

## TVS MOTOR COMPANY LIMITED

### Board of Directors

VENU SRINIVASAN  
*Chairman & Managing Director*

GOPAL SRINIVASAN

T. K. BALAJI

H. LAKSHMANAN

T. KANNAN

N. GANGA RAM

C. R. DUA

K. S. BAJPAI

T. R. PRASAD

### Audit Committee

T. R. PRASAD  
*Chairman*

N. GANGA RAM

T. K. BALAJI

T. KANNAN

### Investors' Grievance Committee

N. GANGA RAM  
*Chairman*

VENU SRINIVASAN

T. KANNAN

### President

K.N. RADHAKRISHNAN

### Sr. Vice President - Finance

S.G. MURALI

### Secretary

T. S. RAJAGOPALAN

### Auditors

SUNDARAM & SRINIVASAN  
Chartered Accountants,  
23, Sir C.P. Ramaswamy Road,  
Alwarpet, Chennai 600 018.

### Listing of shares with

Madras Stock Exchange Ltd., Chennai.  
Bombay Stock Exchange Ltd., Mumbai.  
The National Stock Exchange of India Ltd., Mumbai.

### Bankers

STATE BANK OF INDIA  
Corporate Accounts Group Branch,  
Greams Road, Chennai 600 006.

STATE BANK OF MYSORE  
Industrial Finance Branch,  
Midford Garden Road, Bangalore 560 001.

### Registered office

Jayalakshmi Estates,  
29 (Old No.8), Haddows Road, Chennai 600 006.

### Factories

- 1) Post Box No. 4, Harita, Hosur 635 109.  
Tel: 04344 - 276780  
Fax: 04344 - 276016
- 2) Post Box No. 1, Byathahalli village,  
Kadakola post, Mysore 571 311.  
Tel: 0821 - 2596560  
Fax : 0821 - 2596530/2596533
- 3) Bhatian Village, Nalagarh Post & Taluk  
Solani District 174 101  
Himachal Pradesh  
Tel: 01795 - 220494  
Fax: 01795 - 220496

### Subsidiary Companies

Sundaram Auto Components Limited, Chennai.  
TVS Motor Company (Europe) B.V., Amsterdam  
TVS Motor (Singapore) Pte. Limited, Singapore  
PT. TVS Motor Company Indonesia, Jakarta

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Financial Highlights

Rupees in crores

DETAILS	2006-07	2005-06	2004-05	2003-04	2002-03
Sales and other income	3928	3306	2955	2856	2726
Profit before interest, depreciation and tax	211	275	291	296	284
Profit before tax	91	168	200	215	201
Profit after tax	67	117	138	138	128
Net fixed assets	1003	794	770	704	533
Share capital	24	24	24	24	23
Reserves and surplus	786	742	655	551	400
Networth	751	673	614	562	423
Total borrowings	634	385	187	119	122
Earnings per share (Rs.)	2.80	4.93	5.79	5.83	5.54
Dividend per share (Rs.)	0.85	1.30	1.30	1.30	1.20
Book value per share (Rs.)	31.33	28.04	25.58	23.42	18.39

Note:

Effective 8th December 2003, the face value of the shares of the company was split from Rs.10/- per share to Re.1/- per share. Previous year figures were recast to conform to the split in the face value of the shares.

## Notice to the Shareholders

**NOTICE** is hereby given that the fifteenth annual general meeting of the company will be held at 'The Music Academy', New No.168 (Old No.306), TTK Road, Chennai 600 014 on Friday, the 17<sup>th</sup> August 2007, at 10.15 A.M to transact the following business:

### ORDINARY BUSINESS

1. 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 31<sup>st</sup> March 2007 and the profit and loss account of the company for the year ended on that date, together with the directors' report and the auditors' report thereon as presented to the meeting, be and the same are hereby, approved and adopted.

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

RESOLVED THAT the interim dividend of Re.0.70 per share declared by the board of directors of the company on 25<sup>th</sup> October 2006 on 23,75,43,557 equity shares of Re.1/- each fully paid, absorbing Rs.16.63 crores out of the profits of the company for the year ended 31<sup>st</sup> March 2007 paid on 4<sup>th</sup> November 2006, be and is hereby approved.

RESLOVED FURTHER THAT pursuant to the recommendation of the board of directors of the company, a final dividend of Re.0.15 per share on 23,75,43,557 equity shares of Re.1/- each fully paid up absorbing a sum of Rs.3.56 crores be and is hereby declared for the year ended 31<sup>st</sup> March 2007 and the same be paid to those shareholders whose name appear in the register of members of the company as at the close of 13<sup>th</sup> August 2007.

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

RESOLVED THAT Mr. T Kannan, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.

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

RESOLVED THAT Mr. Gopal Srinivasan, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.

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

RESOLVED THAT Mr. T K Balaji, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.

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

RESOLVED THAT the retiring auditors Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai be and are hereby re-appointed as auditors of the company to hold office from the conclusion of this annual general meeting till the conclusion of the next annual general meeting of the company on such remuneration as may be fixed in this behalf by the board of directors of the company.

By order of the board

Chennai  
June 28, 2007

T S RAJAGOPALAN  
*Secretary*

Registered Office:  
"Jayalakshmi Estates"  
29, Haddows Road  
Chennai 600 006

### Notes

1. **A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy or proxies so appointed need not be a member or members, as the case may be, of the company. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall 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 the share transfer register will remain closed for a period of 4 days from 14<sup>th</sup> August 2007 to 17<sup>th</sup> August 2007 (both days inclusive).
3. Subject to the provision of Section 206A of the Companies Act, 1956, dividend, as recommended by the Board of Directors, if declared at the meeting, will be paid on or after 17<sup>th</sup> August 2007 to the Shareholders whose names appear in the Register of Members as at the close of 13<sup>th</sup> August 2007.
4. In terms of Section 205A read with Section 205C of the Companies Act, 1956, the dividends declared by the company which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government on the due dates. The particulars of due dates for transfer of such unclaimed dividends to IEPF are furnished in the report on corporate governance forming part of the annual report. Members who have not encashed their dividend warrants are requested to make their claim by surrendering the un-encashed warrants immediately to the company.
5. Members holding shares in physical form, in their own interest, are requested to dematerialise the shares to avail the benefits of electronic holding / trading.

6. Members are requested to notify to the company immediately any change in their address. Members holding shares in depository are requested to advise change of address to their depository participants.
7. As a measure of economy, copies of the annual report will not be distributed at the annual general meeting. Members are therefore requested to bring their copies of the annual report to the meeting.
8. Members are requested to affix their signature at the space provided on the attendance slip annexed to the proxy form and hand over the slip at the entrance of the meeting hall.
9. In terms of clause 49 of the listing agreement with stock exchanges, a brief resume of directors who are proposed to be re-appointed at this meeting is given below:

I. Mr T Kannan

Born on 9<sup>th</sup> May 1953, Mr T Kannan is a graduate in business administration from the Madurai University. He is connected with a number of organisations related to industry, education and charity. He was co-opted as a director of the company on 27<sup>th</sup> January 2000.

He has a wide range of experience in textile industry. He is the past chairman of The Cotton Textile Export Promotion Council, Mumbai. He is also the past Chairman of The South India Mills' Association during 1990-92.

He is the past Chairman of Confederation of Indian Industry, Southern Region, Chennai.

He is also a leading Educationalist, Secretary and Correspondent of Thiagarajar College, Madurai, Vice Chairman & Correspondent of Thiagarajar College of Engineering, Thirupparankundram, Madurai.

He is the past member of Tamilnadu State Council for Higher Education.

He is a member of High Level Advisory Committee to ensure better administration in temples under the control of Hindu Religious and Charitable Endowments Department, Govt. of Tamilnadu.

He is the Chairman of Board of Trustees, Arulmigu Meenakshi Sundareswarar Thirukoil, Madurai.

He is a member of Tamilnadu State Planning Commission and Tamilnadu Chamber of Commerce & Industry, Madurai.

He is a member of the Cotton Textiles Export Promotion Council and Confederation of Indian Textile Industry.

He is a member of the audit committee and investors' grievance committee of the company. He is holding 65,590 equity shares in the company. Details of his other directorships / membership of committees are given below:

Directorships in other companies	Position held	Committee membership
Thiagarajar Mills Limited	Managing director	
VTM Limited	Chairman	Share transfer Demat and shareholder grievance committee-member
Sundaram Textiles Limited	Director	-
Colour Yarns Limited	Director	-
Sundaram Brake Linings Limited	Director	Audit committee member, Investors Grievance Committee-member
SIMA Textile Processing Centre Limited	Director	-

II. Mr Gopal Srinivasan

Born on 4<sup>th</sup> August, 1958, Mr Gopal Srinivasan is a commerce graduate from Loyola College, Chennai and is a Master of Business Administration (Industrial and Business Administration) from the University of Michigan, Ann Arbor, USA.

He is the past president of Manufacturers' Association for Information Technology and has been representing IT industry in the country and negotiating with the Government of India on its policies. He is also a member of the panel on development, manufacture and export of IT hardware constituted under the National Task Force on Information Technology and Software Development constituted under the authority of the office of the Prime Minister and a member of the State Level Information Technology Task Force headed by the Chief Minister of Tamil Nadu. He is a member of the small group set up by the Commerce and Industry Minister, Government of India to suggest policy and procedural changes to bring about a quantum jump in the export of electronic hardware.

He is currently the Chairman of the Tamil Nadu State Council of Confederation of Indian Industry (CII).

He has served as the President of Manufacturers' Association for Information Technology (MAIT). He was awarded "Electronics Man of the Year – 2004" by "Electronics for You" magazine in 2004 and also by ELCINA for the year 1996-97. He has also served as a key member in various panels of both Central and State Governments.

He is a member of the administrative committee of the company. He is holding 9000 equity shares in the company.

Details of his other directorships and membership of committees are given below:

Directorships in other companies	Position held	Committee membership
Harita TVS Technologies Inc. USA	Director	
Harita TVS Technologies Limited	Chairman	
ICICI Venture Funds Management Company Limited	Director	
Lucas - TVS Limited	Director	
Sundaram Industries Limited	Director	
Sundaram Investment Limited	Director	
Sundaram-Clayton Limited	Joint Managing Director	
T V Sundram Iyengar & Sons Limited	Director	
TVS Finance and Services Limited	Chairman	Shareholders / Investors' Grievance Committee member
TVS Investments Limited	Chairman	Shareholders / Investors grievance Committee member
TVS Logistics Services Limited	Director	
TVS Motor Company Limited	Director	
TVS Electronics Limited	Whole-time director	
Harita Electronics Private Limited	Director	
Vignani Technologies Private Limited	Director	

**III Mr T K Balaji**

Born on 12<sup>th</sup> July 1948, Mr T K Balaji is a Bachelor of Engineering, securing first rank from Madras University and is also a Master of Business Administration from IIM Ahmedabad with a Gold medal for outstanding scholastic performance.

Mr T K Balaji is a member of Development Council for Automobiles & Allied Industries, Government of India. He is the past president of Automotive Component Manufacturers Association of India (ACMA). He had served on the CII national council for a number of years. He was conferred a Special Award by the FIE Foundation of Maharashtra in March 1995 in recognition of his

contribution to the development of automotive component industry.

He is a Member of the Audit Committee of the Company. He is holding 2,500 equity shares in the company. Details of his other directorships and membership/chairmanship of committees are given below:

Name of the company	Position held	Committee membership/ chairmanship
Lucas TVS Limited	Chief Executive & Managing Director	
Delphi-TV S Diesel Systems Limited	Managing Director	
Lucas Indian Service Limited	Director	
India Nippon Electricals Limited	Chairman	Investors grievance committee – Chairman
Sundaram-Clayton Limited	Director	Audit committee – Member Investors grievance committee – Member
TVS Electronics Limited	Director	Investors grievance committee – Member
T V Sundram Iyengar & Sons Limited	Director	-
Titan Industries Limited	Director	Remuneration committee – Chairman Audit committee – Member
TVS Automotive Systems Limited	Director	-
Apollo Hospitals Enterprise Limited	Director	-
India Japan Lighting (P) Limited	Chairman	-
Harita Electronics (P) Limited	Director	
Hastham Swasthi (P) Limited	Director	
Punarvasu Swasthi (P) Limited	Director	

By order of the board

Chennai  
June 28, 2007

T S RAJAGOPALAN  
Secretary

Registered Office:  
"Jayalakshmi Estates"  
29, Haddows Road  
Chennai 600 006

## Directors' report to the shareholders

The directors present the fifteenth annual report and the audited accounts for the year ended 31<sup>st</sup> March 2007.

### 1. FINANCIAL HIGHLIGHTS

Details	Year ended 31.03.2007	Year ended 31.03.2006
<b>QUANTITATIVE</b>		
Sales:		
	(Numbers in lakhs)	
Motorcycles	9.23	8.06
Mopeds	3.44	2.90
Scooters	2.59	2.44
Total vehicles sold	15.26	13.40
<b>FINANCIAL</b>		
	(Rupees in crores)	
Sales (net of excise duty) and other income	3928.19	3305.96
EBITDA	210.53	275.48
Interest (net)	32.08	13.12
Depreciation	87.60	93.91
Profit before tax	90.85	168.45
Provision for tax (including deferred tax and fringe benefit tax)	24.25	51.45
Profit for the year (after tax)	66.60	117.00
Surplus brought forward	35.50	38.21
Tax relating to earlier years	(0.32)	5.50
Profit available for appropriation	101.78	160.71
<b>APPROPRIATIONS:</b>		
Interim dividend	16.63	30.88
Proposed dividend	3.56	–
Tax on dividend	2.94	4.33
Transfer to general reserve	49.56	90.00
Surplus carried forward	29.09	35.50

### 2. DIVIDEND

For the year 2006-07, the board of directors declared an interim dividend of Re.0.70 per share on 25<sup>th</sup> October 2006 absorbing a sum of Rs.16.63 crores. The board of directors have recommended a final dividend of Re.0.15 per share for the year 2006-07, absorbing a sum of Rs.3.56 crores subject to the approval of shareholders in the ensuing annual general meeting.

### 3. PERFORMANCE

The total two wheelers sold during the year under review was 1.53 million units, registering an overall growth of 14 per cent over the previous year. Motorcycles grew by 15%, while mopeds and scooters grew by 19% and 6% respectively. The company's export sales grew by 30% to 1.03 lakh numbers from 0.79 lakhs of 2005-06.

The StaR brand significantly contributed to the growth of the company in the motorcycle category recording 29% increase over the previous year. The excitement in the StaR brand was maintained through continuous innovation and launch of variants viz. StaR City alloy wheel, StaR City Electric start and StaR Sport.

TVS StaR continues to perform well and will continue to make significant inroads in the economy segment by offering superior value.

The company is planning to enhance its presence in the growing executive segment which accounts for 50% of the motorcycle category. The company is developing a new model motorcycle which will be launched in the second half of this year. This motorcycle will redefine the executive segment by setting a new benchmark in the industry in terms of technology, performance and style.

During the year, the company launched Scooty Teenz to reach out to the semi-urban customers which is received very well in the market. With the launch of Scooty Pep + in 99 Colors, the Scooty brand is strengthened further and continues to maintain its leadership position in the sub 100cc scooter segment.

The company witnessed a growth of 19% in mopeds over last year and consolidated its market share at 88%.

The profit before tax for the year under review was Rs. 90.85 crores as against Rs.168.45 crores in the previous year. The profit after tax stood at Rs. 66.60 crores in 2006-07 compared to Rs.117.00 crores in the previous year. The fall in profit was mainly due to steep increase in raw material cost. Due to intense competition in the industry, especially in the highly price sensitive entry level segment, where the company has a significant presence, it was not possible to pass on the cost increase to its customers leading to lower margin. Higher marketing cost consequent to introduction of new products / variants and increase in interest cost due to higher cost of borrowings further led to lower profit for the year.

### 4. EXPANSION ACTIVITIES

The company has established a new plant in Himachal Pradesh with an annual production capacity of 4,00,000 units scalable to 6,00,000 units. The commercial production commenced in April 2007.

Product development for the 3-wheeler project is nearing completion and the commercial launch is planned in the second half of 2007-08.

## TVS MOTOR COMPANY LIMITED

### 5. SUBSIDIARY COMPANIES

PT TVS Motor Company Indonesia, a subsidiary of the company, has established a manufacturing facility at Karawang, near Jakarta in Indonesia with production capacity of 3 lakh vehicles per annum. The commercial production of the new product 'TVS Neo', exclusively developed for the Indonesian market, has already commenced and the launch is scheduled for July 2007.

Sundaram Auto Components Limited, a wholly owned subsidiary of the company, has established a manufacturing facility at Himachal Pradesh to manufacture plastic moulded components. The plant has commenced commercial production in April 2007.

