8.75
Royalty	38.34	29.54
Technical Know-how Fees & Support Fees	6.37	3.44
Professional fees and expenses reimbursed	2.82	-
Research & Development Expenses	3.12	6.43

#### 6. Payment of Dividend in Foreign Currency :

Description	2010-2011	2009-2010
No. of Shareholders	1	1
No. of Equity Shares of Rs.10 each	1,657,500	1,657,500
Second Interim Dividend for the year 2009-10 (Rs. lacs)	66.30	
First Interim Dividend for the year 2010-11 (Rs. lacs)	82.88	
Second Interim Dividend for the year 2008-09 (Rs. lacs)		49.73
First Interim Dividend for the year 2009-10 (Rs. lacs)		58.01

#### 7. Earnings in Foreign Exchange :

Description	2010-2011	2009-2010
	Rs. lacs	Rs. lacs
Export Sales (FOB)	506.40	282.09

#### 8. Sale of Class of Goods :

Products	2010-2011		2009-2010	
	Quantity	Value*	Quantity	Value*
	Nos.	Rs. lacs	Nos.	Rs. lacs
Flywheel Magnetos	2,874,408	13,046.17	2,476,582	10,101.04
Capacitor Discharge Ignition Units/ Electronic Control Unit	1,827,400	6,077.04	1,361,227	4,228.58
Others (which do not individually constitute more than 10% of total value of turnover)		3,761.96		2,578.52
		<u>22,885.17</u>		<u>16,908.14</u>

\* Exclusive of Excise Duty

## INDIA NIPPON ELECTRICALS LIMITED

### 9 Capacity and Production # :

Products	Licensed Capacity* (Nos)	Installed Capacity (Nos)	Actual Production (Nos)
Flywheel Magnetos Flywheel Generators Capacitor Discharge Ignition Units Ignition coils Contact Breakers Blinkers/Flashers/ Regulators, Electronic Engine Control Units etc	12300,000**	12087648 @	6,767,142
Special Purpose Machines	18	18	-
Previous Year Special Purpose Machines	12300,000** 18	11583616 @ 18	5,313,255 -

\* Broadbanded # As certified by Management

\*\* Including items covered under Industrial Entrepreneur Memorandum

@ Total capacity installed at factories at Hosur, Pudhucherry & Rewari

### 10. Closing Stock of Goods Produced :

Products	2010-2011		2009-2010	
	Quantity Nos.	Value Rs. lacs	Quantity Nos.	Value Rs. lacs
Flywheel Magneto	30,517	79.31	30,163	60.82
Capacitor Discharge Ignition Units/Electronic control unit	16,563	88.90	47,065	94.28
Ignition Coils	21,542	18.88	20,985	12.91
Integral Units	11,087	12.96	15,267	24.21
Regulator/Rectifier Units	10,295	17.03	11,039	12.02
		217.08		204.24

### 11.Accounting Policies :

#### a) Basis of Accounting :

The financial statements of the Company have been prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles in India (GAAP). The financial statements comply with the relevant provisions of the Companies Act 1956 (the Act) and the mandatory Accounting Standards and statements issued by the Central Government of India under Companies (Accounting Standards) Rules 2006. Accrual system of accounting is generally followed to record income and expenditure.

Cash flows are reported using the indirect method whereby profit before tax is adjusted for the effects of transactions of non -cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the company are segregated.



#### **b) Use of estimates :**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which results are known/materialize.

#### **c) Fixed Assets and Intangible Assets :**

- i) Fixed assets are stated at cost of acquisition less accumulated depreciation and amortisation. Direct costs are capitalised till the assets are ready to be put to use. Interest cost if any is capitalized as per the Accounting Standard 16, "Borrowing costs".
- ii) All Plant & Machinery including electrical installations acquired upto 1996-97 are shown at the replacement cost based on technical assessment and assets acquired after 1996-97 are shown at acquisition cost..
- iii) Other fixed assets acquired upto 1992-93 are shown at the replacement cost based on technical assessment and assets acquired after 1992-93 are shown at acquisition cost.

#### **d) Investments :**

Long term investments are carried at cost with decline in value other than temporary being provided in the profit and loss account. Current investments are carried at the lower of cost and fair market value with provision being made for diminution in value in the profit and loss account.

#### **e) Inventories :**

- i) Raw materials and components and Stores are generally valued at least of cost or net realisable value. However, if the cost of the finished goods into which these materials are incorporated exceeds the net realisable value of the finished goods then the materials are written down to their net realisable value.  
Cost is arrived on weighted average basis.
- ii) Work-in-progress is valued at lower of cost and net realisable value. Cost is arrived at material cost plus labour and appropriate element of overheads
- iii) Finished goods in warehouse and finished goods in transit are valued at lower of cost and net realisable value. Cost is arrived at material cost plus labour and appropriate element of overheads and Excise duty
- iv) Loose Tools are written off in full in the year of purchase.
- v) Inventories are stated after adequate provision for non-moving, obsolete, surplus and defective items

#### **f) Revaluation Reserve : (Refer note 11 c above)**

The Revaluation Reserve is created on writing up of asset values with the corresponding credit being given to Revaluation Reserve. As mentioned in item (h) below, no amount of depreciation is adjusted to the Revaluation Reserve. As and when an asset is sold, discarded or scrapped, the necessary adjustments are made to the Revaluation Reserve.

### **g) Government Grants :**

- i) Subsidy received from Government as contribution towards capital outlay for setting up industry in a backward area is treated as capital reserve.
- ii) Subsidy received for purchase of specific assets is reduced from the cost of the assets.

### **h) Depreciation :**

- i) Depreciation on fixed assets is provided on written down value method at the rates prescribed in Schedule XIV of the Companies Act., 1956.
- ii) Depreciation on additions to fixed assets during the year is provided for the whole year.
- iii) Depreciation is charged on the revalued amounts of assets to the profit and loss account without any adjustment being made to the Revaluation Reserve.
- iv) Depreciation on deletions to fixed assets is provided till the date of such sale/deletion

### **i) Impairment of Assets :**

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

### **j) Research and development :**

All expenditure including capital expenditure is charged off to profit and loss account.

### **k) Borrowing costs :**

Borrowing costs incurred for acquiring, constructing and producing a qualifying asset are capitalised. Other borrowing costs are charged off to the Profit and Loss Account in the year in which they are incurred.

### **l) Taxation :**

The company is accounting for taxes in accordance with the Accounting Standard AS 22 "Accounting for Taxes on income" notified under Company (Accounting Standards) Rules 2006. Consequently, the tax provision includes the income tax payable on the estimated taxable income as well as the tax impact arising on account of timing differences thus ensuring that the income and taxes thereon are matched.

### **m) Foreign Currency Transactions :**

Transactions denominated in foreign currencies are generally accounted at the exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated



in foreign currency at the year end are restated at the exchange rate prevailing on the Balance Sheet date. Any difference arising at the time of settlement/restatement is recognised in the profit and loss account. In the case of forward contracts, the differences between the transaction exchange rate and the forward rate is recognised as income or expense over the life of the contract.

The company also enters into foreign currency transactions as hedges against firm commitments/highly probable forecast cash flows from time to time as per its requirements of risk management. The losses or gains arising out of these transactions as at the end of the financial year in respect of contracts that are outstanding are marked to market and taken to the profit and loss account. However, where hedges are proved to be effective, the loss or gain is taken to the reserves and surplus in the balance sheet initially at the end of the financial year and accounted in the profit and loss account in the period in which underlying transactions matures.

#### **n) Revenue Recognition :**

- a) Sales shown in the Profit and Loss Account exclude sales tax. Sales made on FOR basis are accounted on the basis of goods acknowledged to have been received by customers before the year end. Goods not taken delivery by customers before the end of the year are treated as finished goods in transit. Price increases from customers are accounted in the year of receipt. Price reductions/discounts are accounted in the year in which the Company accepts claims.
- b) Dividends are accounted when the right to receive is established.

#### **o) Employee Benefits :**

- i) Short term employee benefits:  
The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service.
- ii) Post-Employment benefit Plans  
Payments to defined contribution retirement benefit schemes (provident fund) are charged as an expense as they fall due.  
For defined benefit schemes (Gratuity), the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the Profit and Loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortised on straight line basis over the average period until the benefits become vested.  
The retirement benefit obligation recognized in the balance sheet represents the present value of the defined obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost plus the present value of available refunds and reductions in future contributions to the scheme.



**p) Early Separation Scheme :**

The expenditure on Early Separation scheme is charged off to the profit and loss account in the year in which it is incurred.

**q) Contingencies and Provisions :**

Contingent losses arising on Assessment are recorded when it is probable that the liability has been incurred and the amount can be reasonably estimated.

A Provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

- 12.** The Company has sent circular to suppliers/vendors for getting information as required under "Micro, Small and Medium Enterprises Development Act 2006". No vendor has given registration details. However, they have indicated their status of undertaking as defined under the Act. With the available information, the amount outstanding as on 31st March 2011 (Rs.157.86 lacs) (Previous year Rs.141.70 lacs). Further no interest has been paid or payable in the opinion of the Management to such parties as per the said Act.
- 13.** The fixed assets were revalued in the year 1992-93 by which the value of the assets were written up by Rs.230.71 lacs after technical assessment with the corresponding credit being given to Revaluation Reserve. These assets were fully written off in the books of account as on 31st March 1997. In the year 1997-98, the fixed assets comprising of plant & machinery and electrical installations were revalued again after a technical assessment by which the values of these assets were written up by Rs.233.30 lacs with the corresponding credit being given to Revaluation Reserve. As mentioned in Note No.11(h)(iii) of notes on accounts, depreciation is computed on the revalued amounts and is charged off to the profit and loss account in full without withdrawing any amount from the revaluation reserve. The additional amount charged as depreciation for the year is Rs.1.71 lacs (previous year Rs.2.00 lacs).
- 14.** The company is in the business of manufacturing electronic ignition systems and therefore there is only one business segment. While the company sells its products in the domestic and export markets and to OEMs, in view of the fact that there is no significant variation in the risks and returns profile of these markets, it is considered that there are no different geographical segments.
- 15.** As mentioned in item 11 (1) of Accounting Policy statement, the company is accounting for taxes in accordance with the Accounting Standard 22 "Accounting for Taxes on Income" notified under Company (Accounting Standards) Rules 2006. Accordingly, an amount of Rs.2.28 lacs



has been credited to the profit and loss account for the year under review towards deferred tax. As at 31st March 2011, the amount in deferred tax account is Rs.263.06 lacs as detailed below.

