



INDIA NIPPON ELECTRICALS LIMITED

Chairman's speech

Speech delivered by

Mr. T. K. Balaji

Chairman

at the Annual General Meeting
of the Company held on
26th August 2013 at Chennai

Ladies and Gentlemen,

I would like to extend a hearty welcome to all of you to this Annual General Meeting of your Company. The Annual Report of the Company has been with you for some time and with your permission, I will take it as read.

PERFORMANCE REVIEW: 2012-13

The economic slowdown persisted during 2012-13. Your Company achieved a sales of Rs.268 Crores which in value terms is 3% more than the previous year. Your company had a growth of around 3% in motorcycle segment despite stagnant growth in this segment of industry. This was achieved by ramping up supplies to one of the major motorcycle manufacturers. A higher share of business from the moped segment also helped to achieve a growth of around 10% in this segment. Your Company had however, a negative growth in scooter segment, due to changes in the models of one of the major customers. In the three wheeler segment, your Company had a negative growth of around 2% due to the overall negative growth in this segment. The electronic business grew by around 30% and direct sales to aftermarket by around 20%. Exports at Rs.11.6 crores were around 22% more than the previous year and about 60% of it was to the US market.

Your Company's profit before tax and exceptional items at Rs.35.15 crores showed a negative growth of 12% over the previous year.

CURRENT YEAR PERFORMANCE-TO-DATE:

Your company's sales was also impacted by the slow down and the sales for the period April – July '13 has shown a drop of around 14% at Rs.75.33 crores compared to Rs.87.81 crores during the same period in the previous year.

PROSPECTS: 2013-14

Although the market conditions are uncertain and the volume growth of the major 2/3 wheeler manufacturers is not likely to be significant, your company's share of business with some of the major two and three wheelers manufacturers in the country is expected to rise in the later part of the year 2013-14.

MALUR PLANT:

Your company has been selected as a supplier by Honda Motor Cycles & Scooters India for their newly commissioned plant at Narasapura near Bangalore. For supplying of products to this new plant of Honda, your Company is in the process of acquiring land near Narasapura (in Malur Taluk) and we intend to set up our fourth manufacturing plant at this location.

NEW BUSINESS:

I am happy to inform you that Suzuki Motors Cycle & Scooter India has selected your company as a supplier of fly wheel magneto for their Access 125 cc Scooter model. Supplies started during the last quarter of the last financial year, and I am happy to report that based on our performance, Suzuki has also increased our share of business and have made us a major supplier of fly wheel magneto to their Scooter platform.

AFTER MARKET:

Your company has identified direct sales in after market as an area with great potential for growth. A dedicated team is focusing on this segment and several measures are being taken to strengthen the product range for this segment and also the marketing network.

COST MANAGEMENT:

Due to the difficult market conditions, the margins are coming under pressure. To overcome the situation your company is focussing on cost management and cost control. Alternate sourcing, VAVE proposals, in house manufacture, improvement of productivity, Early Separation Scheme and elimination of wastages are some of the important measures put in place by your company to reduce costs.

DIRECTORS

Mr. RD Flint who retires by rotation at this Annual General Meeting does not seek re-election. Mr R D Flint had been associated with the Company right from its inception and had played an important part in all the key decisions of the Company like site selection, vendor development, shop-floor layout and introduction of safety measures, which saw the Company develop into a leading supplier of 2 wheeler and 3 wheeler ignition components in the country, operating from multiple locations. His past association as Lucas executive with the management of Kokusan Denki also helped in the development of an understanding with the Company's collaborators. Your Directors wish to place on record their deep appreciation of the valuable services rendered by Mr. RD Flint during his tenure as Director.

Mr Arvind Balaji and Mr R Vijayaraghavan were inducted as Directors of the Company during the year. Mr Arvind Balaji was subsequently appointed as a Whole-time Director of the Company. I, on behalf of my colleagues, welcome Mr. Arvind Balaji and Mr R Vijayaraghavan to the Board and have no doubt that they will make a significant contribution to the performance of the Company.

APPRECIATION & RECOGNITION

I am pleased to inform you that your company has developed certain unique technologies for which patent application has been filed. One of them, the smart regulator which we currently supply to Kawasaki of Japan, received from ACMA the Gold Award for Excellence in Technology. I am extremely glad to inform you that last year your company was the only organization selected by ACMA in the gold category.

I am pleased to inform you that your company also secured the gold award for Auto Ancillary Sector in India for Manufacturing Excellence sponsored by Economic Times and Frost and Sullivan.

HUMAN RESOURCES

I am happy to report that the workmen of the Company have shown a positive attitude to improving productivity to meet customers' demands.

ACKNOWLEDGEMENT

On behalf of all my colleagues on the Board and on behalf of all of you, I wish to express sincere gratitude to M/s Lucas Indian Service Limited, Chennai and our collaborator, M/s Kokusan Denki Company Limited, Japan for their continued involvement and support.

I also wish to thank M/s Bank of Baroda, HDFC Bank, ICICI Bank, Axis Bank, SIPCOT, Government at the Center and in the states of Tamilnadu, Haryana and Puducherry and other Government agencies, who have extended their co-operation.

Your Directors wish to thank all the customers and suppliers for their continued support and services.

Thank you,