As on date of this report, the following are the subsidiaries of the company:

Name of the Company	Subsidiary of M/s
Sundaram Auto Components Limited	TVS Motor Company Limited
TVS Motor Singapore Pte. Limited	TVS Motor Company Limited
TVS Motor Company (Europe) B.V.	TVS Motor Company Limited
PT TVS Motor Company Indonesia	TVS Motor Company (Europe) B.V.

The company has obtained the approval of the Ministry of Corporate Affairs, New Delhi vide letter no.47/224/2007-CL-III dated 18th May 2007 in terms of Section 212(8) of the Companies Act, 1956 exempting the company from attaching the balance sheet and profit and loss account of the subsidiaries along with the report of the board of directors and that of the auditors' thereon, with the company's accounts for the year ended 31.03.2007.

As directed by the Central Government, the accounts of the subsidiaries are consolidated with the accounts of the company in accordance with Accounting Standard 21 (AS 21) prescribed by The Institute of Chartered Accountants of India. The consolidated accounts duly audited by the statutory auditors and the consolidated balance sheet information form part of the annual report.

The annual accounts, reports and other documents of the subsidiary companies will be made available to the members and investors at any time upon receipt of a request from them.

The annual accounts of the subsidiary companies will be available at the registered office of the company and at the respective subsidiary companies concerned. If any member or investor wishes to inspect the same during the business hours of any working day.

### 6. DIRECTORS

Mr. T Kannan, Mr. Gopal Srinivasan and Mr. T K Balaji, directors, retire at the ensuing annual general meeting of the company and being eligible, offer themselves for re-appointment.

### 7. AUDITORS

M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, retire at the ensuing annual general meeting and are eligible for re-appointment.

### 8. CORPORATE GOVERNANCE

As required by clause 49 of the listing agreement, a management discussion and analysis report and a report on corporate governance are enclosed. A certificate from the auditors of the company regarding compliance of the conditions of corporate governance as stipulated by clause 49 of the listing agreement is attached to this report.

The Chairman and Managing Director and Senior Vice President – Finance of the company have issued necessary certificate to the board in terms of Clause 49 (V) of the Listing Agreement with Stock Exchanges for the financial year ended 31st March, 2007.

### 9. STATUTORY STATEMENTS

As per the requirements of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of board of directors) Rules, 1988, the information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure I to this report.

The particulars required to be furnished under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 as amended, are given in Annexure II to this report. In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report (excluding Annexure II) is being sent to all the shareholders of the company. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the company.

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby stated:

- i. that in the preparation of annual accounts for the financial year ended 31st March 2007, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were 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 and of the profit of the company for the year under review;

- iii. that the directors had 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; and
- iv. that the directors had prepared the accounts for the financial year ended 31st March 2007, on a “going concern basis”.

#### 10. ACKNOWLEDGEMENT

The directors gratefully acknowledge the continued support and co-operation received from the holding company i.e. Sundaram-Clayton Limited, Chennai. The directors thank the bankers,

investing institutions, customers, dealers, vendors and sub-contractors for their valuable support and assistance.

The directors wish to place on record their appreciation of the excellent work done by all the employees of the company during the year under review.

The directors also thank the investors for their continued faith and support to the company.

For and on behalf of the board

Chennai  
June 28, 2007

VENU SRINIVASAN  
Chairman



Annexure I to directors' report to the shareholders

Information pursuant to section 217(1)(e) of the Companies Act, 1956

**A CONSERVATION OF ENERGY**

1. Measures taken

- (i) Heating the fuel & oil with waste heat recovery system at CPP has reduced the power consumption of electrical heaters.
- (ii) Load centric auto power factor controllers have been provided in the feeders to reduce line loss.
- (iii) Automatic switch off facility has been provided in the machines to switch off the motors and lightings during idle time.
- (iv) VFDs have been provided to higher rated fans and pumps at paint plants for optimisation.

The above measures have resulted in a saving of Rs 2.70 crores.

2 Proposed measures

- (i) Extending waste heat recovery hot water system to paint plant process application & eliminate running of SKO fired boiler.
- (ii) Extending waste heat driven VAM to Chiller units.
- (iii) Optimal air control system for air compressors to reduce consumption of electrical energy.
- (iv) Implementing Solar water heater system at canteen.

The above measures are expected to yield an annual savings of approximately Rs 1.50 crores.

**B TECHNOLOGY ABSORPTION**

1. Specific areas in which R & D is carried out by the Company:

- (i) The company designed and developed new product and variants for entry level segment of motorcycles.
- (ii) The company also designed and developed petrol, CNG and LPG variants of 3 Wheelers.
- (iii) Design and development of 160cc, 4 stroke motorcycle for premium segment.
- (iv) Design and development of 110 cc step thru bikes.

2. Future plan of action:

- (i) Development of new technologies for reducing emission and improving the fuel economy.
- (ii) Development of technologies for improved NVH and ride quality.

3	Expenditure on R & D	Rs. in crores
	Capital expenditure	37.28
	Revenue expenditure	47.75
	Expenditure pending allocation	17.51
	Total	102.54
	Total expenditure as a percentage of turnover	2.61%

- 4 Data relating to imported technology:  
(Technology imported during the last 5 years reckoned from the beginning of the financial year) Nil

**C FOREIGN EXCHANGE EARNINGS AND OUTFLOW**

1 Export activities

During the year total export sales crossed one lakh units. The company expanded its presence to 44 countries from 38. The company also commenced exporting components and sub-assemblies from June 2007 to its subsidiary company in Indonesia.

2 Total foreign exchange earned and used

		Rs. in crores
	Foreign exchange used	334.91
	Foreign exchange earned	258.10

For and on behalf of the Board

Chennai  
June 28, 2007

VENU SRINIVASAN  
Chairman

## Management Discussion and Analysis Report

The year 2006-07 was a year of mixed fortunes for TVS Motor Company (TVS-M).

Overall, for the second year in succession, TVS-M achieved a better growth rate of 14% than the Industry's 12 %.

On the sales front, the company recorded total sales of 1.53 mn two wheelers, with turnover of Rs. 3928 crores, representing an increase of 19% over the previous year. The impressive growth in the top line was, however, not reflected in the profit before tax which dropped to Rs. 91 crores from Rs. 168 crores in the last year. The fall in PBT was due to a variety of factors, the most important being the steep increase in raw material costs which could not be passed on to customers in the wake of intense competition.

The current year 2007-08 may prove to be a challenging year for the company, with industry slowdown, accentuated by restricted availability of retail finance for two wheelers and that too at higher interest cost. TVS-M has already initiated appropriate measures to meet the challenge and hopes to do better in the current year.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

The two-wheeler category is steadily moving from a discretionary purchase to an essential purchase, especially among the burgeoning Indian middle class households. Better quality and durability, higher fuel efficiency, new age styling and features in conjunction with a slew of new product launches and greater finance availability have been the primary drivers of sales in the past years.

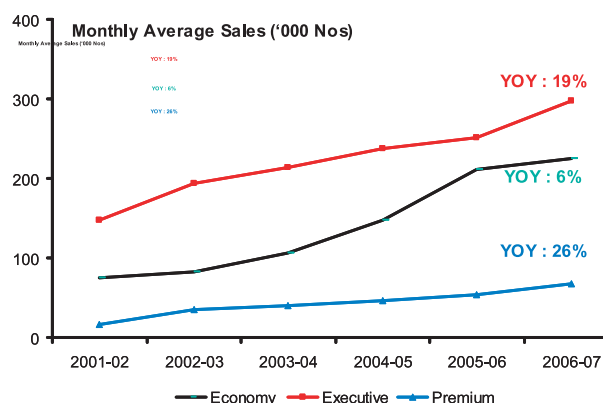
The first half of 2006-07 saw the industry sales going up by 21% over the corresponding period of last year. However, there was a dramatic slowdown during the second half with growth decelerating to 13% and 5% in the third and fourth quarters, respectively.

Increased inflationary pressure and rise in interest rates were the primary deterrents for higher rate of growth in the industry during the latter half of 2006-07.

Finance availability, has lately become restrictive, because of the key financiers curtailing their exposure in large states like Uttar Pradesh, Punjab and Haryana. Further, the financiers have withdrawn the low down payment schemes, which attracted the lower income population strata in the last 2 years, and have imposed more stringent eligibility norms for financing in the wake of high delinquency rates.

Motorcycles continued to be the dominant category in the industry with a growth of 15% and its category share increased from 82% to 84%.

The economy segment, which spurred growth in the motorcycle category in the past years, was the worst affected because of restricted availability and increased cost of retail finance and grew marginally at 6%. However, the premium and the executive



segments, which are less sensitive to finance availability, grew faster at 26% and 19%, respectively.

The ungeared scooters category grew significantly by 10 %.

Mopeds grew at 3% and its category share of 5% was maintained. However, geared scooters continued to decline.

The table below shows the category growth and their category shares :

Particulars	2005-06			2006-07		
	Sales in mn	Growth	Category share	Sales in mn	Growth	Category share
Motorcycles	6.20	19%	82%	7.10	15%	84%
Ungeared scooters	0.79	7%	10%	0.87	10%	10%
Geared scooters	0.20	-22%	3%	0.10	-49%	1%
Mopeds	0.38	7%	5%	0.39	3%	5%
Total two wheelers	7.57	15%	100%	8.46	12%	100%

### BUSINESS OUTLOOK AND OVERVIEW

During 2006-07, the Indian economy posted a healthy GDP growth of 9.4%, with Services leading the way with 11% growth, closely followed by industrial growth at 10.2%. Agricultural growth continued to be moderate at 2.7%.

In 2007-08, GDP is projected to grow at 8.2% with a growth of 6% in per capita income. However, the increased interest rates and inflationary pressures are likely to adversely impact the buying behaviour of the consumers leading to reduced discretionary purchases. This trend is estimated to continue at least till the first half of 2007-08 resulting in flat two-wheeler sales.

Retail financiers are expected to remain conservative in disbursements and hence the market is unlikely to expand in favour of the low-income groups.

More than 60 per cent of the sales of two wheelers are dependent on retail finance. Hence, these factors dampened the growth during the crucial marriage season in the key Northern states of

Uttar Pradesh, Madhya Pradesh and Rajasthan. Consequently, the marriage season sales were significantly lower during April – May 07 compared to last year.

Further, the high levels of trade stock built up during the second half of last year are likely to be corrected only by the middle of the year. In view of the above, the motorcycle category may grow in 2007-08 only marginally by 2% over 2006-07.

However, the motorcycle category is expected to see a wide range of product launches.

Ung geared scooters segment will see a growth of around 13% due to a higher number of product launches and greater availability. Mopeds are expected to grow steadily at 5%.

**COMPANY PERFORMANCE**

**New Product Launches and initiatives**

During the year 2006-07, the company successfully launched multiple new products and variants.



**StaR City ES**

This is the first and only 100cc motorcycle with the convenience of an electric start. The new product has been widely accepted and well received. This helped the StaR family of motorcycles to grow significantly.



**StaR Sport**

This is a new product under the StaR family targeted at the style conscious customers who prefer a slimmer vehicle with the same assurance of TVS StaR performance.



**5 Year extended Warranty**

As a sign of its customers' growing confidence in the StaR Brand, the Company launched an industry first - a unique 5 year extended warranty on the complete StaR range of products.



**Scooty Teenz**

This is an upgrade of the evergreen Scooty ES with a completely refreshed style. The vehicle has been widely received and appreciated for its unique styling and attractive pricing especially amongst the suburban towns.



**99 Colors on Scooty PEP**

This bold new initiative is the first of its kind in the automotive industry. The company's valued customers can now choose from 99 exciting shades for Scooty with a unique supply chain model, which ensures on time, quick and prompt delivery.

**Motorcycles**

In the Motorcycle category, TVS-M grew in line with the industry at 15%, largely driven by the growth in the StaR brand. The StaR range, which was further enriched with variants and new products, grew by 29% to become a significant player in the economy segment.

The company is planning to enhance its presence in the growing executive segment which accounts for 50% of the motorcycle category. The company is developing a new model motorcycle which will be launched in the second half of this year.

The TVS Apache made inroads into the premium segment and secured a high 24% segment share. The next exciting model of Apache will be launched in July '07. This is expected to sustain and take the brand to new heights.

**Ung geared scooters**

With the launch of Scooty Teenz and other initiatives like 99 Colors, the Scooty brand has strengthened its position as the girl's first choice and extended its reach into semi-urban markets successfully. Scooty continues to be the market leader in the sub 100cc scooter segment.

**Mopeds**

In mopeds, the company witnessed a growth of 19% over the last year and consolidated its market share at 88%.

**International Business**

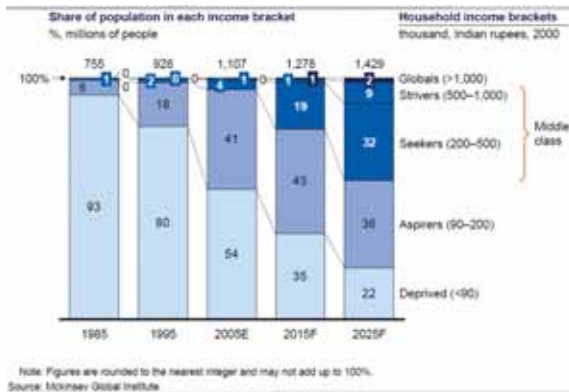
Exports grew by 30% to 1.03 lakhs vehicles from 0.79 lakhs vehicles in 2006-07 and will continue to be a focus area for the company. During 2006-07, six new countries were added to the company's global presence. The company is now exporting its products to 44 countries.

**Consolidated sales performance**

Company Performance	TVS Motor Company		
	Sales in '000s		
	2005-06	2006-07	Growth
Motor cycles	806	923	15%
Ung geared Scooters	244	259	6%
Mopeds	290	344	19%
Total two wheelers	1340	1526	14%

**OPPORTUNITIES AND THREATS**

With the increased affordability amongst the Indian consumer class, the penetration level grew to 50 vehicles per thousand people. However, this is very low in comparison with countries like Indonesia (100), Thailand (240) and Malaysia (300). Therefore, an ample growth opportunity exists in the future.



Easy availability of low cost finance has been a success factor in expanding the customer base in the past. Any restrictions will hamper the growth prospects.

TVS StaR has established itself as a strong brand in the economy segment and has already sold more than 1.2 million vehicles till date. However, the competition in this segment has been intense with price promotions and new product launches. The company plans to further invest and grow in this segment through continuous innovation and value addition to customers.

TVS Apache struck a chord with the younger generation and has become a well-known brand in that segment of customers. However, the sensitivity of this segment to new products is high and a slew of new product launches from competition will act as a deterrent. The company plans to address this threat through a series of variants and new products to keep the excitement growing.

The biggest opportunity for growth exists in the executive segment. The company plans to launch a new model motor cycle to enhance its presence in this segment. The company is confident that this motorcycle will redefine the segment by setting a new benchmark in the industry in terms of technology, performance and style.

TVS-M holds a considerable share in the sub 100 cc ungeared scooters segment. It is poised to grow exponentially in the coming years in the Indian and overseas markets. A greater choice in terms of style and power is required which the company plans to address over the next year.

The mopeds category has been growing in the last few years due to good monsoon and consequent growth in rural economy in the southern states where mopeds are predominantly sold. In case of adverse monsoon, growth prospects may be affected.

OPERATIONS REVIEW:

Quality

The company has, in the last three years, specifically focused on stepping up the product quality to world-class levels. For this purpose, a special task force has been set up internally. The improvements carried out on the product front helped the company to provide greater assurance to its customers in the form of a unique five-year warranty scheme that is the first of its kind in the industry. The company's implementation of quality systems in accordance with ISO TS 16949 was certified by BVQI during 2006-07.

TQM

The company continues to achieve 100% participation of employees in TQM. The employees have completed more than 1,200 projects through QC Circles and Cross Functional Teams. The average number of suggestions implemented per employee is 47 during 2006-07.

Cost management

The company continues its rigorous focus on its costs through an effective deployment system. Value engineering and aggressive sourcing projects are being pursued to reduce material costs and also to check the cost escalation. TPM is practised in all the plants to ensure significant improvement in productivity and reduction in manufacturing cost.

Research and development

The company's R&D team has a strong technical talent pool and modern computer aided laboratory, capable of developing new and innovative styles and designs. At present, more than 400 engineers are working on the development of new products and in other advanced areas of technology. The company works with leading technological research laboratories and institutions for development and testing of advance technologies.

The company's R&D is cognizant of 2010 emission norms and is focused on ensuring complete compliance of all its products. The company is also working on development of fuel-efficient technologies and alternate fuel technologies to take care of emerging needs of the consumers and environment.

The company has applied for over 150 patents and its R&D team has published 33 technical papers in national and international conferences.

In addition to the requirements of domestic markets, the R&D team is involved in the development of products for ASEAN market as well as 3-wheelers.