	31.03.2011 Rs. lacs	31.03.2010 Rs. lacs
<b>Deferred tax asset</b>		
Rebates and discounts	58.35	58.35
Leave encashment	20.63	20.40
Depreciation	93.34	80.92
Provision for Doubtful Debts	52.26	52.26
Provision for obsolete stock	3.54	3.54
Early Separation Scheme	22.30	33.95
Others	12.64	11.36
	<u>263.06</u>	<u>260.78</u>

#### 16. Details of related party transactions during the year :

Name of the related party	Description of relationship	Nature of transactions	Volume of transactions Rs. lacs	Amount due to as on 31.03.2011 Rs. lacs	Amount due from as on 31.03.2011 Rs. lacs
1) Kokusan Denki Company Limited (Technical and financial collaborator)	Joint venture of the company	a) Technical know-how fees b) Support fee c) Royalty d) Purchase of raw materials & components e) Sales	Nil 6.97 44.12 601.87 0.73	Nil 3.33 Nil 39.00 Nil	Nil
2) PT Automotive Systems Indonesia	Subsidiary of the Company		-	-	-
3) Synergy Shakthi Renewable Energy Ltd	Associate Company	a) Inter corporate deposit b) Interest on ICD c) Purchase of Electricity	300.00 21.77 11.21	- - 0.02	300.00 4.02 -
4) Mr. G Murali	Manager	Salary	35.97		

## INDIA NIPPON ELECTRICALS LIMITED

### 17. Derivative instruments and unhedged foreign currency exposure :

	31.03.2011 Rs. lacs	31.03.2010 Rs. lacs
i) Derivative instruments that are outstanding	Nil	Nil
ii) The company has been entering into forward contracts as a hedge against accounts payable/accounts receivable in foreign currencies and firm commitments/ highly probable forecasted transactions of cash outflows expected to arise in future.		
iii) Unhedged foreign currency exposure/the foreign currency exposures that are not hedged by a derivative instrument or otherwise		
a) Receivables outstanding	258.11	51.68
b) Payable outstanding	191.40	82.62

18. a) Sales excludes sales tax. Sales tax collected and paid Rs.639.61 lacs (Previous year Rs.436.50 lacs)  
b) Increase/(decrease) in excise duty on finished goods has been shown under the head "Materials consumed" in schedule No.14

19. The sum of Rs.22.00 lacs towards commission to Non-Whole Time Directors is outstanding as at 31st March 2011 and is included in sundry creditors (Previous year Rs.14.00 lacs)

20. Computation of profits in accordance with Section 198 of the Companies Act 1956:	2010-2011 Rs. lacs	2009-2010 Rs. lacs
Net Profit before Tax	3,335.02	2,577.15
Add:		
Depreciation as per Profit and Loss Account	414.79	357.17
Directors' sitting fees (including committee fees)	3.70	2.59
Commission to Non-Wholetime Directors	22.00	14.00
Wealth Tax	24.77	24.75
Loss on Sale of Assets as per Section 349 (5) (d)	-	-
Provision for Diminution in value of investments	10.75	253.36
	<u>3,811.03</u>	<u>3,229.02</u>
Less:		
Depreciation under Section 350	414.79	357.17
Profit on sale of fixed assets as per Section 349	1.35	0.12
Profit on sale of investments as per Section 349 (3) (c)	38.47	26.07
Net Profit for Section 198 of the Companies Act	<u>3,356.42</u>	<u>2,845.66</u>
Maximum Commission payable to Non-wholetime Directors @1% of the profits computed above	33.56	28.46
Commission to Non-Wholetime Directors limited to	22.00	14.00



	<b>2010-2011</b>	<b>2009-2010</b>
	<b>Rs. lacs</b>	<b>Rs. lacs</b>
<b>21. Remuneration to Manager</b>		
Salary	11.40	11.40
HRA & other allowances	20.17	19.42
Other perquisites	0.23	0.23
Contribution to Provident Fund	1.37	1.37
Contribution to Gratuity & superannuation	2.80	2.80
	<u>35.97</u>	<u>35.22</u>

## **22. Product Warranty**

	<b>Warranties</b>	
	<b>2010-2011</b>	<b>2009-2010</b>
	<b>Rs. lacs</b>	<b>Rs. lacs</b>
Opening Balance	91.68	91.68
Additions	15.38	20.48
Utilizations	15.38	20.48
Reversals	-	-
Closing Balance	91.68	91.68

## **23. Disclosure required Under Accounting Standard 15 "Employee Benefits" :**

The company has provided long term employee benefits on the basis of actuarial valuation carried out as per Projected Unit Credit Method.

The disclosure required under Accounting Standard 15 "Employees Benefits" notified in the Companies (Accounting Standards) Rules 2006 are given below:

### **(a) Defined Contribution Plan**

#### **I. Provident fund :**

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contributions to the Employee's Provident Fund scheme administered by Government of India equal to a specified percentage of the covered employee's salary.

The Company recognised Rs.80,23,953 for provident fund contribution in the profit and loss account.

## INDIA NIPPON ELECTRICALS LIMITED

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### II. Superannuation fund :

Eligible employees receive benefits from the superannuation fund, which is a defined contribution plan. Aggregate contributions alongwith interest thereon are paid at retirement, death, incapacitation or termination of employment. The Company makes yearly contributions to the Superannuation Fund Scheme administered by Life Insurance Corporation of India. Liabilities with regard to the Superannuation fund are determined by the Life Insurance Corporation of India as at the balance sheet date, based upon which, the company contributes all the ascertained liabilities to the Life Insurance Corporation of India's Employees Superannuation Fund.

The Company recognised Rs.13,06,372 for superannuation fund contribution in the profit and loss account.

### (b) Defined benefit plan

#### Gratuity :

The Company provides a gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as at the balance sheet date, based upon which, the company contributes all the ascertained liabilities to the Life Insurance Corporation of India's Employees Gratuity Fund Trust (the "Trust"). Trustees administer contributions by means of a group gratuity policy with Life Insurance Corporation of India.

The following table set out the status of the gratuity plan as required under AS 15:

#### a) Change in benefit obligations :

	Gratuity Plan Rs. lacs
Projected benefit obligation, beginning of the year	140.33
Service Cost	11.23
Interest Cost	11.36
Actuarial (gain)/loss	27.23
Benefits paid	(0.68)
Projected benefit obligation, end of the year	189.47

#### b) Change in plan assets :

	Gratuity Plan Rs. lacs
Plan assets at beginning of the year at fair value	140.42
Expected return on plan assets	15.16
Actuarial gain/(loss)	0.00
Employer's contributions	19.71
Benefits paid	(0.68)
Plan assets at end of the year, at fair value	174.61





**c) Reconciliation of present value of the obligation and the fair value of the plan assets**

	Rs. lacs
Fair value of plan assets at the end of the year	174.61
Present value of the defined benefit obligations at the end of the period	189.47
Liability recognized in the balance sheet	(14.86)

**d) Gratuity cost for the year ended March 31, 2011**

	Gratuity Plan Rs. lacs
Service cost	11.36
Interest cost	11.23
Expected return on plan assets	(15.16)
Actuarial (gain)/loss	27.23
Net cost	34.66
Actual return on plan assets	9.25%

**e) Investment details of plan assets :**

Deposited with Life Insurance Corporation of India (Group gratuity policy) :

**f) Assumptions**

	Gratuity Plan
Discount rate	8%
Salary escalation rate	5%
Estimated rate of return on plan assets	8%

Note: The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

**(c) Leave encashment**

The employees of the Company are entitled to compensated absence. The employees can carry forward a portion of the unutilized accrued compensated absence and utilize it in future periods

## INDIA NIPPON ELECTRICALS LIMITED

or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 30 days. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

### 24. Expenditure on R&D

	2010-2011 Rs. lacs	2009-2010 Rs. lacs
a) Capital Expenditure	32.22	17.28
b) Revenue Expenditure		
* Salary	99.04	110.49
* Electricity	7.23	6.80
* Travel	12.78	10.58
* Outsourcing expenses	2.78	3.79
* Revenue & others	28.64	20.85
	<u>150.47</u>	<u>152.51</u>
<b>Total R &amp; D expenditure (a) + (b)</b>	<b>182.69</b>	<b>169.79</b>

### 25. Investments :

The Company is considering various options for activating the Indonesian subsidiary. In the opinion of the Directors, the value of the land is not less than the investment made by the Company. Hence, no losses are expected on this investment.

Considering that the investment of India Nippon Electricas Limited in Synergy Shakthi Renewable Energy Limited is a long term investment and that the investment is a strategic investment, no provision is considered necessary to recognise the loss of Synergy Shakthi Renewable Energy Limited.

**26.** Capital commitments not provided for Rs.155.72 lacs (Previous year Rs.30.20 lacs)

**27.** Figures for the previous year have been reclassified wherever necessary.

T K BALAJI  
Chairman

V BALARAMAN  
G CHIDAMBAR

Chennai  
27.05.2011

N S MURTHY  
Directors

S SAMPATH  
CFO and Company Secretary

As per our report of even date  
For **Brahmayya & Co**  
Chartered Accountants  
Registration No: 000511S

**P S KUMAR**  
Partner  
Membership No. 15590



## **PART - IV Schedule - VI of the Companies Act, 1956**

### **I. Registration Details:**

Registration No.	State Code
11021	18
Balance Sheet Date : 31.03.2011	

### **II. Capital Raised during the year (Amount in Rs.Thousands):**

Public Issue	Right Issue
Nil	Nil
Bonus Issue	Private Placement
Nil	Nil

### **III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands) :**

Total Liabilities	Total Assets
2,102,316	2,102,316

#### **Sources of Funds**

Paid-up Capital	Reserves & Surplus
80,791	1,635,836
Secured Loans	Unsecured Loans
Nil	Nil

#### **Applications of Funds**

Net Fixed Assets	Investments
283,164	885,669
Net Current Assets	Misc. Expenditure
547,794	Nil
Accumulated Losses	
Nil	

## INDIA NIPPON ELECTRICALS LIMITED

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### IV. Performance of Company (Amount in Rs. Thousands):

Turnover (Including other income)	Total Expenditure
2,350,905	2,017,403
Profit Before Tax	Profit After Tax
333,502	254,350
Earning Per Share in Rs.	Dividend Rate %
31.47	95

### V. Generic Names of Three Principal Products/Services of Company: (as per monetary terms)

Item Code No.	:	85112010
Product Description	:	Flywheel Magneto Assembly
Item Code No.	:	85118000
Product Description	:	CDI/TCI Assembly
Item Code No.	:	85113020
Product Description	:	Ignition Coil Assembly

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This is the Balance Sheet referred to in our Audit Report

T K BALAJI  
*Chairman*

V BALARAMAN

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Chennai  
27.05.2011

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*Directors*

S SAMPATH  
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As per our report of even date  
For **Brahmayya & Co**  
*Chartered Accountants*  
Registration No: 000511S

**P S KUMAR**  
*Partner*  
Membership No. 15590



## Cash flow statement for the year ended 31st March 2011

Pursuant to Clause 32 of the Listing Agreement

	Year ended 31.03.2011 Rs. lacs	Year ended 31.03.2010 Rs. lacs
<b>A. Cash Flow from Operating Activities :</b>		
Net Profit before tax and extraordinary items	3,335.02	2,577.15
Adjustments for :		
Add: - Depreciation	414.79	357.17
- (Profit)/Loss on sale/Writeoff fixed assets	(1.35)	(0.12)
- Dividend Received	(265.64)	(314.78)
- Interest Received	(267.66)	(205.37)
- (Profit)/Loss on sale of investments(net)	214.11	(19.01)
- Provision for diminution in value of investments	(242.62)	253.36
Operating Profit before Working Capital changes	3,186.65	2,648.40
Adjustments for - Trade & Other Receivables	(1,367.00)	425.37
- Inventories	(657.44)	(240.02)
- Trade Payables and other liabilities	678.94	896.84
Cash generated from Operations	1,841.15	3,730.59
Income Tax paid	(763.15)	(608.73)
Cash Flow before extraordinary items	1,078.00	3,121.86
Extraordinary items	(3.80)	9.99
<b>Net Cash from Operating Activities - A</b>	<u>1,074.20</u>	<u>3,131.85</u>
<b>B. Cash Flow from Investing Activities :</b>		
Purchase of Fixed Assets	(613.19)	(1,192.85)
Sale of Fixed Assets	1.36	0.18
(Purchase) / Sale of Investments (net)	1,170.80	(2,961.54)
Interest/Dividend Received	433.95	631.16
<b>Net Cash from / (used in) Investment Activities - B</b>	<u>992.92</u>	<u>(3,523.05)</u>

## INDIA NIPPON ELECTRICALS LIMITED

	Year ended 31.03.2011 Rs. lacs	Year ended 31.03.2010 Rs. lacs
<b>C. Cash Flow from Financing Activities :</b>		
Repayment of Long Term Borrowings		
Unsecured Loan Repayment	(57.85)	-
Lease rent paid	-	-
Interest paid	-	-
Dividends Paid	(727.11)	(526.13)
Dividend Tax	(167.73)	(89.25)
<b>Net Cash used in Financing Activities - C</b>	<b>(952.69)</b>	<b>(615.38)</b>
D. Net (decrease)/Increase in Cash Equivalents (A+B+C)	1,114.43	(1,006.58)
E. Cash & Cash Equivalents as at 1st April, 2010 (Opening Balance)	1,626.25	2,632.83
F. Cash & Cash Equivalents as at 31st March, 2011 (Closing Balance)	2,740.68	1,626.25

### Notes :

Cash & Cash equivalents as on 31.03.2010 and 31.03.2011 do not include the balances in the unpaid dividend account.

T K BALAJI  
*Chairman*

V BALARAMAN

G CHIDAMBAR

Chennai  
27.05.2011

N S MURTHY  
*Directors*

S SAMPATH  
*CFO and Company Secretary*

### AUDITORS' CERTIFICATE :

We have verified the above statement of India Nippon Electricals Ltd. derived from the audited financial statements for the year ended 31st March, 2011 and found the same in accordance therewith and also with the requirements of clause 32 of the Listing agreements with stock exchanges.

As per our report of even date  
For **Brahmayya & Co**  
*Chartered Accountants*  
Registration No: 000511S

Chennai  
27.05.2011

**P S KUMAR**  
*Partner*  
Membership No. 15590





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**Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Company**

- |   |  |                                    |
|---|--|------------------------------------|
| 1 | Name of the Company  | : P T Automotive Systems Indonesia |
| 2 | Financial Year of the subsidiary company   | : 31.03.2011                       |
| 3 | ( a ) Number of equity shares held in (Nos)<br>the subsidiary company by holding<br>Company at the above date<br>% Holding (equity)        | : 27000<br><br>: 99.97%            |
|   | ( b ) Number of preference shares (Nos)<br>held in the subsidiary company by holding<br>Company at the above date (%) Holding (preference) | : Nil                              |
| 4 | The net aggregate of profits less losses of the subsidiary company so far as it concerns the members of holding company:                   |                                    |

**( i ) Dealt with in the accounts of the holding Company amounted to:**

- |     |   |       |
|-----|---|-------|
| (a) | For the subsidiary's financial year ended<br>on 31.03.2011 (Rs. lacs)                       | : Nil |
| (b) | For the previous financial years of the subsidiary<br>since it became subsidiary (Rs. lacs) | : Nil |

**(ii) Not dealt with in the accounts of the holding company amounted to :**

- |     |  |                   |
|-----|--|-------------------|
| (a) | for the subsidiary's financial year ended<br>31.03.2011 (Rs. lacs)                         | : (Rs.17.41 lacs) |
| (b) | for the previous financial years of the subsidiary<br>since it became subsidiary (Rs lacs) | : (Rs.18.16 lacs) |

- 5 As the financial year of subsidiary Company coincides with the financial year of the holding Company, Section 212 (5) of the Companies Act, 1956 is not applicable.

## INDIA NIPPON ELECTRICALS LIMITED

### CONSOLIDATED INFORMATION RELATING TO SUBSIDIARY COMPANY :

Sl. No	Particulars	Amount in Indonesian Rupiah	Equivalent amount in Indian Rupees
		As on 31st March 2011 ( * )	
1	Capital	24694328700	127200317
2	Reserves	(1050642164)	(5411851)
3	Total Assets	23663666535	121891384
4	Total Liabilities	19980000	102917
5	Details of Investments (except in case of investment in subsidiaries)	Nil	Nil
6	Turnover	188598652	958139
7	Profit/(Loss) before taxation	(518897743)	(2636159)
8	Income Tax/Deferred Tax	176122559	894756
9	Profit /(Loss) after taxation	(342775184)	(1741403)
10	Proposed Dividend	Nil	Nil

\* Balance sheet item has been converted by using closing rate (1 INR (Indian Rupee) = IDR.194.13732) and profit and Loss account item has been converted in Indian Rupees by using the average rate (1 INR = IDR.196.83854) during the year 2010-11.

Ministry of Corporate Affairs, Government of India vide their letter No.47/102/2011-CL-III dated 9th February 2011 have granted exemption under Section 212(8) of the Companies Act, 1956 from attaching the financial statements of the subsidiary companies, to the company's accounts for the financial year ended 31st March 2011. The annual accounts of the subsidiary companies and the related detailed information will be made available in the holding and subsidiary company investors seeking such information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any investor at the corporate office and that of the subsidiary company concerned.

T K BALAJI  
*Chairman*

V BALARAMAN

G CHIDAMBAR

Chennai  
27.05.2011

N S MURTHY  
*Directors*

S SAMPATH  
*CFO and Company Secretary*



## Report of the Auditors to the Board of Directors of India Nippon Electricals Limited on the Consolidated Financial Statements.