Information technology

The company uses ERP system that integrates all business processes across the company as well as dealers and suppliers. During the year, the company has focused on further consolidation of ERP system. Most of the business

transactions between the company, suppliers and dealers are done through ERP.

During the year 2006-07, the company extended the Dealer Management System (DMS) - an in-house developed system for the dealers. Over 280 dealers are already using this system. DMS also enables the company to collect information on customers, product quality and integrates the same with company ERP system and Business Intelligence system.

In the current year, the company has taken the initiative to digitize the new Product Development process to facilitate faster introduction of new products and to improve quality.

The company during the year further strengthened the information security by implementing Intrusion prevention system. An external security audit of IT system was conducted during the year.

**Supply chain management**

During the past year, the company has significantly strengthened its global sourcing operations and further streamlined its domestic supply base through transfer of best practices from the company to the suppliers. Zero defects, TPM and JIT clusters have provided significant benefits.

The company is in the process of expanding its dealer network and currently has over 2,600 customer touch points consisting of more than 600 dealers and 2,000 authorized service centers. Seventeen product-training centers were established across the country at key locations to help in timely and frequent training of sales and service personnel of our dealerships. During 2007-08, the company plans to expand its reach to 500 new towns.

The customer loyalty programme – Miles and Smiles - has grown significantly and now boasts of a customer base of 3,15,000 enrollments.

**New Projects**

The ASEAN Two wheeler project in Indonesia with an installed capacity of 3,00,000 vehicles per annum has been implemented by PT TVS Motor Company, Indonesia, a wholly-owned subsidiary of TVS Motor Company. The project has been completed according to schedule and has commenced production. A new model called TVS NEO has been developed specially for the Indonesian market and it is scheduled to be launched in July 2007.

The Three Wheeler project at Hosur with an installed capacity of 90,000 vehicles per annum is on schedule, with product development nearing completion. Commercial launch is planned in the second half of 2007.

The Himachal Pradesh Two wheeler project with an installed capacity of 4,00,000 vehicles per annum has gone into production in April 2007.

Thus, the company has taken up three large new projects. Of these, one project has already gone into production and the

other two are expected to commence production shortly. Once these projects achieve full production levels and stabilize their operations, they will contribute significantly to the overall turnover and profits of the company.

**Financial Performance**

The company's financial performance for the year 2006-07 as compared to the previous year is furnished in the following table:

PARTICULARS	Year 2006-07		Year 2005-06	
	Rs. in crores	%	Rs. in crores	%
Sales:				
Motorcycles	2513.78	64.0	2053.27	62.1
Mopeds	501.84	12.8	407.69	12.3
Scooters	611.33	15.6	554.59	16.8
Spares and accessories	228.01	5.8	219.41	6.6
Other income	73.23	1.8	71.00	2.1
<b>TOTAL REVENUE</b>	<b>3928.19</b>	<b>100.0</b>	<b>3305.96</b>	<b>100.0</b>
Raw Material consumed	2903.37	73.9	2321.09	70.2
Staff cost	172.27	4.4	156.87	4.7
Stores and tools consumed	42.53	1.1	38.69	1.2
Power and fuel	43.10	1.1	36.47	1.1
Repairs and maintenance	29.50	0.8	24.89	0.8
Packing and freight charges	112.67	2.9	87.42	2.6
Advertisement and publicity	162.82	4.1	133.18	4.0
Other expenses	251.40	6.4	231.87	7.0
Interest	32.08	0.8	13.12	0.4
Depreciation	87.60	2.2	93.91	2.8
<b>TOTAL EXPENDITURE</b>	<b>3837.34</b>	<b>97.7</b>	<b>3137.51</b>	<b>94.9</b>
Profit before tax	90.85	2.3	168.45	5.1
Provision for tax (incl. deferred tax and fringe benefit tax)	24.25	0.6	51.45	1.6
<b>PROFIT AFTER TAX</b>	<b>66.60</b>	<b>1.7</b>	<b>117.00</b>	<b>3.5</b>

Some of the key ratios for the year 2006-07 as compared to the previous year is furnished in the following table:

DESCRIPTION	UOM	2006-07	2005-06
EBITDA / turnover	%	5.4	8.4
Profit before tax / turnover	%	2.3	5.1
Return on capital employed	%	10.4	18.3
Return on net worth	%	9.2	18.0
Earnings per share at a face value of Re. 1 per share	Rs.	2.8	4.93

Despite an increase of 19% in turnover, profit was lower mainly due to the steep increase in cost of various raw materials especially steel, aluminum, copper and polymers. Raw material cost as a percentage of revenue has gone up from 70.2% to 73.9%. Due to intense competition in the industry and the entry level segment, where the company has a significant presence, being highly price sensitive, it was not possible to pass on the cost increase to its customers. This led to lower margins. Aggressive cost reduction programmes coupled with improved productivity, however, partially neutralized the cost increase.

Interest cost for the year was higher due to increased cost of borrowing and the premium paid for hedging the currency risks on external commercial borrowings.

The company has paid an interim dividend of 70% and the directors have recommended a final dividend of 15% for the year 2006-07.

### RISKS AND CONCERNS

Raw material prices have gone up sharply, especially in respect of steel, aluminum, nickel and copper. This development poses a significant risk to the profitability of the company as product price increase seems a distant possibility in the intensely competitive market situation. Further, the motorcycle industry has slowed down significantly over the last year and continuance of high inflation and interest rates and its impact on retail finance pose a significant demand side risk.

Retail finance plays a notable role in the growth of two-wheeler industry. The slackening of demand due to the lack of availability of retail finance is a concern leading to lower capacity utilization in the industry. This could result in hyper-competition and higher promotional cost, thus shrinking the margins further.

The company has a strategy to aggressively reduce its cost base and it is actively pursuing value engineering and global sourcing to mitigate this risk.

### Human Resource Development

The company focuses on attracting the best talent and enjoys a good brand image across engineering colleges and business schools. It blends successfully mid - career recruitment with internally nurtured talent.

A reward and recognition system is in place to provide fast track growth for high potential employees. Career development workshops are undertaken to identify such high potential.

Engineers are sponsored to overseas and inland universities for developing their capabilities to handle new technologies and management practices. Customized masters programs have been developed with reputed educational institutions in India. Leadership development programs have been institutionalized as part of career development for senior executives.

People are encouraged to take up higher responsibilities and stretch assignments from the very early stages of their career. Periodic job rotations help the employees to get a broad perspective to assume leadership roles in future.

The company continues to maintain its record on industrial relations with not a single day of work being lost because of labour unrest.

As on 31<sup>st</sup> March 2007, the company had 5,633 employees on its rolls.

### Environment, Health & Safety

An integrated EHS Management System is instituted both at Hosur and Mysore units. Both the sites have been certified under ISO 14001 for Environment Management System and under OHSAS 18001 for Occupational Health & Safety Management system.

The company is committed to energy conservation. During the year, the following key energy conservation projects have been implemented:

- Heating the fuel and oil with waste heat recovery hot water at CPP has minimized the power consumption of electrical heaters.
- Load centric Auto power factor controllers have been provided in the feeders to reduce line loss.
- Variable Frequency Drives (VFD) for motors.

### Community development and social responsibility

Srinivasan Services Trust (SST) is a trust co-sponsored by TVS Motor Company with the vision of building self-reliant rural communities.

Some of the major achievements of SST are:

- (a) Adopted 146 villages for economic development.
- (b) Implemented income generation programmes by forming 666 Self Help Groups (SHG) comprising over 10,800 families.
- (c) Brought 282 Ha of land under drip irrigation. Improved farm yield by 25% through modern farming practices and supply of quality seeds.
- (d) Conducted over 600 health awareness programmes, for improving the lot of malnourished children and anemic women.
- (e) Improved buildings and infrastructure at 35 schools in the adopted villages and helping them with proper academic support.
- (f) Covered over 1,200 youth under vocational education, resulting in job opportunities for them.
- (g) Helped to increase the level of adult literacy to 85% through adult education programmes.

Apart from the above, for preserving the environment, SST has increased the area covered under afforestation to over 100,000 Ha and 1150 Ha were covered under watershed programme.

Sixty three houses at the plains of Irulamparai village and 39 houses at hill region of Ellanthampattu village were constructed as a part of Tribal Housing project in partnership with the Government of Tamil Nadu.

### Cautionary statement

Statements in the management discussion and analysis report describing the company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include, among others, economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

## Report on Corporate Governance

### 1. Company's philosophy on code of governance

The company truly believes in transparency, professionalism and accountability, which are the basic principles of corporate governance and will constantly endeavour to improve on these aspects.

### 2. Board of directors

#### 2.1 Composition and category of directors

The total strength of the board is nine directors. As the company has an executive chairman viz., Mr Venu Srinivasan who is chairman and managing director, the board is required, in terms of Clause 49 of the Listing Agreement, to have fifty per cent of its directors as independent directors. Accordingly, the board has five independent directors viz. M/s.T Kannan, N Ganga Ram, C R Dua, K S Bajpai and T R Prasad.

Thus, the composition of the company's board is in conformity with the listing agreement.

#### 2.2 Number of board meetings held and dates on which held

During the financial year 2006-2007, the board met 5 times on 26<sup>th</sup> April 2006, 26<sup>th</sup> June 2006, 24<sup>th</sup> July 2006, 25<sup>th</sup> October 2006 and 25<sup>th</sup> January 2007 and the gap between two meetings did not exceed four months.

#### 2.3 Particulars of attendance of directors at the board meetings held during the financial year 2006-2007 and at the last annual general meeting, number of other directorship and committee chairmanship / memberships held by the directors in all companies as per declaration furnished by them are given in the table below:

Name of the director M/s.	Category	Attendance particulars		Number of directorships and committee memberships / chairmanships		
		Board meetings attended during the year	Last annual general meeting	Other directorships*	Committee memberships**	Committee chairmanships
Venu Srinivasan	E	5	Yes	15	6	3
Gopal Srinivasan	NE-NI	4	Yes	14	2	-
T K Balaji	NE-NI	4	Yes	14	7	2
H Lakshmanan	NE-NI	4	Yes	17	8	4
T Kannan	NE-I	3	Yes	6	5	-
N Ganga Ram	NE-I	4	No	3	5	2
C R Dua	NE-I	3	No	35	4	1
K S Bajpai	NE-I	3	Yes	-	-	-
T R Prasad	NE-I	5	Yes	4	2	1

E : Executive

NE-I : Non Executive - Independent

NE-NI : Non Executive - Non Independent

\* includes private companies and companies incorporated outside India.

\*\* includes committees where the director holds the position of chairman.

None of the directors is a member of more than 10 board level committees or chairman of more than 5 such committees across all companies as covered under clause 49 of the listing agreement.

#### 2.4 Access to information and Updation:

The board of directors of the company reviews all information provided periodically for discussion and consideration at its meetings in terms of clause 49 of the Listing Agreement. Functional heads are present whenever necessary and apprise all the directors about the developments and they also make presentations to the board of directors and audit committee of directors. Apart from this, the observations of audit carried out by the internal auditors and the compliance report on payment of statutory liabilities submitted by the statutory auditors of the company

are placed and discussed with functional heads. The board also reviews the declaration made by the chairman and managing director and secretary of the company regarding compliance of all applicable laws on quarterly basis.

#### 2.5 Code of Business Conduct and Ethics for Board of Directors and Senior Management Personnel:

The company has in place the Code of Business Conduct and Ethics for Board of Directors and Senior Management (the Code) approved by the board of directors. The Code has been communicated to directors and the members of

the senior management. The Code has also been displayed on the company's website [www.tvsmotor.co.in](http://www.tvsmotor.co.in). All board members and senior management have confirmed compliance with the Code for the year ended 31<sup>st</sup> March 2007. The annual report contains a declaration to this effect signed by the chairman and managing director and company secretary of the company as compliance officer for the Code.

### 3. Audit Committee

- 3.1 The audit committee consists of four directors as its members viz., M/s T R Prasad, N Ganga Ram, T Kannan, independent directors and T K Balaji, non-independent director with Mr T R Prasad, independent director, as its chairman. The composition of the committee is in accordance with the requirements of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.
- 3.2 The chairman of the committee was present at the annual general meeting held on 21<sup>st</sup> August 2006.
- 3.3 The particulars of meetings and attendance by the members of the committee during the year under review are given in the table below:

Date of the meeting	Members present
29.05.2006	M/s T R Prasad, T Kannan and N Ganga Ram
26.06.2006	M/s T R Prasad, T Kannan, N Ganga Ram and T K Balaji
24.07.2006	M/s T R Prasad, T Kannan, N Ganga Ram and T K Balaji
25.10.2006	M/s T R Prasad, T Kannan, N Ganga Ram and T K Balaji
25.01.2007	M/s T R Prasad, N Ganga Ram and T K Balaji
29.03.2007	M/s T R Prasad, T Kannan, N Ganga Ram and T K Balaji

- 3.4 Mr T S Rajagopalan, secretary of the company acts as the secretary of the audit committee.
- 3.5 The terms of reference stipulated by the board of directors to the audit committee are as contained in clause 49 of the listing agreement and Section 292A of the Companies Act, 1956.

The responsibilities of the Audit Committee include, inter alia:

- Overseeing of the company's financial reporting process and the disclosure of its financial information.
- Reviewing with the management quarterly and annual financial statements before submission to the board for approval with particular reference to the matters specified in the Listing Agreement.
- Reviewing the related party transactions.
- Reviewing the reports of Internal Auditors and ensuring that adequate follow up action is taken by the management on observations and recommendations made by the internal auditors.

- Recommending to the board the appointment / re-appointment / replacement of the statutory auditors and the audit fees payable and fees paid for other services rendered by the statutory auditors.
- Reviewing with the management, the performance of statutory and internal auditors.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit functions and systems, structure, reporting process, audit coverage and frequency of internal audit.
- Discussion with external auditors regarding audit plan as well as post-audit discussion to ascertain any area of concern.
- Ascertainment of reasons for substantial defaults in the payment in case of non-payment of declared dividends and creditors.
- Review of management discussion analysis of financial conditions and results of operations and other matters specified under clause 49 of the Listing Agreement.
- Review of financial statements, in particular the investments made by the unlisted subsidiary.
- In addition, review of such other functions as envisaged under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with Stock Exchanges.

### 4. Remuneration Committee:

The board has not constituted a remuneration committee as the need for forming such committee has not arisen.

#### 4.1 Remuneration to directors:

The remuneration payable to the chairman and managing director of the company is fixed by the board of directors within the limits approved by the shareholders in terms of the relevant provisions of the Companies Act, 1956.

Mr Venu Srinivasan, chairman and managing director, is paid remuneration by way of commission not exceeding 2% of the net profits of the company as may be determined by the board of directors for each year and calculated in terms of Section 349 and 350 of the Companies Act, 1956.

The current term of office of Mr Venu Srinivasan as chairman and managing director will expire on 23<sup>rd</sup> April 2010.

A sitting fee of Rs.10,000/- is paid to the non-executive directors as fixed by the board of directors for every meeting of the board and / or committee thereof attended by them.

The board of directors at their meeting held on 28<sup>th</sup> June 2007 approved the upward revision of sitting fees from Rs.10,000/- to Rs.20,000/- payable to each non-executive director for each meeting of the board and / or committee thereof attended by him with effect from 28<sup>th</sup> June 2007.



Non-executive independent directors are also being paid remuneration by way of commission not exceeding 1% of the net profits of the company subject to a maximum of Rs.3,60,000/- per annum payable quarterly for a period of five years with effect from 1<sup>st</sup> April 2003 and as approved by the shareholders at the annual general meeting of the company held on 12<sup>th</sup> September 2003. This approval for payment of commission to non- executive independent directors is valid up to 31<sup>st</sup> March 2008.

Presently, the company does not have a scheme for grant of stock options either to the whole time director or employees.

4.2 Particulars of sitting fees / remuneration and commission paid to the directors during the financial year 2006-2007.

Name of the director M/s.	Sitting fees (Rs.)	Commission (Rs.)	Total (Rs.)
Venu Srinivasan*	-	88,39,230	88,39,230
Gopal Srinivasan*	80,000	-	80,000
T K Balaji*	90,000	-	90,000
H Lakshmanan	1,20,000	-	1,20,000
T Kannan	1,10,000	3,60,000	4,70,000
N Ganga Ram	1,40,000	3,60,000	5,00,000
C R Dua	30,000	3,60,000	3,90,000
K S Bajpai	30,000	3,60,000	3,90,000
T R Prasad	1,10,000	3,60,000	4,70,000

\* Mr Venu Srinivasan and Mr Gopal Srinivasan being brothers, are relatives. Mr T K Balaji, being their sister's husband, is related to both of them under the provisions of Section 6 of the Companies Act, 1956.