1. We have audited the attached consolidated Balance Sheet of India Nippon Electricals Limited and its subsidiary company as at 31st March 2011 and also the related Profit and Loss Account and the Cash Flow Statement for the year ended on the date annexed thereto. These financial statements are the responsibility of the company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary company whose financial statements reflect total assets of Rs 12,18,91,384. as at 31st March 2011 and total revenues of Rs 9,58,139 and net cash outflows amounting to Rs. 7,65,592 for the financial year ended on that date. The revenue comprises interest income and gains on foreign exchange, sales being nil as the company has not commenced manufacturing operations. Further we did not audit the financial statements of an associate whose financial statements reflect the consolidated entity's share of loss of Rs. 3,10,12,992 for the year ended 31st March 2011. These financial statements and other financial information have been audited by other qualified auditors whose reports have been furnished to us by the management, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary and associate is based solely on the reports of such auditors.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements" and Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements" prescribed by Companies (Accounting Standards) Rules, 2006 as per section 211 (3C) of the Companies Act, 1956 and on the basis of the separate audited financial statements of India Nippon Electricals Limited, its subsidiary company and the associate included in the aforesaid consolidation.
5. In our opinion, based on our audit and the reports of the other auditors, to the best of our information and according to the explanations given to us, the consolidated financial statements referred to above give a true and fair view in conformity with generally accepted accounting principles in India:
  - (i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2011;
  - (ii) in the case of consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
  - (iii) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Chennai,  
27.05.2011

For **BRAHMAYYA & CO.,**  
*Chartered Accountants,*  
Registration No.: 000511S

**P S KUMAR**  
*Partner*  
Membership No.: 15590

## INDIA NIPPON ELECTRICALS LIMITED

### Consolidated financial statements Consolidated Balance Sheet as at 31st March, 2011

	Schedule Number	Rs. lacs	As at 31.03.2011 Rs. lacs	Rs. lacs	As at 31.03.2010 Rs. lacs
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds :</b>					
- Capital	01	807.91		807.91	
- Reserves & Surplus	02	15,913.75	16,721.66	14,535.09	15,343.00
Minority Interest			0.40		0.40
<b>Loan Funds :</b>					
- Unsecured Loans	03		-		57.85
			16,722.06		15,401.25
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets :</b>					
- Gross Block	04	8,132.45		7,561.28	
- Less: Depreciation		4,800.35		4,419.37	
- Net Block		3,332.10		3,141.91	
- Capital Work-in-Progress		27.04	3,359.14	-	3,141.91
<b>Investments</b>	05		7,289.73		8,716.83
<b>Deferred Tax Asset (Net)</b>			263.06		260.78
<b>Current Assets and Loans &amp; Advances :</b>					
- Inventories	06	1,718.45		1,061.01	
- Sundry debtors	07	3,826.54		2,781.63	
- Cash & Bank balances	08	3,291.89		2,181.69	
- Other Current Assets	09	102.59		3.41	
- Loans & Advances	10	728.63		403.24	
		9,668.10		6,430.98	
<b>Less:</b>					
<b>Current Liabilities &amp; Provisions :</b>					
- Liabilities	11	3,355.68		2,688.23	
- Provisions	12	502.29		461.02	
		3,857.97		3,149.25	
Net Current Assets			5,810.13		3,281.73
Miscellaneous expenses (to the extent not written off)			-		-
			16,722.06		15,401.25

T K BALAJI  
Chairman

V BALARAMAN  
G CHIDAMBAR

Chennai  
27.05.2011

N S MURTHY  
Directors

S SAMPATH  
CFO and Company Secretary

As per our report of even date  
For **Brahmayya & Co**  
Chartered Accountants  
Registration No: 000511S

**P S KUMAR**  
Partner  
Membership No. 15590



## Consolidated financial statements

### Consolidated Profit and Loss Account for the year ended 31st March 2011

	Schedule Number	2010-2011 Rs. lacs	2009-2010 Rs. lacs
<b>INCOME:</b>			
- Gross Sales		25,303.34	18,410.09
Less : Excise Duty		2,418.17	1,501.95
Net Sales		22,885.17	16,908.14
- Other Income	13	629.64	625.87
		<u>23,514.81</u>	<u>17,534.01</u>
<b>EXPENDITURE:</b>			
- Materials consumed	14	15,343.07	11,329.77
- Stores, Spares & Tools Consumed		311.22	235.88
- Manufacturing Expenses	15	780.62	589.23
- Personnel Cost	16	2,259.96	1,707.53
- Administration Expenses	17	561.67	645.68
- Selling Expenses	18	534.90	247.01
- Finance Charges	19	16.91	18.05
- Technical Know-how / Support Fees		6.97	5.09
- Depreciation		438.93	381.31
		<u>20,254.25</u>	<u>15,159.55</u>
Profit for the year before taxation		3,260.56	2,374.46
Less :Provision for Taxation - Current Year			
- Current Tax		790.00	610.00
- Deferred Tax		(0.86)	(14.72)
- Foreign Taxes		-	-
Add: Excess provision for earlier years written back		-	26.48
Less: Income tax for earlier years		3.80	16.49
Profit for the year after taxation		<u>2,467.62</u>	<u>1,789.17</u>
Less: Minority Interest		(0.01)	(0.01)
Less: Share of loss in associate		<u>(310.13)</u>	<u>-</u>
Profit after tax and minority interest and share of loss in associate		2,157.50	1,789.18
Add :Balance Brought Forward from previous year		588.47	4,056.95
Amount available for appropriation		<u>2,745.97</u>	<u>5,846.13</u>
Interim and final dividend Paid		767.51	605.93
Corporate Dividend Tax		127.16	101.73
Transfer to General Reserve		<u>1,700.00</u>	<u>4,550.00</u>
Balance Carried Forward		151.30	588.47
Earning per share (EPS) Basic and Diluted (in Rs.)	Rs.	30.53	22.14
Nominal value of shares (in Rs.)	Rs.	10.00	10.00

T K BALAJI  
Chairman

V BALARAMAN  
G CHIDAMBAR

Chennai  
27.05.2011

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Directors

S SAMPATH  
CFO and Company Secretary

As per our report of even date  
For **Brahmayya & Co**  
Chartered Accountants  
Registration No: 000511S

**P S KUMAR**  
Partner  
Membership No. 15590

## INDIA NIPPON ELECTRICALS LIMITED

### Consolidated financial statements

#### Consolidated Schedules

	As at 31.03.2011		As at 31.03.2010	
	Rs. lacs	Rs. lacs	Rs. lacs	Rs. lacs
<b>SCHEDULE 1</b>				
<b>Capital :</b>				
Authorised	1,500.00		1,500.00	
150,00,000 Equity Shares of Rs.10 each				
Issued, subscribed and paid-up	807.91		807.91	
80,79,080 Equity Shares (previous year 80,79,080 equity shares) of Rs.10 each fully paid up (of the above shares 71,54,680 Equity Shares of Rs.10 each have been issued as Bonus Shares by Capitalisation of General Reserve)				
<b>SCHEDULE 2</b>				
<b>Reserves &amp; Surplus :</b>				
Capital Reserve-Cash Subsidy (SIPCOT)				
As per last Balance Sheet	15.00		15.00	
Less: Transferred to General Reserve during the year	-	15.00	-	15.00
Revaluation Reserve *				
As per last Balance Sheet	395.46		395.46	
Less:Revalued amount of Discarded assets		395.46		395.46
Capital Redemption Reserve Account				
As per last Balance Sheet		39.56		39.56
Foreign currency translation reserve		237.98		147.48
General Reserve as per last Balance Sheet	13,349.12		8,873.30	
Less : share of loss in associate - initial recognition			(74.18)	
Add : Excess provision written back (**)	25.33			
	13,374.45		8,799.12	
Add :				
Transfer from Revaluation Reserve on account of Depreciation				
Transfer from Profit & Loss Account	1,700.00	15,074.45	4,550.00	13,349.12
Surplus in Profit & Loss Account after providing for Taxation and Dividend		151.30		588.47
		15,913.75		14,535.09
<b>SCHEDULE 3</b>				
<b>Unsecured Loans :</b>				
From a Financial Institution				
Interest Free Sales Tax Loan from SIPCOT		-		57.85

\* Please refer Note No. 3      (\*\*) Refer Note No. 2



## Consolidated financial statements

### SCHEDULE 4

#### Fixed Assets :

Rs. lacs

Sl. No.	Description	GROSS BLOCK				Depreciation written off to date	NET BLOCK	
		As on 01.04.2010	Additions During the Year	Deletions During the Year	As on 31.03.2011		As on 31.03.2011	As on 31.03.2010
01.	Land - Freehold	1,034.86	-	-	1,034.86		1,034.86	1,034.86
	Land - Leasehold	532.80	18.84		551.64	24.14	527.50	508.66
02.	Buildings	1,015.93	4.11	-	1,020.04	606.39	413.65	453.50
03.	Plant & Machinery including Electrical Installations ** #	4,579.98	554.13	29.52	5,104.59	3,840.10	1,264.49	1,052.50
04.	Furniture & Office Equipment	329.45	24.66	4.31	349.80	279.58	70.22	66.80
05.	Vehicles	68.26	3.26		71.52	50.14	21.38	25.59
	Total	7,561.28	605.00	33.83	8,132.45 **	4,800.35 +	3,332.10 +	3,141.91
	Previous Year	6,311.28	1,253.30	3.30	7,561.28	4,419.37	3,141.91	2,245.85

\*\* Includes Rs.395.46 lacs on account of revaluation of fixed assets (previous year Rs.395.46 lacs)

+ After adjustment of cumulative depreciation of Rs.33.81 Lacs as at 31.03.2011 on Assets transferred/sold and discarded during the year

# Includes Plant and Machinery having Gross Block of Rs.191.28 Lacs and Net Block of Rs.107 held for disposal



## INDIA NIPPON ELECTRICALS LIMITED

### Consolidated financial statements

#### SCHEDULE 5

	As at 31.03.2011			As at 31.03.2010	
	Shares/ Units in Nos	Face value Rs.	Rs. lacs	Cost Rs. lacs	Cost Rs.lacs
<b>Investments :</b>					
<b>1. Long-term Trade -Fully paid up-Unquoted</b>					
<b>In Other than Subsidiary Company</b>					
a. Lucas TVS Ltd. Equity shares	97,351	100.00		2,824.08	2,824.08
b. Synergy Shakthi Renewable Energy Ltd	6,000,000	10.00	525.82		
Add : Excess provision written back ( * )			25.33		
			551.15		
Less: Share of loss in associate			310.13		
Cost of investment in associate				241.02	525.82
<b>2.Current investments - Non Trade Units in Mutual Funds - Unquoted</b>				4,235.38	5,620.29
				7,300.48	8,970.19
Less : Diminution in value of Investments				10.75	253.36
				7,289.73	8,716.83
Aggregate amount of unquoted investments other than Mutual Funds				2,834.83	3,077.44
Aggregate amount of Unquoted Units of Mutual Funds				4,465.65	5,892.75
Aggregate Net Asset value of Units in Mutual Funds				4,454.90	5,639.39

( \* ) Refer Note No.2

	As at 31.03.2011 Rs. lacs	As at 31.03.2010 Rs. lacs
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#### SCHEDULE 6

##### Inventories\* :

Rawmaterials & Components	1,275.18	666.77
Materials on high seas, in bond & in transit	45.73	26.53
Stores & Spares	4.14	4.05
Work-in-progress	176.32	159.42
Finished Goods	217.08	204.24
	<u>1,718.45</u>	<u>1,061.01</u>

\* For valuation basis refer Note No. 1 (e)



## Consolidated financial statements

	As at 31.03.2011 Rs. lacs	As at 31.03.2010 Rs. lacs
<b>SCHEDULE 7</b>		
<b>Book Debts, Unsecured :</b>		
Debts Outstanding for a period exceeding six months		
Considered Good	15.75	6.52
Considered Doubtful	153.76	153.76
	<u>169.51</u>	<u>160.28</u>
Less : Provision for Doubtful Debts	153.76	153.76
	<u>15.75</u>	<u>6.52</u>
Other Debts Considered good	3,810.79	2,775.11
	<u>3,826.54</u>	<u>2,781.63</u>

## SCHEDULE 8

### Cash & Bank Balances :

Cash on Hand	0.94	1.31
With Banks in Fixed Deposit **	2,550.33	1,500.89
(Pledged to Commercial Tax Officer- Rs.0.33 lacs)		
With a Scheduled Bank in margin accounts	9.00	9.00
With Scheduled Banks in Current/Cash	731.62	670.49
Credit Accounts *		
	<u>3,291.89</u>	<u>2,181.69</u>

\*\* Includes Investment of surplus funds of Rs.25.50 Crores (Previous year Rs.15 Crores)

\* Includes Rs.528.77 lacs held with The Bank of Tokyo-Mitsubishi  
UFJ Ltd (Previous year Rs.536.42 lacs)

## SCHEDULE 9

### Other Current Assets :

Income receivables/forex receivables/deferred premium	102.59	3.41
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## SCHEDULE 10

### Loans & Advances :

Advances recoverable in cash or kind or for value to be received - (Unsecured, considered good)

Advances/Loans to Employees	31.67	32.11
Advance Income Tax & Tax Deducted (net) ( * )	121.94	130.49
Intercompany Deposits	300.00	-
Advance for Capital Expenditure	5.30	2.63
Other Advances	128.84	117.24
Balance with Excise & Customs	114.60	94.55
Sundry Deposits	26.28	26.22
	<u>728.63</u>	<u>403.24</u>

( \* ) Net of provision for taxation of Rs.2050 lacs  
(previous year - Rs.1540 lacs)

## INDIA NIPPON ELECTRICALS LIMITED

### Consolidated financial statements

	As at 31.03.2011 Rs. lacs	As at 31.03.2010 Rs. lacs
<b>SCHEDULE 11</b>		
<b>Current Liabilities :</b>		
Sundry Creditors		
Total outstanding Dues of Micro, Small and Medium Enterprises	157.86	141.70
Total outstanding Dues of creditors other than small scale industrial undertakings	<u>1,834.61</u>	<u>1,573.52</u>
	1,992.47	1,715.22
Other Liabilities	1,340.77	953.99
Investor Education and Protection Fund : *		
Unpaid Dividends	<u>22.44</u>	<u>19.02</u>
	<u>3,355.68</u>	<u>2,688.23</u>
* Not yet due		
<b>SCHEDULE 12</b>		
<b>Provisions :</b>		
For Fringe Benefit Tax	78.00	78.00
For Leave Encashment	60.73	59.86
For Interim Dividend proposed after end of the year	<u>363.56</u>	<u>323.16</u>
	<u>502.29</u>	<u>461.02</u>
	<b>2010-2011</b>	<b>2009-2010</b>
	<b>Rs. lacs</b>	<b>Rs. lacs</b>
<b>SCHEDULE 13</b>		
<b>Other Income :</b>		
<b>Dividend Income</b>		
- Long term from Mutual Funds	124.49	242.59
- Long term from Companies other than subsidiaries	141.15	72.19
Miscellaneous Income	57.16	82.60
Exchange fluctuation - gain (net)	-	-
Profit on Sale of Fixed Assets	1.35	0.12
Provision for loss on investment no longer required written back ( * )	25.59	17.26
Profit on Sale of Investments - Short term (net)	2.92	1.75
Interest Income from Banks etc (**)	<u>276.98</u>	<u>209.36</u>
	<u>629.64</u>	<u>625.87</u>
( * ) Net of loss on sale of investment (Rs.250.71 lacs)		
( ** ) Includes Tax Deducted at source		
- Rs.18.15 lacs. Previous year Rs.23.73 lacs)		



## Consolidated financial statements

### SCHEDULE 14

#### Materials Consumed :

Opening Stock : ( \* )

Raw Materials

Components

Purchases:

Raw Materials

Components

Less Closing Stock : ( \* )

Raw Materials

Components

#### (Increase)/Decrease in Stocks :

Opening Stock :

Work-in-progress

Finished Goods

Closing Stock :

Work-in-progress

Finished Goods

#### Increase/(Decrease) in Excise Duty on Finished Goods (\*\*)

Excise Duty on opening goods

Excise Duty on closing goods

( \* ) Excluding stock in transit

(\*\*) Refer Note No. 12

### SCHEDULE 15

#### Manufacturing Expenses :

Power & Fuel

Repairs to Building

Repairs to Machinery

Repairs to Other Assets

Factory Rent

Royalty

Other Expenses

	2010-2011		2009-2010	
	Rs. lacs	Rs. lacs	Rs. lacs	Rs. lacs
Opening Stock : ( * )				
Raw Materials	91.49		74.15	
Components	575.28	666.77	479.94	554.09
Purchases:				
Raw Materials	3,216.11		2,244.27	
Components	12,761.60	15,977.71	9,327.43	11,571.70
		16,644.48		12,125.79
Less Closing Stock : ( * )				
Raw Materials	145.42		91.49	
Components	1,126.57	1,271.99	575.28	666.77
		15,372.49		11,459.02
(Increase)/Decrease in Stocks :				
Opening Stock :				
Work-in-progress	159.42		100.24	
Finished Goods	204.24		132.26	
	363.66		232.50	
Closing Stock :				
Work-in-progress	176.32		159.42	
Finished Goods	217.08		204.24	
	393.40		363.66	
		(29.74)		(131.16)
		15,342.75		11,327.86
Increase/(Decrease) in Excise Duty on Finished Goods (**)				
Excise Duty on opening goods	16.91		15.00	
Excise Duty on closing goods	17.23	0.32	16.91	1.91
		15,343.07		11,329.77
Power & Fuel		366.57		284.75
Repairs to Building	58.09		50.31	
Repairs to Machinery	170.16		120.34	
Repairs to Other Assets	47.00	275.25	43.06	213.71
Factory Rent		7.50		7.60
Royalty		44.12		40.93
Other Expenses		87.18		42.24
		780.62		589.23

## INDIA NIPPON ELECTRICALS LIMITED

### Consolidated financial statements

	2010-2011 Rs. lacs	2009-2010 Rs. lacs
<b>SCHEDULE 16</b>		
<b>Personnel Costs :</b>		
Salaries, Wages & Bonus (*)	1,776.44	1,369.54
Contribution to:		
Provident Fund & ESI	80.24	67.01
Gratuity	35.88	37.61
Superannuation Fund	13.06	10.41
Staff Welfare Expenses	354.34	222.96
	<u>2,259.96</u>	<u>1,707.53</u>
(*) Includes Rs.0.50 lacs paid under Early Separation Scheme (Previous year - Rs.41.22 lacs)		
<b>SCHEDULE 17</b>		
<b>Administration Expenses :</b>		
Rent	2.52	2.41
Rates & Taxes, Licences and Filing Fee	31.89	40.36
Vehicle Maintenance	7.99	7.09
Printing & Stationery	42.55	33.77
Communication Expenses	53.89	47.96
Directors Sitting Fees	3.70	2.59
Commission to Non-Whole Time Directors	22.00	14.00
Travelling & Conveyance	112.34	107.96
Insurance	34.58	27.35
Advertisement	9.19	14.13
Auditor's Remuneration & Expenses	7.13	7.24
Donation	25.23	19.53
Professional Charges	62.60	54.53
Recruitment Expenses	7.53	3.75
Remuneration to Watch & Ward	40.08	34.40
Exchange fluctuation - loss (net)	20.17	139.89
Other Expenses	78.28	88.72
	<u>561.67</u>	<u>645.68</u>
<b>SCHEDULE 18</b>		
<b>Selling Expenses :</b>		
Warranty	15.38	20.48
Freight Outwards	404.93	186.26
Other Expenses	114.59	40.27
	<u>534.90</u>	<u>247.01</u>
<b>SCHEDULE 19</b>		
<b>Finance Charges :</b>		
Bank Charges	16.91	18.05
	<u>16.91</u>	<u>18.05</u>





## Consolidated financial statements

### NOTES TO ACCOUNTS

#### 1. Accounting Policies

##### a) Basis of Accounting :

The financial statements of the company have been prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles in India (GAAP). The financial statements comply with the relevant provisions of the Companies Act 1956 (the Act) and the mandatory Accounting Standards and statements issued by the Central Government of India under Companies (Accounting Standard) Rules 2006. Accrual system of accounting is generally followed to record income and expenditure.