4.3 Details of shareholding of non-executive directors in the company as on 31<sup>st</sup> March 2007:

Name of the Director M/s.	No. of shares held (face value of Re.1/- each)
Gopal Srinivasan	9,000
T K Balaji	2,500
T Kannan	65,590
H Lakshmanan	26,435
N Ganga Ram	-
C R Dua	-
K S Bajpai	-
T R Prasad	-

5. Investors' grievance committee:

5.1 The investors' grievance committee consists of three members viz., M/s N Ganga Ram and T Kannan, independent directors and Mr. Venu Srinivasan, chairman and managing director. Mr N Ganga Ram is the chairman of the committee.

5.2 Mr T S Rajagopalan, secretary of the company has been appointed as compliance officer. For any clarification / complaint, shareholders may contact Mr T S Rajagopalan, secretary or Mr S Muralidharan, special officer of the company.

5.3 The committee oversees and reviews all matters connected with share transfers, issue of duplicate share certificates, etc. The committee also looks into redressal of investors' grievances pertaining to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc., The company, as a matter of policy, disposes of investor complaints within a span of seven days.

5.4 Complaints received and redressed during the year 2006-2007:

S.No	Nature of complaint	No. of complaints
1.	Non receipt of share certificates	08
2.	Non receipt of dividend warrants	26
3.	Non receipt of annual reports	03
4.	Other complaints	03
	Total	40

5.5 All the above issues were resolved within the stipulated time and there was no complaint pending as on 31<sup>st</sup> March 2007.

5.6 All requests for dematerialisation of shares were carried out within the stipulated time period and no share certificates were pending for dematerialisation as on 31<sup>st</sup> March 2007.

5.7 Secretarial Audit

A qualified practising company secretary carried out secretarial audit on a quarterly basis to reconcile the total admitted capital with National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued and listed capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

6. General body meeting

6.1 Location and time where the annual general meetings were held during the last three years:

Year	Location	Date	Time
2003-2004	The Music Academy, New No.168, (Old No. 306), T.T.K. Road, Chennai 600 014	10.09.2004	10.15 AM
2004-2005	The Music Academy, New No.168, (Old No. 306), T.T.K. Road, Chennai 600 014	17.08.2005	10.15 AM
2005-2006	The Music Academy, New No.168, (Old No. 306), T.T.K. Road, Chennai 600 014	21.08.2006	10.15 AM

6.2 Special resolutions passed in the previous 3 AGMs:

During the last three years, namely 2003-04 to 2005-06, approval of the shareholders were obtained by passing special resolutions in respect of the following:

Year	Subject matter of special resolution	Date of AGM
2003-2004	Keeping the Register of Members and Index of Members, and other documents at Sundaram-Clayton Limited (Share Transfer Agents), 31, Railway Colony III Street, Mehta Nagar, Chennai 600 029	10.09.2004
2004-2005	Nil	17.08.2005
2005-2006	Amendment to articles of association of the company; and Appointment of Ms Lakshmi Venu, relative of chairman and managing director of the company, in Sundaram Auto Components Limited, a wholly owned subsidiary of the company	21.08.2006

6.3 None of the subjects placed before the shareholders in the last annual general meeting required approval by a postal ballot.

6.4 None of the subjects placed before the shareholders in this annual general meeting requires approval of shareholders by postal ballot.

7. Disclosures

7.1 Disclosures on materially significant related party transactions that may have potential conflict with the interest of the company at large.

During the year, the company has not entered into any transaction of material nature with the directors, their relatives or management which are in conflict with the interest of the company.

The transactions with the related parties, namely its promoters, its subsidiary and associate companies etc., of routine nature have been reported elsewhere in the annual report as per Accounting Standard 18 (AS 18) issued by the Institute of Chartered Accountants of India.

The Audit Committee is briefed, inter alia, on the following aspects:

- (i) the related party transactions undertaken by the company in the ordinary course of business (summary);
- (ii) material individual transactions, if any, which were not in the normal course of business; and
- (iii) material individual transactions, if any, with related parties or others, which were not at arm's length basis.

7.2 The members of senior management have made disclosure to the board relating to all material, financial and other transactions stating that they did not have personal interest

that could result in a conflict with the interest of the company at large.

7.3 Details of non-compliance by the company, penalties, strictures imposed on the company by stock exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

During the year under review, there was no penalty or stricture imposed on the company by stock exchange or SEBI or any statutory authority on any matter related to capital markets.

However, as reported in the last two years, the following statement is given for the last and third year.

Securities and Exchange Board of India (SEBI) vide its letter No.CFD / DCR / RC/ TO / 23040/04 dated 16<sup>th</sup> November 2004 has alleged that the company violated the provisions of Regulations 6 and 8 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (the said Regulations). It was alleged in the said notice that the company has not made the disclosure under Regulation 8(3) of the said Regulations furnishing particulars of changes, if any, in respect of the holdings of promoters or persons having control over the company and persons acting in concert and by persons holding shares in excess of 15% of the paid-up capital of the company as on the record date fixed for declaration of dividend on 3<sup>rd</sup> May 2000.

In the said letter, SEBI also has given an option that it may consider the company's request for a consent order, upon payment of an amount of Rs.25,000/- as penalty for the aforesaid violation.

The company contended that it has not violated the provisions of Regulation 8(3) of the said Regulation on the grounds that:

1. the payment of interim dividend approved by the board of directors and the fixation of record date as 3<sup>rd</sup> May 2000 for this purpose does not fall within the scope of the said Regulation as it did not amount to declaration of dividend in terms of Companies Act, 1956, as the law stood on that date.
2. there were no changes in the shareholding of the persons referred to in the said communication and the Regulation requires a declaration to be filed only when there is change in shareholding.

However, the company without prejudice to its stand taken, has also given its consent to pay Rs.25,000/- as penalty under Section 15A of the Securities and Exchange Board of India Act, 1992 vide its letter No.01/02/C/07 dated 24<sup>th</sup> December 2004. The company is awaiting for instructions / advice from SEBI in this regard.

7.4 The company follows the Accounting Standards issued by the Institute of Chartered Accountants of India and the

company has not adopted a treatment different from that prescribed in any Accounting Standard, in the preparation of financial statements.

- 7.5 The managing director (CEO) and Senior Vice President – Finance (CFO) of the Company have certified to the board in accordance with Clause 49(V) of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31<sup>st</sup> March 2007.
- 7.6 The company has complied with all applicable mandatory requirements in terms of clause 49 of the Listing Agreement. The non-mandatory requirements have been adopted to the extent and in the manner as stated under the appropriate headings detailed elsewhere in this report.
- 7.7 The management discussion and analysis report is annexed to the directors' report.

**8. Means of communication:**

- 8.1 The unaudited (limited reviewed) quarterly financial results of the company were published in the newspapers viz., The Hindu, Business Line, Economic Times, Times of India, Business Standard, Navbharat Times and Maharashtra Times and the Tamil version of the financial results in a Tamil daily viz., Dinamani.
- 8.2 The financial results and the official news releases are also placed on the company's web site addressed as [www.tvsmotor.co.in](http://www.tvsmotor.co.in)
- 8.3 As required under clause 51 of the listing agreement pertaining to electronic data information filing and retrieval (EDIFAR), the unaudited results and the quarterly distribution schedules as filed with the stock exchanges are uploaded in SEBI-EDIFAR web site. These details are also published in the company's web site. The company makes use of its web-site for publishing official news release and presentations made to institutional investors / analysts.
- 8.4 Official News Releases

The company holds press meets / analysts' meets and makes necessary presentation, to apprise and make public the information relating to company's working and future outlook.

**9. General shareholder information:**

**9.1 Annual general meeting**

Date and time : Friday, 17<sup>th</sup> August 2007 at 10.15 A.M

Venue : The Music Academy  
New No.168 (Old No.306),  
T T K Road, Chennai 600 014

**9.2 Financial Calendar 2007-08 (Tentative)**

Financial Year	31 <sup>st</sup> March
Annual general meeting (next year)	During August / September 2008
Financial reporting for the quarter ending	Date of board meeting
30 <sup>th</sup> June 2007	between 15 <sup>th</sup> and 31 <sup>st</sup> of July 2007
30 <sup>th</sup> September 2007	between 15 <sup>th</sup> and 31 <sup>st</sup> of October 2007
31 <sup>st</sup> December 2007	between 15 <sup>th</sup> and 31 <sup>st</sup> of January 2008
31 <sup>st</sup> March 2008	between 15 <sup>th</sup> and 30 <sup>th</sup> of April 2008

- 9.3 Book Closure: 14<sup>th</sup> August 2007 to 17<sup>th</sup> August 2007 (both days inclusive)

**9.4 Particulars of dividend payment**

Particulars	Interim Dividend
Date of declaration	25 <sup>th</sup> October 2006
Rate of dividend	70%
Record date / Book closure	30 <sup>th</sup> October 2006
Date of payment of dividend	4 <sup>th</sup> November 2006
Amount of dividend paid	Rs.16.63 crores
Share capital	23,75,43,557 equity shares of Re.1/- each

The board of directors have recommended a final dividend of Re.0.15 per share for the year 2006-2007, absorbing a sum of Rs.3.56 crores subject to the approval of shareholders in the ensuing annual general meeting.

**9.5 Listing of shares**

Name of the Stock Exchange	Stock Code
Madras Stock Exchange Limited (MSE)	-
Bombay Stock Exchange Limited(BSE)	532343
The National Stock Exchange of India Limited (NSE)	TVSMOTOR
ISIN allotted by Depositories( Company ID Number)	INE 494B01023

(Note : Annual listing fees for the year 2007-2008 have been duly paid to the above stock exchanges)

9.6 Market Price Data

Month	Bombay Stock Exchange Limited (BSE) (in Rs.)		National Stock Exchange of India Ltd (NSE) (in Rs.)	
	Month's high price	Month's low price	Month's high price	Month's low price
April 2006	186.70	140.00	186.50	129.00
May 2006	172.95	81.00	171.90	90.70
June 2006	129.00	87.10	129.00	87.05
July 2006	101.85	78.00	101.90	78.45
August 2006	99.25	87.00	99.00	87.15
September 2006	127.25	94.80	127.00	94.50
October 2006	129.70	105.40	129.40	105.05
November 2006	109.35	93.20	110.90	92.25
December 2006	100.85	83.20	100.80	77.90
January 2007	87.00	74.25	87.00	71.25
February 2007	78.20	61.15	78.40	56.00
March 2007	64.95	53.30	65.00	53.00

9.7 Share price performance in comparison to broad based indices - BSE Sensex and NSE Nifty

Company's share price performance in comparison to BSE Sensex.

Financial year	Percentage change in	
	Company's share price (%)	Sensex (%)
2006-2007	-55.17	15.89
2005-2006	91.54	73.73
2004-2005	-19.57	16.14

Company's share price performance in comparison to NSE Nifty.

Financial year	Percentage change in	
	Company's share price (%)	Sensex (%)
2006-2007	-55.03	12.29
2005-2006	97.34	67.17
2004-2005	-22.48	14.89

9.8 Shareholding pattern as on 31<sup>st</sup> March 2007

Particulars	No. of shares of Re.1/- each	% to total
Sundaram-Clayton Limited and its wholly owned subsidiary	13,50,00,000	56.83
Foreign institutional investors	1,26,88,866	5.34
NRI & OCBs	8,39,472	0.35
Public financial institutions	1,04,25,925	4.39
Mutual funds	3,05,26,851	12.85
Banks	5,34,335	0.22
Other companies	1,56,86,549	6.61
Public	3,18,41,559	13.41
<b>Total</b>	<b>23,75,43,557</b>	<b>100.00</b>

9.9 Distribution of Shareholding as on 31<sup>st</sup> March 2007

Shareholding (Range)	No. of Shares	%	No. of members	%
Upto 5000	2,80,01,838	11.79	83,455	99.27
5001-10000	25,78,178	1.08	351	0.42
10001-20000	14,37,442	0.60	100	0.12
20001-50000	27,22,902	1.15	87	0.10
50001-100000	20,37,686	0.86	29	0.04
100001 & above	20,07,65,511	84.52	46	0.05
<b>Total</b>	<b>23,75,43,557</b>	<b>100.00</b>	<b>84,068</b>	<b>100.00</b>

9.10 Dematerialisation of shares and liquidity

Out of 10,25,43,557 equity shares of Re.1/- each held by persons other than promoters, 9,63,48,388 shares have been dematerialised as on 31<sup>st</sup> March 2007 accounting for 94%.

9.11 Share transfer system and RTA:

With a view to rendering prompt and efficient service to the investors, M/s Sundaram-Clayton Limited (SCL), the holding company, which has been registered with SEBI as share transfer agents in category II, has been appointed as the registrar and share transfer agent of the company (STA). The shareholders have also been advised about this appointment of STA to handle share registry work pertaining to both physical and electronic segments of the company effective 1<sup>st</sup> October 2004 vide circular dated 31<sup>st</sup> July 2004.

Shareholders are therefore requested to correspond with the share transfer agent for transfer / transmission of shares, change of address and queries pertaining to their shareholding, dividend etc., at their address given in this report.

- 9.12 The company has not issued any Global Depository Receipt / American Depository Receipt / Warrant or any convertible instrument, which is likely to have impact on the company's equity.
- 9.13 Plant Locations
- Hosur : TVS Motor Company Limited  
Post Box No.4, Harita  
Hosur 635 109. Tamilnadu  
Tel: 04344 - 276780  
Fax: 04344 - 276016  
Email: [sg.murali@tvsmotor.co.in](mailto:sg.murali@tvsmotor.co.in)
- Mysore : Post Box No.1  
Byathahalli Village, Kadakola Post  
Mysore 571 311. Karnataka  
Tel: 0821 - 2596560  
Fax : 0821 - 2596530/2596533  
Email: [Manohara.Rao@tvsmotor.co.in](mailto:Manohara.Rao@tvsmotor.co.in)
- Himachal Pradesh : Bhatian Village, Nalagarh Post & Taluk  
Solan district 174 101, Himachal Pradesh  
E-mail: [m.sridhar@tvsmotor.co.in](mailto:m.sridhar@tvsmotor.co.in)  
Tel: 01795 - 220494  
Fax: 01795 - 220496
- 9.14 Address for investor correspondence
- (i) For transfer / dematerialisation of shares, payment of dividend on shares and any other query relating to the shares of the company; Sundaram-Clayton Limited  
Share transfer agent  
Unit: TVS Motor Company Limited  
New No. 22, Old No. 31  
Railway Colony, 3rd Street,  
Mehta Nagar, Chennai-600 029.  
Tel : 044 – 2374 1889, 2374 2939  
Fax: 044 –2374 1889,  
Email : [kr.raman@scl.co.in](mailto:kr.raman@scl.co.in)  
[sclshares@gmail.com](mailto:sclshares@gmail.com)
- (ii) For any query on annual report Email : [sm.murali@scl.co.in](mailto:sm.murali@scl.co.in)  
[investorscomplaintsstata@scl.co.in](mailto:investorscomplaintsstata@scl.co.in)
- (iii) For investors Grievance & general correspondence
10. Non-mandatory disclosure:  
The non-mandatory requirements have been adopted to the extent and in the manner as stated under the appropriate headings detailed below:
- 10.1 The Board:  
As the company has executive chairman, the implementation of this non-mandatory requirement does not arise.  
The non-executive directors of the company are liable to retire by rotation and if eligible, offer themselves for re-appointment. No specific tenure has been fixed for the independent directors.
- 10.2 Shareholder rights:  
The half-yearly results of the company are published in newspapers and its web site [www.tvsmotor.co.in](http://www.tvsmotor.co.in) and [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in) the official web site of SEBI. The results are not sent to the shareholders individually.
- 10.3 Audit qualifications  
The statutory financial statements of the company are unqualified.
- 10.4 Training of Board Members / Mechanism for evaluating non-executive directors  
All the non-executive directors are having rich experience and expertise in functional areas and in the opinion of the board, they do not require any further training.
- 10.5 Whistle Blower Policy:  
The company has not adopted whistle blower policy. However, the company has not denied access to any personnel to approach the management on any issues.
11. Request to investors:
- Investors are requested to communicate change of address, if any, directly to the share transfer agent of the company at the above address;
  - As required by SEBI, investors shall furnish details of their bank account number and name and address of the bank for incorporating the same in the warrants. This would avoid wrong credits being obtained by unauthorised persons.
  - The shareholders are requested to dematerialize their physical share certificates, through a depository participant. Shareholders requiring any further clarification / assistance on the subject may contact the company's share transfer agent.
  - Investors who have not availed nomination facility are requested to avail the same, by submitting the nomination form. The form will be made available on request.
  - 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.
  - Investors are requested to kindly note that any dividend which remains unencashed for a period of seven years will get transferred to "Investors Education and Protection Fund" in terms of Section 205C of the Companies Act, 1956.
  - Members who have not encashed their dividend warrants in respect of dividends declared for the year ended 31<sup>st</sup> March 2001 and for any financial year thereafter may contact the company and surrender their warrants for payment. Members are requested to note that the dividend not claimed for a period of seven years from the date they first became due for payment shall be transferred to Investor Education and Protection Fund (IEPF) in terms of Section 205C of the Companies Act, 1956.