Cash flows are reported using the indirect method whereby profit before tax is adjusted for the effects of transactions of non cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the company are segregated.

##### b) Use of estimates :

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which results are known/materialize.

##### c) Fixed Assets and Intangible Assets :

- i) Fixed assets are stated at cost of acquisition less accumulated depreciation and amortisation. Direct costs are capitalised till the assets are ready to be put to use. Interest cost if any is capitalized as per the Accounting Standard 16, "Borrowing costs".
- ii) All Plant & Machinery including electrical installations acquired upto 1996-97 are shown at the replacement cost based on technical assessment and assets acquired after 1996-97 are shown at acquisition cost..
- iii) Other fixed assets acquired upto 1992-93 are shown at the replacement cost based on technical assessment and assets acquired after 1992-93 are shown at acquisition cost.
- iv) Leasehold land is amortised over the life of primary period of the lease.

##### d) Investments :

Long term investments are carried at cost with decline in value other than temporary being provided in the profit and loss account. Current investments are carried at the lower of cost and fair market value with provision being made for diminution in value in the profit and loss account.

## INDIA NIPPON ELECTRICALS LIMITED

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### Consolidated financial statements

#### e) Inventories :

- i) Raw Materials and components and stores are generally valued at least of cost or net realisable value. However, if the cost of the finished goods into which these materials are incorporated exceeds the net realisable value of the finished goods then the materials are written down to their net realisable value. Cost is arrived on weighted average basis.
- ii) Work-in-progress is valued at lower of cost and net realisable value. Cost is arrived at material cost plus labour and appropriate element of overheads
- iii) Finished goods are valued at lower of cost and net realisable value. Cost is arrived at material cost plus labour and appropriate element of overheads and Excise duty
- iv) Loose Tools are written off in full in the year of purchase.
- v) Inventories are stated after adequate provision for non-moving, obsolete, surplus and defective items

#### f) Revaluation Reserve : (Refer note 1 c)

The Revaluation Reserve is created on writing up of asset values with the corresponding credit being given to Revaluation Reserve. As mentioned in item ( h ) below, no amount of depreciation is adjusted to the Revaluation Reserve. As and when an asset is sold, discarded or scrapped, the necessary adjustments are made to the Revaluation Reserve.

#### g) Government Grants :

- i) Subsidy received from Government as contribution towards capital outlay for setting up industry in a backward area is treated as capital reserve.
- ii) Subsidy received for purchase of specific assets is reduced from the cost of the assets.

#### h) Depreciation :

- i) Depreciation on fixed assets is provided on written down value method at the rates prescribed in Schedule XIV of the Companies Act., 1956.
- ii) Depreciation on additions to fixed assets during the year is provided for the whole year.
- iii) Depreciation is charged on the revalued amounts of assets to the profit and loss account without any adjustment being made to the Revaluation Reserve.
- iv) Depreciation on deletions to fixed assets is provided till the date of such sale/deletion

#### i) Impairment of Assets :

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. A previously recognised impairment loss is increased or reversed



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## Consolidated financial statements

depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

### j) Research and development :

All expenditure including capital expenditure is charged off to profit and loss account.

### k) Borrowing costs :

Borrowing costs incurred for acquiring, constructing and producing a qualifying asset are capitalised. Other borrowing costs are charged off to the Profit and Loss Account in the year in which they are incurred.

### l) Taxation :

The company is accounting for taxes in accordance with the Accounting Standard AS 22 "Accounting for Taxes on income" notified under Company (Accounting Standards) Rules 2006. Consequently, the tax provision includes the income tax payable on the estimated taxable income as well as the tax impact arising on account of timing differences thus ensuring that the income and taxes thereon are matched.

### m) Foreign Currency Transactions :

Transactions denominated in foreign currencies are generally accounted at the exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currency at the year end are restated at the exchange rate prevailing on the Balance Sheet date. Any difference arising at the time of settlement/restatement is recognised in the profit and loss account. In the case of forward contracts, the differences between the transaction exchange rate and the forward rate is recognised as income or expense over the life of the contract

The company also enters into foreign currency transactions as hedges against firm commitments/highly probable forecast cash flows from time to time as per its requirements of risk management. The losses or gains arising out of these transactions as at the end of the financial year in respect of contracts that are outstanding are marked to market and taken to the profit and loss account. However, where hedges are proved to be effective, the loss or gain is taken to the reserves and surplus in the balance sheet initially at the end of the financial year and accounted in the profit and loss account in the period in which underlying transactions matures.

### n) Revenue Recognition :

a) Sales shown in the Profit and Loss Account exclude sales tax. Sales made on FOR basis are accounted on the basis of goods acknowledged to have been received by customers before the year end. Goods not taken delivery by customers before the end of the year are treated as finished goods in transit. Price increases from customers are accounted in the year of receipt. Price reductions/discounts are accounted in the year in which the Company accepts claims.

## INDIA NIPPON ELECTRICALS LIMITED

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b) Dividends are accounted when the right to receive is established.

#### o) Employee Benefits :

i) Short term employee benefits:

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service.

ii) Post-Employment benefit Plans :

Payments to defined contribution retirement benefit schemes (provident fund) are charged as an expense as they fall due.

For defined benefit schemes (Gratuity), the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the Profit and Loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortised on straight line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost plus the present value of available refunds and reductions in future contributions to the scheme.

#### p) Early Separation Scheme :

The expenditure on Early Separation scheme is charged off to the profit and loss account in the year in which it is incurred.

#### q) Contingencies and Provisions :

Contingent losses arising on Assessment are recorded when it is probable that the liability has been incurred and the amount can be reasonably estimated.

A Provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

## 2. Principles of consolidation

SI No	Name of the Company	Country of incorporation	% share-holding of INEL	Category
1	P T Automotive Systems Indonesia	Indonesia	99.97%	Subsidiary
2	Syergy Shakthi Renewable Energy Ltd	India	40.00%	Associate



## Consolidated financial statements

The financial statements of PT Automotive Systems Indonesia have been audited by the auditors qualified to conduct audit in accordance with the laws of Indonesia

The consolidated financial statement of the company and its subsidiary have been prepared on a line by line consolidation by adding the book values of the like items of assets, liabilities, income and expenditure as per the respective audited financial statements of the respective companies.

In translating the financial statements of the foreign entity for incorporation in the consolidated financial statements, the assets and liabilities are translated at the exchange rates prevailing at the date of the Balance Sheet of the Subsidiary and income and expenditure items are translated at the average of the monthly closing rates of exchange for the year. The resulting exchange difference is classified as foreign exchange translation reserve.

The consolidated financial statements have been prepared using uniform accounting policies for transactions and other events in similar circumstances, and where there is divergence in policies in the subsidiary's statements have been restated in accordance with the holding company's policies. The consolidated financial statements are presented to the extent possible, in the manner as the company's individual financial statements.

### INVESTMENT IN SYNERGY SHAKTHI RENEWABLE ENERGY LTD (Associate)

As required by Accounting Standard 23 'Accounting for Investments in Associates in Consolidated Financial statement', the company is accounting for its share of losses and profits of the associate under the 'equity' method of accounting as reported in the previous year's consolidated financial statements. Effective this year, while the company is continuing to account for losses and profits under the same method, the company has revisited the manner of the realigning the working results of the associate with itself in view of the disparity in business as permitted by Accounting Standard 23. As a result of the change an amount of Rs.25,33,200 which was provided in excess as share of loss in the previous year is now written back. In the previous year's financial statements, the share of losses was directly debited to the Reserves and Surplus as a transitional measure while in the year under review, the share of loss has been accounted in the profit and loss account.

3. The fixed assets were revalued in the year 1992-93 by which the value of the assets were written up by Rs.230.71 lacs after technical assessment with the corresponding credit being given to Revaluation Reserve. These assets were fully written off in the books of account as on 31st March 1997. In the year 1997-98, the fixed assets comprising of plant & machinery and electrical installations were revalued again after a technical assessment by which the values of these assets were written up by Rs.233.30 lacs with the corresponding credit being given to Revaluation Reserve. As mentioned in Note No.1 (h)(iii) of notes on accounts, depreciation is computed on the revalued amounts and is charged off to the profit and loss account in full without withdrawing any amount from the revaluation reserve. The additional amount charged as depreciation for the year is Rs.1.71 lacs (previous year Rs.2.00 lacs)

## INDIA NIPPON ELECTRICALS LIMITED

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4. The company is in the business of manufacturing electronic ignition system and therefore there is only one business segment. While the company sells its products in the domestic and export markets and to OEMs, in view of the fact that there is no significant variation in the risks and returns profile of these markets, it is considered that there are no different geographical segments.
5. As mentioned in item 1 (I) of Accounting Policy statement, the company is accounting for taxes in accordance with the Accounting Standard 22 "Accounting of Taxes on Income" notified under (Accounting Standards) Rules 2006. Accordingly as at 31st March 2011, the amount in deferred tax account is Rs.263.06 lacs as detailed below:

	31.03.2011	31.03.2010
Deferred tax asset	Rs. lacs	Rs. lacs
Rebates and discounts	58.35	58.35
Leave encashment	20.63	20.40
Depreciation	93.34	80.92
Provision for Doubtful Debts	52.26	52.26
Provision for obsolete stock	3.54	3.54
Early Separation Scheme	22.30	33.95
Others	12.64	11.36
	<u>263.06</u>	<u>260.78</u>