## TVS MOTOR COMPANY LIMITED

Information in respect of unclaimed dividends due for remittance into IEPF is given below:

### PARTICULARS OF UNCLAIMED DIVIDEND OF TVS MOTOR COMPANY LIMITED

#### TVS MOTOR COMPANY LIMITED

Financial Year	Date of declaration	Date of transfer to special account	Date of transfer to IEPF
2000-2001	21.09.2001	27.10.2001	27.10.2008
2001-2002 Interim	01.03.2002	06.04.2002	06.04.2009
2002-2003 1 <sup>st</sup> Interim	21.10.2002	26.11.2002	26.11.2009
2002-2003 2 <sup>nd</sup> Interim	09.06.2003	15.07.2003	15.07.2010
2003-2004 1 <sup>st</sup> Interim	17.10.2003	22.11.2003	22.11.2010
2003-2004 2 <sup>nd</sup> Interim	21.04.2004	27.05.2004	27.05.2011
2004-2005 1 <sup>st</sup> Interim	25.10.2004	01.12.2004	01.12.2011
2004-2005 2 <sup>nd</sup> Interim	30.05.2005	05.07.2005	05.07.2012
2005-2006 1 <sup>ST</sup> interim	27.10.2005	03.12.2005	03.12.2012
2005-2006 2 <sup>nd</sup> interim	26.06.2006	01.08.2006	01.08.2013
2006-2007 Interim	26.10.2006	02.12.2006	02.12.2013

### PERTAINING TO ERSTWHILE LAKSHMI AUTO COMPONENTS LIMITED AMALGAMATED WITH THE COMPANY

Financial Year	Date of declaration	Date of transfer to special account	Date of transfer to IEPF
1999-2000 Interim	25.05.2000	12.07.2000	12.07.2007
2000-2001	12.09.2001	18.10.2001	18.10.2008
2001-2002 Interim	01.03.2002	06.04.2002	06.04.2009
2002-2003 Interim	09.06.2003	15.07.2003	15.07.2010
2003-2004 Interim	17.10.2003	22.11.2003	22.11.2010

Reminders are sent to investors periodically advising them to encash the unclaimed dividends before transferring the unclaimed dividends to IEPF. Members are requested to note that as per the Companies Act, 1956, unclaimed dividends once transferred to IEPF will not be refunded.

## TVS MOTOR COMPANY LIMITED

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### Declaration pursuant to Clause 49 of the listing agreement regarding adherence to the Code of Business Conduct and Ethics.

The shareholders of the Company  
TVS Motor Company Limited  
29 Haddows Road  
Chennai 600 006

On the basis of the written representations received from Members of the Board and Senior Management Personnel as at 31<sup>st</sup> March 2007 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.

Place: Chennai  
Date : 28<sup>th</sup> June 2007

T S RAJAGOPALAN  
Secretary

VENU SRINIVASAN  
Chairman & Managing Director

## TVS MOTOR COMPANY LIMITED

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### Auditors' certificate on compliance of the provisions of the code of Corporate Governance in the listing agreement.

To

The shareholders of TVS Motor Company Limited, Chennai.

We have examined the compliance of conditions of Corporate Governance by TVS Motor Company Limited, Chennai for the year ended 31<sup>st</sup> March 2007, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the company's management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the 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 grievances are pending for a period exceeding one month against the company as per the records maintained by the Investors' Grievances 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 Sundaram & Srinivasan  
*Chartered Accountants*

M BALASUBRAMANIAM  
*Partner*  
Membership No. F7945

Chennai  
June 28, 2007



## Auditors' report to the shareholders

We have audited the attached Balance Sheet of M/s. TVS Motor Company Limited, Chennai 600 006 as at 31<sup>st</sup> March 2007, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, both 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.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These 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 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 management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
  2. As required by the Companies (Auditor's Report) Order, 2003 and amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government 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 paragraph 4 and 5 of the said Order.
  3. Further to our comments in the annexure referred to above, we state that –
    - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
    - (ii) In our opinion, proper books of account, as required by law, have been kept by the company so far as 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 account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and the 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) On the basis of written representations received from the directors, as on 31<sup>st</sup> March 2007 and taken on record by the board of directors, we report that none of the directors is disqualified from being appointed as a director of the company in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together 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 so far as it relates to the Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2007;
    - b. in so far as it relates to the Profit and Loss Account, of the Profit of the company for the year ended on that date; and
    - c. in so far as it relates to the Cash Flow Statement, of the cash flows for the year ended on that date.

Chennai  
June 28, 2007

For Sundaram & Srinivasan  
*Chartered Accountants*  
M BALASUBRAMANIYAM  
*Partner*  
Membership No.F7945

Annexure referred to in our report of even date on the accounts for the year ended 31<sup>st</sup> March 2007

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification at reasonable intervals, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The assets disposed off during the year are not substantial and therefore do not affect the going concern status of the company.
- (ii) (a) The inventory other than in-transit has been physically verified at reasonable intervals during the year by the management. In our opinion the frequency of such verification is adequate. In respect of inventory with third parties which have not been physically verified, there is a process of obtaining confirmation from such parties.
- (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) In our opinion, the company has maintained proper records of inventory. The discrepancies between the physical stocks and the book stocks were not material and have been properly dealt with in the books of account.
- (iii) (a) During the year the company has granted loans and advances to three companies covered in the register maintained under Section 301 of the Companies Act, 1956 amounting to Rs.45.95 crores. (Balance due as at the year end Rs.5.87 crores).
- (b) In our opinion the rate of interest and other terms and conditions of such loans and advances made are not prima facie prejudicial to the interest of the company.
- (c) The receipt of principal amount and interest thereon were regular.
- (d) As on the date of Balance Sheet there was no overdue amount recoverable on the said loans and advances.
- (e) During the year the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the contracts or arrangements that need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 have been properly entered in the said register.
- (b) In our opinion and according to the information and explanations given to us, the transactions entered in the register maintained under Section 301 and exceeding during the financial year by Rupees five lakhs in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposit from the public.
- (vii) The company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the Central Government under section 209 (1)(d) of the Companies Act, 1956 for maintenance of cost records in respect of automotive two-wheelers and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the records provided to us, the company is regular in depositing undisputed statutory dues including Provident fund, Employees' state insurance, Investor education and protection fund, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31<sup>st</sup> March 2007 for a period of more than six months from the date they became payable.

- (c) According to the information and explanations given to us, the following are the details of the disputed dues, that were not deposited with the concerned authorities:

Name of the statute	Nature of dues	Amount (Rs. in crores)	Forum where the dispute is pending
Central Excise Act, 1944	Cenvat / Excise duties	13.41	Central Excise and Service Tax Appellate Tribunal
Tamilnadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990	Entry Tax	2.50	High Court of Judicature at Madras, Chennai
Customs Act, 1962	Customs Duty	1.13	Commissioner of Customs, Chennai
Finance Act, 1994	Service tax	9.43	Commissioner of Central Excise, Chennai III
Karnataka Electricity (Taxation on Consumption) Act, 1959	Electricity Tax	0.15	High Court of Judicature at Bangalore
The Tamil Nadu Tax on Consumption or Sale of Electricity Act, 2003	Electricity Tax	0.30	Supreme Court of India
Income Tax Act, 1961	Income Tax & Interest thereon	a) 7.03	Supreme Court of India
		b) 6.31	Income Tax Appellate Tribunal, Chennai
		c) 4.26	High Court of Judicature at Madras
		d) 35.12	Commissioner of Income-Tax, Appeals, Chennai

- (x) The company neither has no accumulated losses as at the end of the financial year nor has incurred cash losses during the financial year and in the immediately preceding year.
- (xi) Based on our verification and according to the information

and explanations given by the management, the company has not defaulted in repayment of dues to its banks.

- (xii) Based on our examination and according to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit / nidhi / mutual benefit fund / society and as such this clause of the order is not applicable.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments other than in mutual fund instruments.
- (xv) In our opinion the terms and conditions of guarantees given by the company for loans taken by others are not prejudicial to the interests of the company.
- (xvi) The term loans availed by the company were utilised for the purpose for which the loans were obtained. Part of these loans which remain unutilised was deployed in interest bearing deposits.
- (xvii) On the basis of our examination, the company has not used funds raised on short term basis for long term investments.
- (xviii) During the year the company has not allotted any shares on preferential basis to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) During the year, the company has not issued any secured debentures.
- (xx) During the year the company has not raised any money by public issue.
- (xxi) Based on the audit procedures adopted and information and explanations given to us by the management, No fraud on or by the company has been noticed or reported during the course of our audit.

Chennai  
June 28, 2007

For Sundaram & Srinivasan  
Chartered Accountants  
M BALASUBRAMANIAM  
Partner  
Membership No.F7945

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# Accounts

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Balance Sheet as at 31st March 2007

	Schedule number	Rupees in crores	
		As at 31-03-2007	As at 31-03-2006
<b>I SOURCES OF FUNDS</b>			
1 Shareholders' funds			
(a) Capital	I	23.75	23.75
(b) Reserves and surplus	II	<u>785.52</u>	<u>742.37</u>
		809.27	766.12
2 Loan funds			
(a) Secured loans	III	446.16	308.61
(b) Unsecured loans	IV	<u>187.40</u>	<u>76.43</u>
		633.56	385.04
3 Deferred tax liability (net of deferred tax asset)		159.01	149.01
Total		<u>1,601.84</u>	<u>1,300.17</u>
<b>II APPLICATION OF FUNDS</b>			
1 Fixed assets			
(a) Gross block		1,483.01	1,378.41
(b) Less: Depreciation		<u>685.93</u>	<u>611.63</u>
(c) Net block	V	797.08	766.78
(d) Capital work-in-progress	VI	205.83	54.68
2 Investments	VII	344.74	344.19
3 Current assets, loans and advances			
(a) Inventories	VIII	396.56	357.90
(b) Sundry debtors	IX	111.40	58.19
(c) Cash and bank balances	X	86.56	24.35
(d) Other current assets	XI	0.30	0.30
(e) Loans and advances	XII	<u>227.58</u>	<u>214.88</u>
Total (A)		<u>822.40</u>	<u>655.62</u>
Current liabilities and provisions			
(a) Current liabilities	XIII	577.02	524.46
(b) Provisions	XIV	<u>49.73</u>	<u>62.44</u>
Total (B)		<u>626.75</u>	<u>586.90</u>
Net current assets (A - B)		195.65	68.72
4 Miscellaneous expenditure to the extent not written off or adjusted	XV	<u>58.54</u>	<u>65.80</u>
Total		<u>1,601.84</u>	<u>1,300.17</u>
Notes on accounts	XXI		

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President – Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2007

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

Profit and Loss Account for the year ended 31st March 2007

		Rupees in crores	
	Schedule number	Year ended 31-03-2007	Year ended 31-03-2006
Gross sales		4,473.44	3,731.75
Less: Excise duty		618.48	496.79
Net sales		3,854.96	3,234.96
Other income	XVI	73.23	71.00
Raw materials and components consumed	XVII	2,903.37	2,321.09
Salaries and wages, stores consumed and other expenses	XVIII	812.41	707.67
Miscellaneous expenditure	XIX	1.88	1.72
Profit before Interest, depreciation and tax		210.53	275.48
Interest (net)	XX	32.08	13.12
Depreciation		87.60	93.91
Profit before tax		90.85	168.45
Provision for taxation		9.50	45.00
Provision for fringe benefit tax		4.75	5.95
Provision for deferred tax		10.00	0.50
Profit for the year (after tax)		66.60	117.00
Balance profit brought forward		35.50	38.21
Tax relating to earlier years		—	5.50
Profit for the year (after tax)		66.60	117.00
Total		102.10	160.71
Tax relating to earlier years		0.32	—
Interim dividend paid		16.63	16.63
II Interim dividend payable		—	14.25
Dividend tax paid		2.33	2.33
Proposed dividend		3.56	—
Provision for dividend tax		0.61	2.00
Transfer to general reserves		49.56	90.00
Balance surplus carried forward to Balance Sheet		29.09	35.50
Total		102.10	160.71
Nominal value of each share in rupees		1.00	1.00
Earnings per share in rupees on 23,75,43,557 shares		2.80	4.93
Diluted earnings per share in rupees		2.80	4.93

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President – Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2007

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

Schedules

	Rupees in crores	
	As at 31-03-2007	As at 31-03-2006
<b>I CAPITAL</b>		
Authorised 25,00,00,000 Equity shares of Re. 1/- each	25.00	25.00
	<u>25.00</u>	<u>25.00</u>
Issued, subscribed and paid-up		
(a) 23,10,00,700 Equity shares of Re. 1/- each Out of the above 23,10,00,000 equity shares of Re. 1/- each were allotted for consideration other than cash to the shareholders of erstwhile transferor company viz. Sundaram Auto Engineers (India) Limited, Chennai	23.10	23.10
(b) 65,42,857 Equity shares of Re. 1/- each allotted to the shareholders of amalgamated company viz. Lakshmi Auto Components Limited, Chennai	0.65	0.65
	<u>23.75</u>	<u>23.75</u>
<b>II RESERVES AND SURPLUS</b>		
(a) Capital reserves		
(i) On shares forfeited As per last Balance Sheet (Rs. 55,200/-)	—	—
(ii) On surplus arising out of amalgamation	6.43	6.43
(b) General reserves		
As per last Balance Sheet	700.44	
Add: Transfer from Profit and Loss Account	<u>49.56</u>	
	750.00	700.44
(c) Surplus		
Balance in Profit and Loss Account	29.09	35.50
	<u>785.52</u>	<u>742.37</u>
<b>III SECURED LOANS</b>		
From banks		
External commercial borrowings secured by a first charge on specified fixed assets on an exclusive basis	446.16	308.61
	<u>446.16</u>	<u>308.61</u>
<b>IV UNSECURED LOANS</b>		
(a) From banks	104.14	34.12
(b) From others	72.20	32.56
(c) Other deposits	11.06	9.75
	<u>187.40</u>	<u>76.43</u>

Schedules – (continued)

V FIXED ASSETS

Rupees in crores

Description	Land	Buildings	Plant & machinery, tools, dies and jigs	Furniture & fixtures, equipments	Vehicles	Other fixed assets @	Total	
							As at 31-03-2007	As at 31-03-2006
Cost of assets								
As at 01-04-2006	60.86	131.06	1,129.66	46.61	5.67	4.55	1,378.41	1,287.22
Additions	5.79	3.55	115.69	3.65	1.27	0.09	130.04	102.43
Sales / deletion	—	—	23.49	1.27	0.68	—	25.44	11.24
Total	66.65	134.61	1,221.86	48.99	6.26	4.64	1,483.01	1,378.41
Depreciation								
Upto 31-03-2006	—	27.75	542.15	33.97	3.51	4.25	611.63	523.64
For the year	—	4.25	78.67	3.51	0.83	0.34	87.60	93.91
Withdrawn on assets sold/deleted	—	—	11.51	1.21	0.58	—	13.30	5.92
Total	—	32.00	609.31	36.27	3.76	4.59	685.93	611.63
Written down value								
As at 31-03-2007	66.65	102.61	612.55	12.72	2.50	0.05	797.08	—
As at 31-03-2006	60.86	103.31	587.51	12.64	2.16	0.30	—	766.78

@ Vide note no. 1(t)

Rupees in crores

VI CAPITAL WORK-IN-PROGRESS

	As at 31-03-2007	As at 31-03-2006
(a) Building under construction	58.26	15.41
(b) Machinery in transit/installation (including R & D Rs. 21.82 crores - last year Rs. 3.88 crores)	92.06	11.56
(c) Expenditure pending allocation (to be capitalised)		
Research and Development expenses	32.42	14.92
Salaries, wages and allowances	4.22	2.88
Rent	0.24	0.24
Travel and conveyance	0.46	0.19
Other expenses	18.17	9.48
	55.51	27.71
	<u>205.83</u>	<u>54.68</u>



Schedules – (continued)

		Rupees in crores	
		As at 31-03-2007	As at 31-03-2006
<b>VII INVESTMENTS (AT COST)</b>			
<b>(A) LONG TERM</b>			
<b>(a) Trade - quoted</b>			
(i)	2,89,200 Equity shares of Rs. 5/- each fully paid up in Suprajit Engineering Company Limited, Bangalore	0.08	0.08
(ii)	91,760 Equity shares of Rs. 10/- each fully paid up in Ucal Fuel Systems Limited, Chennai	0.25	0.25
(iii)	1,64,52,192 Equity shares of Rs. 10/- each fully paid up in TVS Finance and Services Limited, Chennai	16.61	16.61
<b>(b) Trade - Unquoted</b>			
(i)	37,00,000 Equity shares of Rs. 10/- each fully paid up in Sundaram Auto Components Limited, Chennai - Subsidiary company	17.50	17.50
(ii)	1,70,801 Ordinary Shares of Euro 100/- each fully paid up in TVS Motor Company (Europe) B.V., Amsterdam - Subsidiary company	91.63	91.63
(iii)	1,14,91,260 Ordinary Shares of Sing \$ 1/- each fully paid up in TVS Motor (Singapore) Pte. Limited, Singapore - Subsidiary company	30.51	30.51
(iv)	3,03,10,000 - 9% Non-cumulative non-convertible redeemable preference shares of Rs. 10/- each fully paid up in TVS Finance and Services Limited, Chennai	30.31	30.31
(v)	4,00,00,000 - 6% Non-cumulative non-convertible redeemable preference shares of Rs. 10/- each fully paid up in TVS Finance and Services Limited, Chennai	40.00	40.00
<b>(c) Non-trade - quoted</b>			
	13,38,527 - 6.75% Tax free bonds of Unit Trust of India, Mumbai	14.08	14.08
<b>(d) Non-trade - unquoted</b>			
	National savings certificates (deposited with sales tax authorities - Rs. 37,100/-)	—	—
	<b>Total - Long term investments (A)</b>	<b>240.97</b>	<b>240.97</b>
<b>(B) SHORT TERM</b>			
<b>Non-trade - quoted</b>			
(i)	8.30% bonds of Unit Trust of India	1.00	—
(ii)	Sundaram Asset Management Company Limited, Chennai - Sundaram Capex Opportunities Growth Fund	—	6.88
(iii)	Sundaram Asset Management Company Limited, Chennai - Sundaram Fixed term plan Series I	—	2.40
(iv)	Sundaram Asset Management Company Limited, Chennai - Sundaram Equity Multiplier - Growth Fund	0.96	—
(v)	HDFC Asset Management Company Limited, Mumbai - FMP 13 M	5.00	5.00
(vi)	HDFC Asset Management Company Limited, Mumbai - Cash Management Fund	—	2.97
(vii)	HDFC Asset Management Company Limited, Mumbai - Long Term Equity Fund	5.00	5.00

Schedules – (continued)

VII INVESTMENTS (AT COST) - (continued)		Rupees in crores	
		As at 31-03-2007	As at 31-03-2006
(B)	SHORT TERM (contd.)		
(viii)	Birla Mutual Fund, Mumbai - Birla Fixed Term Quarterly Series 6	1.00	—
(ix)	HSBC Asset Management India Private Limited, Mumbai - Unique Opportunities Fund	1.00	—
(x)	HSBC Asset Management India Private Limited, Mumbai - HSBC Fixed Term 13	5.00	5.00
(xi)	HSBC Asset Management India Private Limited, Mumbai - Advantage India Fund	—	10.74
(xii)	Tata Asset Management Limited, Mumbai - Tata Fixed Horizon Fund	2.02	—
(xiii)	Kotak Mahindra Asset Management Company Limited, Mumbai - Kotak FMP Series 25	3.00	3.00
(xiv)	Kotak Mahindra Asset Management Company Limited, Mumbai - Kotak Life Style Growth Fund	—	5.00
(xv)	Prudential ICICI Asset Management Company Limited, New Delhi - Prudential Equity & Derivatives Fund	5.00	—
(xvi)	Prudential ICICI Asset Management Company Limited, New Delhi - Prudential Discovery Fund	23.00	—
(xvii)	Prudential ICICI Asset Management Company Limited, New Delhi - Prudential ICICI Institutional Liquid Plan	—	5.43
(xviii)	Prudential ICICI Asset Management Company Limited, New Delhi - Prudential ICICI Fusion Fund	5.00	5.00
(xix)	SBI Mutual Fund, Mumbai - SBI Contra Fund	5.00	—
(xx)	SBI Mutual Fund, Mumbai - SBI Blue Chip Fund	—	7.29
(xxi)	Deutsche Asset Management India Private Limited, Mumbai - Deutsche FTP Series 9	2.00	—
(xxii)	Deutsche Asset Management India Private Limited, Mumbai - Deutsche Alpha Equity Fund	2.00	—
(xxiii)	Deutsche Asset Management India Private Limited, Mumbai - Fixed term Series	—	7.00
(xxiv)	Standard Chartered Asset Management Company Private Limited, Mumbai - SC Arbitrage Fund	3.04	—
(xxv)	Standard Chartered Asset Management Company Private Limited, Mumbai - Standard Chartered Liquidity Manager	—	1.56
(xxvi)	Standard Chartered Asset Management Company Private Limited, Mumbai - Grindlays FMP Plan - III	1.00	—
(xxvii)	Reliance Capital Asset Management Limited, Ahmedabad - Reliance Equity Fund	—	5.00
(xxviii)	DSP Merrill Lynch Fund Managers Limited, Mumbai - TIGER Equity Fund	4.10	0.15
(xxix)	DSP Merrill Lynch Fund Managers Limited, Mumbai - Liquidity Fund	—	1.80
(xxx)	DSP Merrill Lynch Fund Managers Limited, Mumbai - Equity Fund	—	7.00
(xxxi)	DSP Merrill Lynch Fund Managers Limited, Mumbai - DSP Top 100 Equity Fund	7.64	—
(xxxii)	DSP Merrill Lynch Fund Managers Limited, Mumbai - Small & Mid cap Fund	5.01	—

Schedules – (continued)

		Rupees in crores	
		As at	As at
		31-03-2007	31-03-2006
<b>VII INVESTMENTS (AT COST) - (continued)</b>			
<b>(B) SHORT TERM (contd.)</b>			
(xxxiii)	Unit Trust of India, Mumbai - UTI Contra Fund	—	5.00
(xxxiv)	Unit Trust of India, Mumbai - UTI Leadership Equity Fund	—	10.00
(xxxv)	Unit Trust of India, Mumbai - UTI Growth Sector Fund	6.00	—
(xxxvi)	ING Vysya Mutual Fund Limited, Mumbai - ING Vysya ATM Fund	—	2.00
(xxxvii)	ING Vysya Mutual Fund Limited, Mumbai - ING Vysya Dynamic Allocation Fund	2.00	—
(xxxviii)	DBS Cholamandalam Mutual Fund, Mumbai - Chola FMP Series 5	3.00	—
(xxxix)	Principal Mutual Fund Limited, Mumbai - Principal Resurgent India Equity Fund	2.00	—
(xl)	Principal Mutual Fund Limited, Mumbai - Principal FMP 91 days	2.00	—
(xli)	Optimix Equity Multi Manager FOF Scheme - Growth Fund	2.00	—
	Total short term investments	<u>103.77</u>	<u>103.22</u>
	Grand total - Investments	<u>344.74</u>	<u>344.19</u>
	Market value of quoted investments - Rs.137.38 crores - (last year Rs.147.31 crores)		

**VIII INVENTORIES**

* Raw materials and components	114.74	86.12
* Work-in-process	22.52	18.62
* Finished goods	120.79	162.41
* Stock of dies, moulds and tools	74.39	56.25
* Stores	19.22	20.59
Goods-in-transit	44.90	13.91
	<u>396.56</u>	<u>357.90</u>
(* as certified by chairman and managing director)		

**IX SUNDRY DEBTORS - UNSECURED**

(a) Debts outstanding for a period exceeding six months		
(i) Considered good	23.58	18.65
(ii) Considered doubtful	2.36	—
(b) Other debts - considered good	87.82	39.54
	<u>113.76</u>	<u>58.19</u>
Less: Provision for doubtful debts	2.36	—
	<u>111.40</u>	<u>58.19</u>

**X CASH AND BANK BALANCES**

(a) Cash and cheques on hand	0.16	0.13
(b) With scheduled banks		
(i) in current accounts	11.64	2.72
(ii) in cash credit accounts	3.02	6.45
(iii) in term deposit accounts	71.74	15.05
	<u>86.56</u>	<u>24.35</u>

## TVS MOTOR COMPANY LIMITED

### Schedules – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
<b>XI OTHER CURRENT ASSETS</b>		
Interest accrued on non-trade quoted investments	0.30	0.30
	<u>0.30</u>	<u>0.30</u>
<b>XII LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD</b>		
(a) Advances recoverable in cash or in kind or for value to be received	184.31	184.80
(b) Inter corporate deposits	15.81	29.19
(c) Other deposits	11.45	0.89
(d) Advance payment of tax less provision	16.01	—
	<u>227.58</u>	<u>214.88</u>
<b>XIII CURRENT LIABILITIES</b>		
Sundry creditors	577.02	524.46
	<u>577.02</u>	<u>524.46</u>
<b>XIV PROVISIONS</b>		
(a) Pension fund	32.04	32.49
(b) Leave salary	5.00	4.81
(c) Warranty	7.34	7.25
(d) Interim dividend payable	—	14.25
(e) Dividend tax	0.61	2.00
(f) Taxation less advance payments	—	1.06
(g) Fringe benefit tax less advance payments	1.18	0.58
(h) Proposed dividend	3.56	—
	<u>49.73</u>	<u>62.44</u>
<b>XV MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)		
(a) New product launch expenses	52.32	58.00
(b) External commercial borrowings upfront fees	6.22	7.80
	<u>58.54</u>	<u>65.80</u>
<b>XVI OTHER INCOME</b>		
(a) Miscellaneous income	52.45	46.16
(b) Dividend from subsidiary company	2.77	0.97
(c) Dividend from others	9.04	4.99
(d) Profit on sale of fixed assets	2.69	0.96
(e) Profit on sale of investments	6.28	17.92
	<u>73.23</u>	<u>71.00</u>
<b>XVII RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening stock:		
Raw materials	86.12	55.78
Work-in-process	18.62	19.18
Finished goods	162.41	101.15
	<u>267.15</u>	<u>176.11</u>
Purchase of raw materials and components	2,894.27	2,412.13
Total (A)	<u>3,161.42</u>	<u>2,588.24</u>
Closing stock:		
Raw materials	114.74	86.12
Work-in-process	22.52	18.62
Finished goods	120.79	162.41
Total (B)	<u>258.05</u>	<u>267.15</u>
(A - B)	<u>2,903.37</u>	<u>2,321.09</u>

Schedules – (continued)

	Rupees in crores	
	Year ended 31-03-2007	Year ended 31-03-2006
<b>XVIII SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES</b>		
* (a) Salaries, wages and allowances (includes commission to managing director Rs. 0.88 crores (last year Rs.1.67 crores) vide computation annexed)	138.76	121.64
* (b) Workmen and staff welfare expenses	21.83	18.78
* (c) Contribution to provident and other funds	11.68	16.45
* (d) Stores and tools consumed	42.53	38.69
* (e) Power and fuel	43.10	36.47
* (f) Rent	5.05	4.45
(g) Rates and taxes	11.68	14.89
* (h) Repairs and maintenance:		
(i) buildings	1.97	2.36
(ii) machinery	24.26	19.69
(iii) other assets	3.27	2.84
(i) Insurance	3.00	2.44
(j) Directors' sitting fees	0.07	0.06
(k) Commission to independent directors	0.18	0.22
(l) Audit fees	0.24	0.22
* (m) Travel and conveyance	19.69	14.41
* (n) Packing and freight charges	112.67	87.42
* (o) Advertisement and publicity (includes new product launch expenses of Rs. 38.76 crores - last year Rs. 31.40 crores)	162.82	133.18
* (p) Other marketing expenses	129.68	125.39
* (q) Other expenses	70.42	59.68
(r) Commission to selling agents	8.59	7.42
(s) Cash discount	0.15	0.25
(t) Loss on sale / scrapping of fixed assets	0.77	0.72
	<u>812.41</u>	<u>707.67</u>
*net of recoveries		
<b>XIX MISCELLANEOUS EXPENDITURE WRITTEN OFF</b>		
External commercial borrowings upfront fees written off	<u>1.88</u>	<u>1.72</u>
	<u>1.88</u>	<u>1.72</u>
<b>XX INTEREST</b>		
(a) On fixed loans	25.09	15.02
(b) Others	17.26	5.97
Total (A)	<u>42.35</u>	<u>20.99</u>
Less: Interest income		
(a) On non-trade investments (gross)	0.90	0.90
(b) On advances and deposits (gross)	9.37	6.97
Total (B)	<u>10.27</u>	<u>7.87</u>
(A - B)	<u>32.08</u>	<u>13.12</u>

Schedules – (continued)

Rupees in crores  
As at/  
Year ended  
31-03-2007      As at/  
Year ended  
31-03-2006

XXI NOTES ON ACCOUNTS

1 ACCOUNTING STANDARDS

(a) AS - 1 Disclosure of accounting policies

The accounts are maintained on accrual basis as a going concern.

(b) AS - 2 Valuation of inventories

Inventories are valued in accordance with the method of valuation prescribed by The Institute of Chartered Accountants of India at weighted average rates.

(c) AS - 3 Cash flow statements

The cash flow statement is prepared under “indirect method” and the same is annexed.

(d) AS - 4 Contingencies and events occurring after the Balance Sheet date

Disclosure of contingencies as required by the Accounting Standard is furnished in note no. 12.

(e) AS - 5 Net profit or loss for the period, prior period items and changes in accounting policies

Details of prior period debits to Profit and Loss Account:

(i) Security Transaction Tax	0.19	—
(ii) Commission and brokerage	—	0.67
(iii) Provident fund administration charges	—	0.10

(f) AS - 6 Depreciation accounting

Depreciation has been provided under the straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956 with the applicable shift allowance.

In respect of assets added / assets sold during the year pro-rata depreciation has been provided at the rates prescribed under Schedule XIV.

Depreciation in respect of Computers and Vehicles has been provided at 30% and 18% respectively which is higher than the rates prescribed under Schedule XIV.

Depreciation in respect of tools and dies has been provided based on the quantity of components manufactured.

Depreciation in respect of assets acquired during the year whose actual cost does not exceed Rs. 5,000/- has been provided at 100%.

(g) AS - 9 Revenue recognition

The income of the company is derived from sale of automotive vehicles, parts thereof and engine oil, net of trade discount and includes realised exchange fluctuations on exports.

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend from investments in shares/units is recognised when the company/ Mutual Fund in which they are held declares the dividend and the right to receive the same is established.

The revenue and expenditure are accounted on a going concern basis.

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
(h)	AS - 10 Accounting for fixed assets		
	All the fixed assets are valued at cost including expenditure incurred in bringing them to usable condition less depreciation.		
	Land includes land acquired under 21 years lease from Karnataka Industrial Area Development Board (KIADB) at a cost of Rs. 3.89 crores at Mysore and Rs. 4.01 crores at Anekal Taluk, Bangalore District.		
	Building includes building constructed on leasehold land	1.33	1.33
	Cost of vehicles includes vehicles acquired under finance lease	—	0.36
(i)	AS - 11 Accounting for effects in foreign exchange rates		
	Purchase of imported raw materials, components, spare parts and capital goods are accounted based on retirement memos from banks. In respect of liabilities on import of raw materials, components, spare parts and capital goods which are in transit and where invoices / bills are yet to be received, the liability is accounted based on the advance copies of documents at the market exchange rate prevailing on the date of the Balance Sheet.		
	The foreign currency loans and deposits held outside India in foreign currency were restated as on 31st March 2007 as per the requirements of Accounting Standard 11 and the net gain (last year loss) arising out of such restatement amounting to Rs. 7.30 crores (last year Rs. 1.09 crores) is credited (last year debited) to Profit and Loss Account.		
	Sales include realised exchange fluctuation on exports.		
	Derivative Instruments		
	Interest Rate Structure (IRS) - The company has entered into seven derivative contracts (last year 1 contract) in respect of external commercial borrowings amounting to Rs. 433.43 crores (last year Rs. 264 crores) (USD 100 mn. - last year USD 60 mn.) to convert floating interest rate to fixed interest rate.		
	Currency swaps - The company has entered into five currency swap contracts (last year 3 contracts) in respect of external commercial borrowings amounting to Rs. 324.96 crores (last year Rs. 264 crores) (USD 75 mn.- last year USD 60 mn.) fixing the repayment liability of the company in Indian rupee.		
	Foreign currency exposures not hedged - Floating interest rate and repayment liability in respect of external commercial borrowings amounting to Rs. 121.20 crores (last year Rs. 44.61crores) (USD 27.93 mn. - last year USD 10 mn.)		
	Net exchange difference credited to Profit and Loss Account	13.95	0.13