### 6. Details of related party transactions during the year

Name of the related party	Description of relationship	Nature of transactions	Volume of transactions Rs. lacs	Amount due to as on 31.03.2011 Rs. lacs	Amount due from as on 31.03.2011 Rs. lacs
1) Kokusan Denki Company Limited (Technical and financial collaborator)	Joint venture of the company	a) Technical know-how fees b) Support fee c) Royalty d) Purchase of raw materials & components e) Sales	Nil 6.97 44.12 601.87 0.73	Nil 3.33 Nil 39.00 Nil	Nil   Nil  
2) PT Automotive Systems Indonesia	Subsidiary of the Company		-	-	-
3) Synergy Shakthi Renewable Energy Ltd	Associate Company	a) Inter corporate deposit b) Interest on ICD c) Purchase of Electricity	300.00 21.77 11.21	- - 0.02	300.00 4.02 -
4) Mr. G Murali	Manager	Salary	35.97	-	



## Consolidated financial statements

### 7. Derivative Instruments and unhedged foreign currency exposure :

	31.03.2011	31.03.2010
	Rs. lacs	Rs. lacs
i ) Derivative instruments that are outstanding	Nil	Nil
ii) The Company has been entering into forward contracts as a hedge against accounts payable/accounts receivable in foreign currencies and firm commitments/highly probable forecasted transactions of cash outflows expected to arise in future.		
iii) Unhedged foreign currency exposure/the foreign currency exposures that are not hedged by a derivative instrument or otherwise		
a) Receivables outstanding	258.11	51.68
b) Payable outstanding	191.40	82.62

### 8. Product Warranty :

	Warranties	
	2010-2011	2009-2010
	Rs. lacs	Rs. lacs
Opening Balance	91.68	91.68
Additions	15.38	20.48
Utilisations	15.38	20.48
Reversals	-	-
Closing Balance	91.68	91.68

### 9. Disclosure required Under Accounting Standard 15 "Employee Benefits" :

The company has provided long term employee benefits on the basis of actuarial valuation carried out as per Projected Unit Credit Method.

The disclosure required under Accounting Standard 15 "Employees Benefits" notified in the Companies (Accounting Standards) Rules 2006 are given below:

#### (a) Defined Contribution Plan

##### I. Provident fund :

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employee and the Company make monthly contributions to the Employee's Provident Fund scheme administered by Government of India equal to a specified percentage of the covered employee's salary.

The Company recognised Rs.80,23,953 for provident fund contribution in the profit and loss account.

##### II. Superannuation fund :

Eligible employees receive benefits from the superannuation fund, which is a defined contribution plan. Aggregate contributions alongwith interest thereon are paid at retirement, death, incapacitation or termination of employment. The Company makes yearly contributions to the Superannuation Fund Scheme administered by Life Insurance Corporation of India.



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Liabilities with regard to the Superannuation fund are determined by the Life Insurance Corporation of India as at the balance sheet date, based upon which, the company contributes all the ascertained liabilities to the Life Insurance Corporation of India's Employees Superannuation Fund.

The Company recognised Rs.13,06,372 for superannuation fund contribution in the profit and loss account.

#### (b) Defined benefit plan :

##### Gratuity :

The Company provides a gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as at the balance sheet date, based upon which, the company contributes all the ascertained liabilities to the Life Insurance Corporation of India's Employees Gratuity Fund Trust (the "Trust"). Trustees administer contributions by means of a group gratuity policy with Life Insurance Corporation of India.

The following table set out the status of the gratuity plan as required under AS 15:

#### a) Change in benefit obligations :

	Gratuity Plan Rs. lacs
Projected benefit obligation, beginning of the year	140.33
Service Cost	11.23
Interest Cost	11.36
Actuarial (gain)/loss	27.23
Benefits paid	(0.68)
Projected benefit obligation, end of the year	189.47

#### b) Change in plan assets :

	Gratuity Plan Rs. lacs
Plan assets at beginning of the year at fair value	140.42
Expected return on plan assets	15.16
Actuarial gain/(loss)	0.00
Employer's contributions	19.71
Benefits paid	(0.68)
Plan assets at end of the year, at fair value	174.61



## Consolidated financial statements

### c) Reconciliation of present value of the obligation and the fair value of the plan assets :

	Rs. lacs
Fair value of plan assets at the end of the year	174.61
Present value of the defined benefit obligations at the end of the period	189.47
Liability recognized in the balance sheet	(14.86)

### d) Gratuity cost for the year ended March 31, 2011 :

	Gratuity Plan Rs. lacs
Service cost	11.36
Interest cost	11.23
Expected return on plan assets	(15.16)
Actuarial (gain)/loss	27.23
Net cost	34.66
Actual return on plan assets	9.25%

### e) Investment details of plan assets :

Deposited with Life Insurance Corporation of India (Group gratuity policy) :

### f) Assumptions :

	Gratuity Plan
Discount rate	8%
Salary escalation rate	5%
Estimated rate of return on plan assets	8%

Note : The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

### (c) Leave encashment :

The employees of the Company are entitled to compensated absence. The employees can carry forward a portion of the unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 30 days. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

## INDIA NIPPON ELECTRICALS LIMITED

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### Consolidated financial statements

#### 10. Expenditure on R&D :

	2010-2011 Rs. lacs	2009-2010 Rs. lacs
a) Capital Expenditure	32.22	17.28
b) Revenue Expenditure		
* Salary	99.04	110.49
* Electricity	7.23	6.80
* Travel	12.78	10.58
* Outsourcing expenses	2.78	3.79
* Revenue & others	28.64	20.85
	<u>150.47</u>	<u>152.51</u>
<b>Total R &amp; D expenditure (a) + (b)</b>	<b>182.69</b>	<b>169.79</b>

11. Capital commitments not provided for Rs.155.72 lacs (Previous year Rs.30.20 lacs)

12. Increase/(Decrease) in excise duty on finished goods has been shown under the head "Material consumed" in Schedule No.14.

13. Figures for the previous year have been reclassified wherever necessary.

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T K BALAJI  
*Chairman*

V BALARAMAN  
G CHIDAMBAR

Chennai  
27.05.2011

N S MURTHY  
*Directors*

S SAMPATH  
*CFO and Company Secretary*

As per our report of even date  
For **Brahmayya & Co**  
*Chartered Accountants*  
Registration No: 000511S

**P S KUMAR**  
*Partner*  
Membership No.15590



**Consolidated Cash flow statement for the year ended 31st March 2011**  
**Pursuant to Clause 32 of the Listing Agreement**

	<b>Year ended 31.03.2011 Rs. lacs</b>	<b>Year ended 31.03.2010 Rs. lacs</b>
<b>A. Cash Flow from Operating Activities :</b>		
Net Profit before tax and extraordinary items	3,260.56	2,374.46
Adjustments for		
Add: - Depreciation	438.93	381.31
- (Profit)/Loss on sale/Writeoff fixed assets	(1.35)	(0.12)
- Dividend Received	(265.64)	(314.78)
- Interest Received	(276.98)	(209.36)
- (Profit)/Loss on sale of investments(net)	214.11	(19.00)
- Provision for diminution in value of investments	(242.62)	253.36
- Adjustment for Exchange Fluctuation	85.49	192.85
- Land Amortisation and Depreciation	(42.95)	(83.53)
Operating Profit before Working Capital changes	3,169.55	2,575.19
Adjustments for - Trade & Other Receivables	(1,366.62)	426.54
- Inventories	(657.44)	(240.02)
- Trade Payables and other liabilities	678.54	795.70
Cash generated from Operations	1,824.03	3,557.41
Income Tax paid	(763.15)	(608.73)
Cash Flow before extraordinary items	1,060.88	2,948.68
Extraordinary items	(3.80)	9.99
<b>Net Cash from Operating Activities - A</b>	<b>1,057.08</b>	<b>2,958.67</b>
<b>B. Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets	(613.20)	(1,192.86)
Sale of Fixed Assets	1.36	0.18
(Purchase) / Sale of Investments (net)	1,170.80	(2,961.54)
Interest/Dividend Received	443.43	635.22
<b>Net Cash from /(used) in Investment Activities - B</b>	<b>1002.39</b>	<b>(3,519.00)</b>

## INDIA NIPPON ELECTRICALS LIMITED

Consolidated financial statements	Year ended 31.03.2011 Rs. lacs	Year ended 31.03.2010 Rs. lacs
<b>C. Cash Flow from Financing Activities :</b>		
Repayment of Long Term Borrowings		
Unsecured Loan Repayment	(57.85)	-
Lease Rent Paid	-	-
Interest Paid	-	-
Dividends Paid	(727.11)	(526.13)
Dividend Tax	(167.73)	(89.25)
<b>Net Cash used in Financing Activities - C</b>	<b>(952.69)</b>	<b>(615.38)</b>
D. Net (decrease)/Increase in Cash Equivalents (A+B+C)	1,106.78	(1,175.71)
E. Cash & Cash Equivalents as at 1st April, 2010 (Opening Balance)	2,162.67	3,338.38
F. Cash & Cash Equivalents as at 31st March, 2011 (Closing Balance)	3,269.45	2,162.67

### Notes :

Cash & Cash equivalents as on 31.03.2010 and 31.03.2011 do not include the balances in the unpaid dividend account.

T K BALAJI  
*Chairman*

V BALARAMAN

G CHIDAMBAR

Chennai  
27.05.2011

N S MURTHY  
*Directors*

S SAMPATH  
*CFO and Company Secretary*

### AUDITORS' CERTIFICATE :

We have verified the above statement of India Nippon Electricals Ltd. derived from the audited financial statements for the year ended 31st March, 2011 and found the same in accordance therewith and also with the requirements of clause 32 of the Listing agreements with stock exchanges.