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
(j) AS - 13 Accounting for Investments		
Investments are valued at cost. Provision for diminution in the carrying cost of investments is made if such diminution is other than temporary in nature in the opinion of the management.		
(i) Investments made during the year:		
DSP Merrill Lynch Investment Managers Limited, Mumbai	62.14	75.08
Deutsche Asset Management India Private Limited, Mumbai	25.30	33.00
Birla Sunlife Asset Management Company Limited, Mumbai	47.00	63.63
Standard Chartered Asset Management Company Limited, Mumbai	62.14	163.75
JM Financial Asset Management Private Limited, Mumbai	2.00	5.00
Reliance Capital Asset Management Limited, Ahmedabad	35.00	12.27
SBI Mutual Fund of State Bank of India, Mumbai	62.88	158.35
Sundaram Asset Management Company Limited, Chennai	51.16	120.59
Tata Asset Management Limited, Mumbai	42.02	4.00
Prudential ICICI Asset Management Company Limited, New Delhi	155.08	263.99
Kotak Mahindra Asset Management Company Limited, Mumbai	19.48	19.17
Franklin Templeton Asset Management (India) Private Limited, Mumbai	48.74	36.93
HSBC Asset Management (India) Private Limited, Mumbai	53.54	66.77
HDFC Asset Management Company Limited, Mumbai	106.00	128.14
ING Vysya Asset Management Company Limited, Mumbai	44.02	37.84
Principal Asset Management Company Private Limited, Chennai	33.21	11.22
ABN Amro Asset Management (India) Limited, Mumbai	16.87	4.19
Cholamandalam Asset Management Company Limited, Mumbai	23.00	6.00
Sundaram Auto Components Limited, Chennai	—	5.00
6.75% Tax free bonds in Unit Trust of India, Mumbai	—	0.33
Unit Trust of India, Mumbai	40.71	28.45
TVS Motor Company (Europe) B.V., Amsterdam	—	91.63
TVS Motor (Singapore) Pte. Limited, Singapore	—	30.51
Fidelity Mutual Fund, Chennai	5.00	—
LIC Mutual Fund, Chennai	5.00	—
Optimix Equity Fund, Chennai	2.00	—
8.3% LIC Bond, Chennai	10.00	—
Total	952.29	1,365.84



Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
(j) AS - 13 Accounting for Investments- (contd.)		
(ii) Investments realised during the year:		
DSP Merrill Lynch Investment Managers Limited, Mumbai	54.34	66.13
Deutsche Asset Management India Private Limited, Mumbai	28.30	31.00
Birla Sunlife Asset Management Company Limited, Mumbai	46.00	63.63
Standard Chartered Asset Management Company Limited, Mumbai	59.68	163.19
JM Financial Asset Management Private Limited, Mumbai	2.00	8.00
Reliance Capital Asset Management Limited, Ahmedabad	40.00	11.27
SBI Mutual Fund of State Bank of India, Mumbai	65.16	157.18
Sundaram Asset Management Company Limited, Chennai	59.48	113.31
Prudential ICICI Asset Management Company Limited, New Delhi	132.50	258.70
Tata Asset Management Limited, Mumbai	40.00	6.00
Kotak Mahindra Asset Management Company Limited, Mumbai	24.48	13.17
Franklin Templeton Asset Management (India) Private Limited, Mumbai	48.74	48.93
HSBC Asset Management (India) Private Limited, Mumbai	63.28	57.03
HDFC Asset Management Company Limited, Mumbai	108.97	123.70
ING Vysya Asset Management Company Limited, Mumbai	44.02	35.84
Principal Asset Management Company Private Limited, Chennai	29.21	11.22
ABN Amro Asset Management (India) Limited, Mumbai	16.87	9.29
Cholamandalam Asset Management Company Limited, Mumbai	20.00	6.00
Unit Trust of India, Mumbai	49.71	13.45
Fidelity Mutual Fund, Chennai	5.00	—
LIC Mutual Fund, Chennai	5.00	—
8.3% LIC Bond, Chennai	9.00	—
Total	<u>951.74</u>	<u>1197.04</u>
The amounts of Rs. 952.29 crores (last year Rs. 1365.84 crores) and Rs. 951.74 crores (last year Rs. 1,197.04 crores) are cumulative figures.		
Cost of investments held as at Balance Sheet date	344.74	344.19
(k) AS - 14 Accounting for amalgamations		
During the year there was no amalgamation.		
(l) AS - 15 Accounting for retirement benefits		
(i) Contributions to provident fund are made to a recognised trust.		
(ii) Provision for leave salary to employees is made on the basis of actuarial valuation.		
(iii) Provision for pension for senior managers is made on actuarial valuation basis for current and past services.		
(iv) Contributions to gratuity and superannuation fund are made to Life Insurance Corporation of India in accordance with the scheme framed by the Corporation.		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
(m)	AS - 16 Borrowing cost The borrowing costs have been treated in accordance with Accounting Standard on Borrowing Cost (AS-16) issued by The Institute of Chartered Accountants of India. Amount of borrowing costs attributable to qualifying assets capitalised during the year.	5.28	—
(n)	AS - 17 Segment reporting The company operates in only one segment viz., automotive vehicles. Hence the Accounting Standard on segment reporting (AS-17) is not applicable.		
(o)	AS - 18 Related party disclosure Disclosure is made as per the requirements of the standard and the same is annexed.		
(p)	AS -19 Leases		
	(i) Asset acquired under finance lease - vehicles - original cost	—	0.36
	(ii) The net carrying amount as on 31st March	—	0.07
	(iii) Minimum lease payments		
	– not later than one year - not discounted	—	0.07
	– later than one year but not later than five years- not discounted	—	—
	– later than five years - not discounted	—	—
	(iv) Present value of minimum lease payments		
	– not later than one year - discounted	—	0.03
	– later than one year but not later than five years - discounted	—	—
	– later than five years - discounted	—	—
	(v) Contingent rents recognised as income in the statement of Profit and Loss Account	—	—
	(vi) The total of future minimum sub-lease payment expected to be received under non-cancellable sub-leases as on 31st March	—	—
	(vii) General description of the leasing arrangements		
	– Nature of facility :		Finance lease
	– Restriction imposed by lease arrangement		- Nil-
(q)	AS - 20 Earnings per share Disclosure is made in the Profit and Loss Account as per the requirements of the standard.		
(r)	AS - 21 Consolidated financial statements Consolidated financial statements of the company and its subsidiaries are enclosed.		
(s)	AS - 22 Accounting for taxes on income Current tax is determined as the amount of tax payable in respect of taxable income for the period. The provision for tax for the year ended 31st March 2007 is made in accordance with the provisions of Section 115JB of the Income Tax Act, 1961 (i.e., Minimum Alternate Tax).		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
Deferred tax liability and asset are recognised based on timing difference using the tax rates substantively enacted on the Balance Sheet date.		
(i) Deferred tax liability consists of:		
- tax on depreciation	150.50	132.27
- tax on amortisation of dies and moulds	21.24	12.66
- tax on expenses admissible on payment basis under Income-tax Act, 1961	25.46	22.58
(A)	197.20	167.51
(ii) Deferred tax asset consists of:		
- tax on provision in respect of expenditure which will be allowed under the Income-tax Act, 1961 only on payment basis	21.86	18.50
- Unabsorbed depreciation	16.33	—
(B)	38.19	18.50
Deferred tax liability (net of deferred tax asset) (A)-(B) -refer Balance Sheet	159.01	149.01
t) AS - 26 Accounting for intangible assets		
During the year the company acquired the following assets falling under the definition of intangible assets as per the Accounting Standard and the following disclosure is made in respect of those assets:		
Software		
- Estimated useful life of the asset	2 years	2 years
- Amortisation rates used	50% each year as depreciation	50% each year as depreciation
- Gross carrying amounts at the beginning and at the end of the period together with additions and deletions during the year		
Opening balance	4.55	4.13
Additions during the year	0.09	0.42
Total	4.64	4.55
Amortised as depreciation	4.59	4.25
Closing balance	0.05	0.30
(u) AS - 27 Capital commitments of reporting entity in joint venture:		
Equity participation in TVS Andina Sociedad Anonima (S.A.), Colombia, by reporting entity is at 26% of 500 million Colombian Pesos (Rs. 0.28 crores approx). As the joint venture is yet to commence business, reporting on the share of the controlled assets, liabilities, income and expenses of the joint venture does not arise.		
(v) AS - 28 Impairment of assets		
As on the Balance Sheet date the carrying amounts of the assets net of accumulated depreciation is not less than the recoverable amount of those assets. Hence there is no impairment loss on the assets of the company.		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
(w)	AS - 29 Provisions, contingent liabilities and contingent assets		
(i)	Provisions In respect of warranty obligations provision is made in accordance with terms of sale of vehicles vide schedule XIV (c) to the Balance Sheet.		
(ii)	Contingent liabilities The amount for which the company is contingently liable is disclosed in note 12.		
(iii)	Contingent assets which are likely to give rise to the possibility of inflow of economic benefits - Refund receivable from central excise department	—	1.43
(iv)	Contested liabilities are detailed in note no. 13.		
2	Share capital Sundaram-Clayton Limited, Chennai holds 2,10,00,000 equity shares of Re. 1/- each while its wholly owned subsidiary Anusha Investments Limited, Chennai holds 11,40,00,000 equity shares of Re. 1/- each. This aggregates to 56.8% of the share capital of the company.		
3	Amount of loan payable within one year : Unsecured - from banks	104.14	34.12
4	Land Title deeds in respect of land acquired near Ahmedabad in Gujarat at a cost of Rs. 0.01 crore is yet to be received from the registration authorities.		
5	Capital work-in progress Expenditure pending allocation: The company's unit at Nalagarh in Solan District of Himachal Pradesh was in construction stage as on 31.3.2007. The unit commenced its commercial production on 29.4.2007. The expenditure directly attributable and necessary for bringing the assets like land, building, plant & machinery and electrical installations to working condition have since been capitalised on advalorem basis on 29.4.2007. The company's unit at Hosur in Tamil Nadu for manufacture of three wheelers was in construction stage as on 31.3.2007. The unit is expected to commence its commercial production in 2007-08. The expenditure directly attributable and necessary for bringing the assets like land, building, plant & machinery and electrical installations to working condition will be capitalised on advalorem basis on the date the unit commences commercial production		
6	Sundry debtors include amount due from subsidiary company PT TVS Motor Company Indonesia, Jakarta	39.82	21.13
7	Bank balance includes amount in respect of		
(a)	Unclaimed dividends	0.40	0.82
(b)	Balances lying with non-scheduled banks:		
(i)	HSBC Private Bank (Suisse) SA, Singapore		
	– in 24 hrs call deposit account	23.01	—
	– in deposit account	43.39	—
(ii)	The Hongkong and Shanghai Banking Corpn. Limited., Hongkong		
	– in current account (Current year - Rs. 21,034.19)	—	0.12
	– in deposit account	0.11	—
(iii)	PT Bank Danamon Indonesia Tbk, Jakarta		
	– in current account	—	0.09

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
(c)	Maximum amount invested in non-scheduled banks at any time during the year		
(i)	HSBC Bank Plc, London	—	146.03
(ii)	ICICI Bank Limited, Singapore	67.42	—
(iii)	Deutsche Bank, Singapore	67.70	—
(iv)	HSBC Private Bank (Suisse) SA, Singapore	66.40	—
(v)	The Hongkong and Shanghai Banking Corpn. Limited., Hongkong	0.12	0.80
(vi)	PT Bank Danamon Indonesia Tbk, Jakarta	0.22	0.92
8	Loans and advances include:		
(a)	Loan due from a company under the same management viz. Sundaram-Clayton Limited, Chennai	—	9.00
(b)	Maximum due from the above company at any time during the year	9.00	9.00
(c)	Loan due from subsidiary company -		
(i)	Sundaram Auto Components Limited, Chennai	1.32	9.59
(ii)	TVS Motor Company (Europe) B.V., Amsterdam	4.39	4.16
(iii)	TVS Motor (Singapore) Pte. Limited, Singapore	—	0.03
(d)	Due from an officer of the company	0.05	0.05
(e)	Maximum amount due from an officer of the company at any time during the year	0.05	0.05
9	Deposits include:		
(a)	Deposit with post office (Rs.21,500/-)	—	—
(b)	Deposit with central excise	0.58	0.24
(c)	Deposit with sales tax	0.92	0.89
10	Sundry creditors include:		
(a)	Investor Education and Protection Fund - Unclaimed dividend	0.40	0.82
(b)	Amount due to Small Scale Industrial units	28.30	28.49
(c)	Amount due to other industrial units	371.05	316.69
	Amount payable to Small Scale Industrial units – due more than 30 days but within the entitled credit period of 45 days Accurate Engineering Company; Acma Tools; Addon Engineering Private Limited; Aim Electronics; Alacrity Electronics Limited; Amman Power Printing Press; Apt Pneumatics Private Limited; Auto Shell Perfect Moulders Limited; Bhuvaneshwari Electricals; Bismi Tools & Services; Classic Welding Products Limited; CNC India Tools & Services Private Limited; Concept Engineering; Concept Engineers; Deeyem CNC Machining Private Limited; Diamond Dynamics India Private Limited; Dietech India Private Limited; Duracon Automation; Elctrolink Products Private Limited; Elemec Industries; Elheat Ceramic Engineering Private Limited; Elmech Engineers; Essae Digitronics Private Limited; Essae Excel Private Limited; Fab Machines Private Limited; Federn Fabrik; Fiem Auto Private Limited; Finearc Systems Private Limited; G.I. Auto Private Limited; G.V. Tool Company; Galaxy Instruments Private Limited; Gee Vee Fab; Gem Precision Tool Private Limited; Gramos Chemicals India Private Limited; Hareesh Machine Tools Company; Hindustan Moulds & Dies; Hitech Rolling Balls Private Limited; IEC Air Tools Private Limited; Industrial Hygienic Systems; J. S. Inc; Jason Tools; Jassons Diamond Products; Jaycee Industries; Jitesh Enterprises; Kark Design Tech; Kay Jay Forgings Private Limited; Klipco Private Limited; Kohinoor Printers Private Limited; Kumaran Printers & Binders; Kurkute Brothers Private Limited; Lakhotia Beltings Private Limited; Lakshmi Data Forms; M.D. Fab; M.N.		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
<p>Rama Rao &amp; Co.; Madras Cupprum Metals Private Limited; Mahem Engineering Private Limited; Marvel Gloves Industries; Mechatronics; Mech-Enn; Mehta Engineers Limited.; Mini Machine Tools; Mini Nuts; Mipalloy; Morey Metal Finishers; Multilink; Multitech Metal Impregnations; N.R. Industries; Nu-Tech Rubber Products; Orsett Hydraulics Private Limited; Phiroze Sethna Private Limited; PKN Caps &amp; Polymers Private Limited; Plant Engineering Services; Polyrub Extrusions India; Powertech Pollution Controls Private Limited; Praja Mechanicals Limited.; Precision Compaidd Mouldings Private Limited; Premier Sealing Products; Presscom Products; R.M. Industries; Rajamane Industries Private Limited.; Ramesh &amp; Co; Ramsays Corporation; Rollman Trading Company; Sakthi Engineering; Sankar NP Japan Private Limited; Sansera Engineering Private Limited; Schevaran Laboratories Private Limited; Servewel Industries; Shalibhadra Intermediates Private Limited; Shet-Dass Engineers Private Limited; Shivkson Engineering; Spear Precision Engineers; Sri Ganesh Industries; Sri Parvathi Enterprises; SRV Automations; Stand Parts; Standard Insulations; Sterimed Surgicals (India) Private Limited; Supangita Engineers Private Limited; Switch International Limited; Synchron Machine Tools Private Limited, Syscon Instruments Private Limited; Taurus Private Limited; Thayyil Enterprises; Tool Mac; Trijama Filterall Private Limited; Ucal Auto Private Limited; Udhaya Mens Wear; Ultraseal India Private Limited; Uma Engineering Works; V.V. Printers; Velkalyan Products; Vikman Steel Ball Industries; Vir Rubber Products Private Limited; Yess Dee Enterprises; Zawar Gauges &amp; Tools Private Limited. Wellwin Industry Limited; Automations; Integrated Engineering and Exports Limited; Raha Associates; Superheat Furnaces Private Limited; Sun Engineering Works; Magod Laser Machining Private Limited; EMM ESS Patterns; Ratnalakshmi Precision Tools Private Limited; Meru Precision Industries; Orbital Systems (Bombay) Private Limited; Khaitan Logistics Private Limited; Sri Balamurugan Metal Works.</p>			
<p>Information required under Micro, Small and Medium Enterprises Development Act, 2006:</p>			
<p>The company has written to all its suppliers to ascertain if they are covered by the said Act. No information has been received in reply.</p>			
<p>However, the suppliers' credit terms are generally 45 days within which all payments are made. Hence, the question of payment of interest or provision therefor towards belated payments does not arise.</p>			
11	Miscellaneous expenditure not written off		
	(a) In respect of new product launch expenses Accounting Standard 26 is not applicable as it does not create any intangible asset or a resource. This expenditure is being written off in 36 months.		
	(b) Expenditure incurred in raising external commercial borrowings is being written off over the period of loan.		
12	Contingent liability not provided for:		
	(a) On counter guarantee given to banks	0.65	2.34
	(b) On letters of credit	19.86	35.01
	(c) On guarantee to Housing Development Finance Corporation Limited, Mumbai on loans granted to employees of the company	1.25	1.25
	(d) On bills discounted with banks	79.05	54.39
	(e) Capital commitments not provided for	70.49	37.68
	(f) On obligation arising out of agreements facilitating credit to an associate company	75.00	75.00