For **BRAHMAYYA & CO.,**  
*Chartered Accountants,*  
Registration No.: 000511S

Chennai  
27.05.2011

**P S KUMAR**  
*Partner*  
Membership No.: 15590



## INDIA NIPPON ELECTRICALS LIMITED

'AALIM CENTRE', 82, Dr. Radhakrishnan Salai, Mylapore, Chennai 600 004.

NAME AND ADDRESS

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### 26th ANNUAL GENERAL MEETING

24th August 2011 at 10.30 A.M.

Mini Hall, Vani Mahal, 103, G.N. Road,  
T. Nagar, Chennai - 600 017.

### ADMISSION SLIP

PLEASE HAND OVER THIS ADMISSION SLIP AT  
THE ENTRANCE OF THE MEETING HALL

FOLIO NO.

HOLDING

☐

MEMBER

☐

PROXY

NAME OF THE PROXY (IN CAPITAL LETTERS)

I hereby register my presence at the meeting

Signature of the Member/Proxy



## INDIA NIPPON ELECTRICALS LIMITED

'AALIM CENTRE', 82, Dr. Radhakrishnan Salai, Mylapore, Chennai 600 004.

I / We ..... being a  
Member / Members of INDIA NIPPON  
ELECTRICALS LIMITED hereby appoint

.....  
of.....in the  
district of .....or failing  
him .....of.....district  
of .....as  
my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the  
company to be held at Mini Hall, Vani Mahal, 103, G.N. Road,  
T. Nagar, Chennai - 600 017. on Wednesday, the 24th August 2011, at 10.30 A.M.

Signed this .....day of August 2011.

**N.B.** The instrument appointing proxy should be deposited at the Registered Office  
of the Company not later than 48 hours before the commencement of the Meeting

### PROXY FORM

FOLIO NO.

HOLDING

### FOR OFFICE USE

Proxy No.

Date of receipt

Affix  
Revenue  
Stamp

Signature

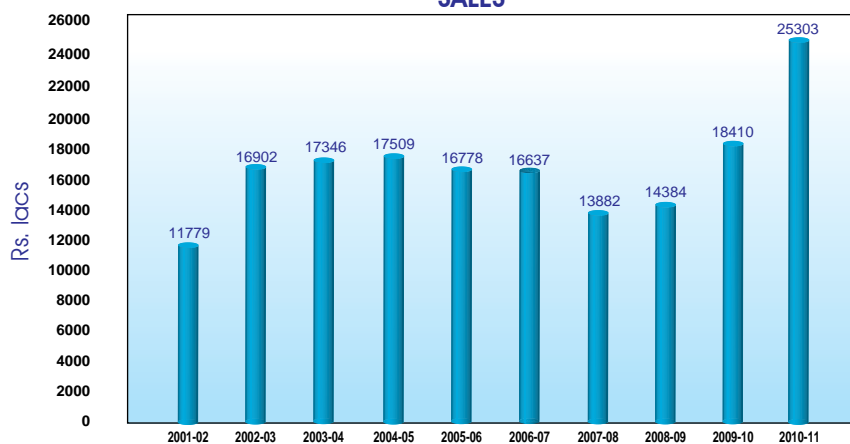
1. The instrument appointing proxy should reach the registered office of the Company not later than 48 hours before the time fixed for holding the meeting.
2. Members are requested to affix their signature at the space provided on the attendance slip annexed to proxy form and hand over the slip at the entrance of the meeting hall.
3. 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.



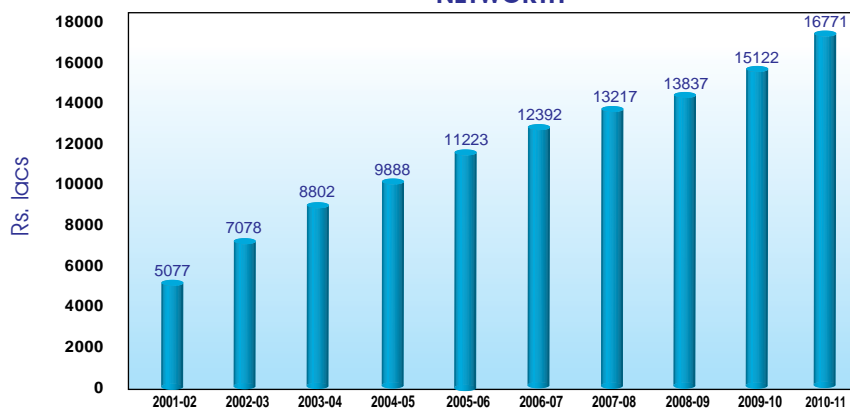


**FINANCIAL HIGHLIGHTS - 2002 - 2011**

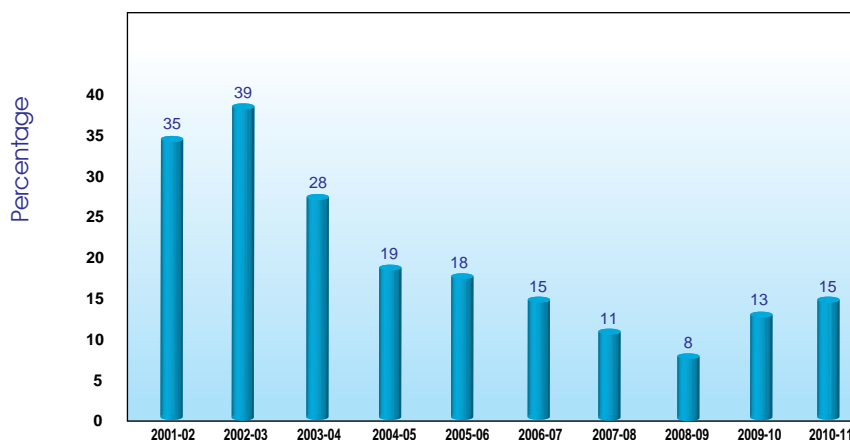
**SALES**



**NETWORTH\***



**RETURN ON NET WORTH\***

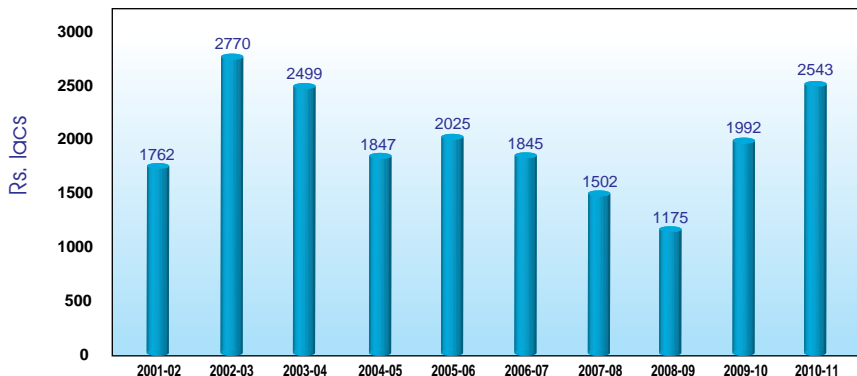


\* Exclusive of revaluation reserves

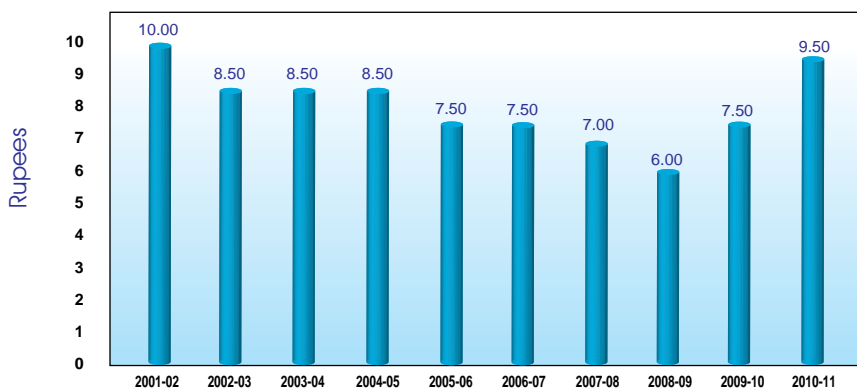


## FINANCIAL HIGHLIGHTS - 2002 - 2011

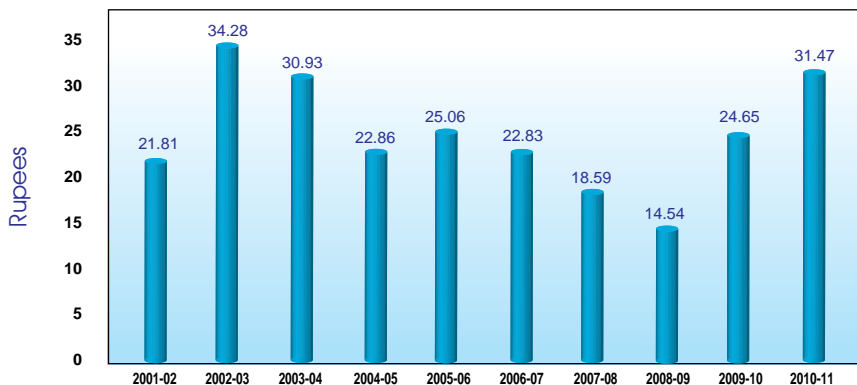
### PROFIT AFTER TAX



### DIVIDEND PER SHARE



### EARNING PER SHARE



No. of Equity Shares of Rs. 10/- each :

31.03.2002 - 47,52,000

31.03.2003 - 80,79,080

31.03.2011 - 80,79,080



**INEL's  
"SMART" Regulator  
now fitted on  
Kawasaki Bikes**

**Another Milestone in INEL's History**  
**Kawasaki - A Prestigious addition to INEL's Customer List**