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
13	Liability contested and not provided for:		
	(a) Excise	13.41	4.02
	(b) Service Tax	9.43	—
	(c) Customs	1.13	—
	(d) Sales tax	2.50	3.74
	(e) Electricity tax	0.45	0.15
	(f) Income-tax	52.72	21.62
	(g) Employee settlement claims	0.05	0.05
	(h) Land acquisition	0.25	0.25
14	Tax deducted at source on interest income	2.83	1.17
15	Contribution to provident and other funds include:		
	(a) Contribution towards gratuity as per scheme framed by Life Insurance Corporation of India	1.88	3.65
	(b) Contribution towards pension fund	0.25	3.92
16	Repairs include:		
	(a) Wages	3.10	2.76
	(b) Stores consumed	16.28	15.35
17	Audit fees comprise:		
	(a) As statutory auditors	0.16	0.15
	(b) Taxation matters	0.04	0.03
	(c) Certification matters	0.03	0.03
	(d) Cost audit fees	0.01	0.01
	Total	0.24	0.22
18	General		
	(a) Expenses in excess of 1% of total revenue		
	(i) Carriage outwards included in packing and freight charges	92.35	71.11
	(ii) Sales promotion expenses included in other marketing expenses	56.94	49.65
	(b) Other expenses include travel and stay expenses of auditors	0.06	0.05
	(c) Loss on sale of investments netted against profit on sale of investments	1.84	1.85
19	Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores

20 Disclosure made in terms of clause 32 of the listing agreement with stock exchanges

	Particulars	Name of the company	Amount outstanding as at 31-03-2007	Amount outstanding as at 31-03-2006
(a)	Loans and advances			
(i)	Loans and advances in the nature of loans made to subsidiary company	Sundaram Auto Components Limited, Chennai Maximum amount due at any time during the year	1.32 9.59	9.59 20.20
		TVS Motor Company (Europe) B.V., Amsterdam Maximum amount due at any time during the year	4.39 4.39	4.16 4.16
		TVS Motor (Singapore) Pte. Limited, Singapore Maximum amount due at any time during the year	— 0.03	0.03 0.03
(ii)	Loans and advances in the nature of loans made to associate company	TVS Finance and Services Limited, Chennai Maximum amount due at any time during the year	2.67 20.00	— 30.00
(iii)	Loans and advances in the nature of loans made to firms/companies in which directors of the company are interested	TVS Motor Company (Europe) B.V., Amsterdam Maximum amount due at any time during the year	4.39 4.39	4.16 4.16
		TVS Motor (Singapore) Pte. Limited, Singapore Maximum amount due at any time during the year	— 0.03	0.03 0.03
		TVS Finance and Services Limited, Chennai Maximum amount due at any time during the year	2.67 20.00	— 30.00
(b)	Investments by the company			
(i)	In subsidiary companies	Sundaram Auto Components Limited, Chennai (37,00,000 Equity shares of Rs. 10/- each fully paid up) Maximum amount held at any time during the year	17.50 17.50	17.50 17.50
		TVS Motor Company (Europe) B.V., Amsterdam (1,70,801 Ordinary shares of Euro 100/- each fully paid up) Maximum amount held at any time during the year	91.63 91.63	91.63 91.63



Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores

	Particulars	Name of the company	Amount outstanding as at 31-03-2007	Amount outstanding as at 31-03-2006
		TVS Motor (Singapore) Pte. Limited, Singapore (1,14,91,260 Ordinary shares of Sing \$ 1/- each fully paid up) Maximum amount held at any time during the year	30.51 30.51	30.51 30.51
(ii)	In associate company	TVS Finance and Services Limited, Chennai (1,64,52,192 Equity shares of Rs. 10/- each fully paid up, 3,03,10,000 9% non-cumulative non-convertible redeemable preference shares of Rs. 10/- each and 4,00,00,000 6% non-cumulative non-convertible redeemable preference shares of Rs. 10/- each) Maximum amount held at any time during the year	86.92 86.92	86.92 86.92
(c)	Investments by the holding company	Sundaram-Clayton Limited, Chennai together with its subsidiary Anusha Investments Limited, Chennai (13,50,00,000 Equity shares of Re. 1/- each fully paid) Maximum amount held at any time during the year	13.50 13.50	13.50 13.50

Notes:

- (a) The above loans are subject to repayment schedule as agreed between the company and its loanee. The loans are repayable within seven years.
- (b) All the above loans carry interest at agreed rates which are not less than interest stipulated in section 372A of the Companies Act, 1956.
- (c) Investment by the loanee in the shares of the parent company and subsidiary company when the company has made a loan or advance in the nature of loan - Nil

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores

21 Determination of net profit as per sections 349 and 350 of the Companies Act, 1956	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
Profit as per Profit and Loss Account	91.73	170.12
Add: Depreciation as per Profit and Loss Account	87.60	93.91
	<u>179.33</u>	<u>264.03</u>
Less: Depreciation as per section 350 read with Schedule XIV	90.91	97.12
Profit as per section 349	<u>88.42</u>	<u>166.91</u>
Commission payable to managing director at 2% thereof as approved by the shareholders	1.77	3.34
(a) Actual commission provided at 1%	<u>0.88</u>	<u>1.67</u>
(b) Commission to independent directors at 1% of the profit as stated above subject to a ceiling of Rs 3.60 lakhs per director per annum	0.18	0.22

22 Related party disclosure List of related parties Reporting entity Subsidiary companies	TVS Motor Company Limited, Chennai  a) Sundaram Auto Components Limited, Chennai b) TVS Motor Company (Europe) B.V., Amsterdam c) TVS Motor (Singapore) Pte. Limited, Singapore d) PT TVS Motor Company Indonesia, Jakarta
Holding company Fellow subsidiaries	Sundaram-Clayton Limited, Chennai  a) Anusha Investments Limited, Chennai b) TVS Electronics Limited, Chennai c) TVS Investments Limited, Chennai d) Wabco -TVS (India) Limited, Chennai e) Padi Automotive Systems Limited, Chennai f) Sravanaa Properties Limited, Chennai
Associate company  Key management personnel Relative of key management personnel	TVS Finance and Services Limited, Chennai (a subsidiary of TVS Investments Limited, Chennai)  Mr. Venu Srinivasan  Mr. Gopal Srinivasan

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
23 Particulars of transactions with related parties		
(a) Purchase of goods		
– holding company	51.92	49.11
– subsidiary company (Sundaram Auto Components Limited, Chennai)	88.17	120.83
– fellow subsidiary (TVS Electronics Limited, Chennai)	0.01	—
(b) Purchase of fixed assets		
– subsidiary company (Sundaram Auto Components Limited, Chennai)	—	0.02
(c) Sale of fixed assets		
– subsidiary company (Sundaram Auto Components Limited, Chennai)	—	0.65
(d) Rendering of services (including interest received)		
– holding company	0.28	0.81
– subsidiary companies (Sundaram Auto Components Limited, Chennai, TVS Motor Company (Europe) B.V., Amsterdam, TVS Motor (Singapore) Pte. Limited, Singapore)	0.71	1.20
– fellow subsidiary (TVS Electronics Limited, Chennai)	0.05	—
– associate company (TVS Finance and Services Limited, Chennai)	0.35	0.06
(e) Availing of services (includes sub-contract charges paid)		
– holding company	40.80	33.22
– subsidiary company (Sundaram Auto Components Limited, Chennai)	0.34	0.32
– fellow subsidiary (TVS Electronics Limited, Chennai)	0.49	0.62
– associate company (TVS Finance and Services Limited, Chennai)	15.04	10.24
(f) Trade advances made during the year		
– subsidiary companies (Sundaram Auto Components Limited, Chennai, TVS Motor Company (Europe) B.V., Amsterdam, TVS Motor (Singapore) Pte. Limited, Singapore)	3.20	45.44
– fellow subsidiary (TVS Electronics Limited, Chennai)	5.00	—
– associate company (TVS Finance and Services Limited, Chennai)	37.75	15.00
(g) Trade advances received back during the year		
– holding company	9.00	—
– subsidiary company (Sundaram Auto Components Limited, Chennai)	—	37.55
– fellow subsidiary (TVS Electronics Limited, Chennai)	5.00	—
– associate company (TVS Finance and Services Limited, Chennai)	35.08	15.00

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
(h) Amount outstanding as at Balance Sheet date:		
(i) Sundry debtors		
– subsidiary company (PT TVS Motor Company Indonesia, Jakarta)	39.82	21.14
– fellow subsidiary (TVS Electronics Limited, Chennai)	—	0.23
(ii) Loans and advances receivable		
– holding company	—	9.00
– subsidiary companies (Sundaram Auto Components Limited, Chennai, TVS Motor Company (Europe) B.V., Amsterdam, TVS Motor (Singapore) Pte. Limited, Singapore)	5.71	13.78
(iii) Sundry creditors		
– holding company	5.51	17.16
– associate company (TVS Finance and Services Limited, Chennai)	0.35	0.07
(i) Investments made during the year		
– subsidiary companies (Sundaram Auto Components Limited, Chennai, TVS Motor Company (Europe) B.V. , Amsterdam, TVS Motor (Singapore) Pte. Limited, Singapore)	—	127.13
(j) Obligation arising out of agreements facilitating credit to associate company	75.00	75.00
(k) Remuneration to key management personnel and his relative	0.88	1.67

<p>VENU SRINIVASAN <i>Chairman &amp; Managing Director</i></p>	<p>H. LAKSHMANAN <i>Director</i></p>	<p>S.G. MURALI <i>Sr. Vice President – Finance</i></p>	<p>As per our report annexed For Sundaram &amp; Srinivasan <i>Chartered Accountants</i></p>
<p>Chennai June 28, 2007</p>		<p>T.S. RAJAGOPALAN <i>Secretary</i></p>	<p>M. BALASUBRAMANIAM <i>Partner</i></p>

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

24 INFORMATION PURSUANT TO THE PROVISIONS OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956 (VIDE NOTIFICATION DATED 30TH OCTOBER 1973 OF THE DEPARTMENT OF COMPANY AFFAIRS, GOVERNMENT OF INDIA)

		Rupees in crores			
		Year ended 31-03-2007		Year ended 31-03-2006	
		Quantity	Value	Quantity	Value
I	RAW MATERIALS CONSUMED				
1	(a) Basic raw materials				
	Steel sheets, coils, strips and bars	Kgs.	80,28,008	38.97	65,90,177
	Steel tubes	Mtrs.	1,17,152	1.32	1,29,653
	Aluminium alloys and ingots	Kgs.	75,10,722	88.86	66,79,498
	(b) Intermediates and components (which individually do not account for more than 10% of the total value of consumption)			2,736.50	2,289.89
				<u>2,865.65</u>	<u>2,381.79</u>
2	Consumption of raw materials and components				
		% of total consumption		% of total consumption	
	(a) Imported	7.4	210.81	2.3	54.48
	(b) Indigenous	92.6	2,654.84	97.7	2,327.31
		<u>100.0</u>	<u>2,865.65</u>	<u>100.0</u>	<u>2,381.79</u>
II	CONSUMPTION OF MACHINERY SPARES				
	(a) Imported	7.0	0.32	25.6	1.11
	(b) Indigenous	93.0	4.22	74.4	3.22
		<u>100.0</u>	<u>4.54</u>	<u>100.0</u>	<u>4.33</u>
III	IMPORTS (CIF VALUE)				
	(a) Raw materials		38.07		32.84
	(b) Spare parts and components		164.37		34.38
	(c) Capital goods		42.67		17.99
IV	OTHER EXPENDITURE IN FOREIGN CURRENCY				
	(a) Travel		2.26		0.07
	(b) Subscription to books and periodicals		0.05		0.13
	(c) Subscription to associations		0.07		0.06
	(d) Welfare expenses - training		1.32		2.14
	(e) Consultancy		3.07		3.67
	(f) Advertisement and publicity		1.61		0.36
	(g) Other marketing expenses		1.04		—
	(h) Procurement/Selling commission		17.74		10.01
	(i) Research and development		36.47		13.95
	(j) External commercial borrowing upfront fees		0.30		—
	(k) Warranty cost reimbursement		0.53		—
	(l) Interest on foreign currency loan (net of capitalisation - Rs. 5.28 Crores)		25.34		15.02
	(m) Rent		—		0.05
	(n) Repairs and maintenance - Other assets		—		0.07
V	PAYMENT TO NON-RESIDENT SHAREHOLDERS				
	(a) No. of shareholders		Nil		Nil
	(b) No. of shares held		Nil		Nil
	(c) Net dividend		Nil		Nil
VI	EARNINGS IN FOREIGN EXCHANGE				
	(a) Exports (on f.o.b. basis)		250.29		176.66
	(b) Others:				
	(i) Freight and Insurance		3.70		2.88
	(ii) Interest income		4.11		1.14
			<u>258.10</u>		<u>180.68</u>
VII	SALE BY CLASS OF GOODS				
		Quantity nos.		Quantity nos.	
	(a) Motorcycles	9,22,936	2,513.78	8,05,740	2,053.27
	(b) Mopeds	3,44,202	501.84	2,90,085	407.69
	(c) Scooters	2,59,151	611.33	2,44,550	554.59
	(d) Spares and accessories (including engine oil Rs.6.67 crores - last year nil)		228.01		219.41
	Total		<u>3,854.96</u>		<u>3,234.96</u>
VIII	LICENSED AND INSTALLED CAPACITY (PER ANNUM)		Not applicable		Not applicable

**TVS MOTOR COMPANY LIMITED**

**Schedules – (continued)**

**XXI NOTES ON ACCOUNTS – (continued)**

**IX OPENING AND CLOSING STOCK OF GOODS PRODUCED DURING THE YEAR**

Rupees in crores

	Opening stock			Production meant for sale			Closing stock			
	Qty. nos.	Value	Qty. nos.	Value	Quantity nos.		Qty. nos.	Value	Qty. nos.	Value
					Year ended 31-03-2007	Year ended 31-03-2006				
(a) Motorcycles	30,683	76.15	24,368	61.14	9,33,620	8,12,109	41,206	86.47	30,683	76.15
(b) Mopeds	5,254	6.67	2,019	2.42	3,41,212	2,93,320	2,260	2.15	5,254	6.67
(c) Scooters	31,674	67.11	15,409	29.35	2,38,445	2,60,988	10,958	19.11	31,674	67.11
(d) Components which do not individually account for 10% or more of the total value of stock		12.48		8.24				13.06		12.48
<b>Total</b>		<u>162.41</u>		<u>101.15</u>				<u>120.79</u>		<u>162.41</u>

Note: During the year 161 motorcycles, 4 mopeds and 10 scooters (last year 54 motorcycles and 173 scooters) were capatively used.

<b>VENU SRINIVASAN</b> Chairman & Managing Director	<b>H. LAKSHMANAN</b> Director	<b>S.G. MURALI</b> Sr. Vice President – Finance	As per our report annexed For Sundaram & Srinivasan Chartered Accountants
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Chennai June 28, 2007	<b>T.S. RAJAGOPALAN</b> Secretary	<b>M. BALASUBRAMANIAM</b> Partner
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Cash Flow Statement

Rupees in crores

	Year ended 31-03-2007	Year ended 31-03-2006
<b>A. Cash flow from operating activities:</b>		
Net profit before tax and extraordinary items	90.85	168.45
Net profit for the year	90.85	168.45
Add:		
Depreciation for the year	87.60	93.91
Depreciation on sale/scraping of assets	(13.30)	(5.92)
Miscellaneous expenditure written off	1.88	1.72
Income tax relating to earlier years	(0.32)	5.50
Dividend income	(11.81)	(5.96)
Interest income	(10.27)	(7.87)
Interest expenditure	42.35	20.99
	<u>96.13</u>	<u>102.37</u>
Operating profit before working capital changes	186.98	270.82
Adjustments for:		
Trade receivables	(53.21)	(18.63)
Inventories	(38.66)	(124.67)
Other current assets	—	(0.01)
Loans and advances	(12.70)	(59.98)
Trade payables	52.56	72.27
Provisions	(0.17)	5.20
	<u>(52.18)</u>	<u>(125.82)</u>
Cash generated from operations	134.80	145.00
Direct taxes paid	(14.71)	(39.51)
Net cash from operating activities (A)	120.09	105.49
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets	(130.04)	(102.43)
Sale of fixed assets	25.44	11.24
Capital work-in-progress	(151.15)	(20.07)
Purchase of investments	(952.29)	(1,365.84)
Sale of investments	951.74	1,197.04
Miscellaneous expenditure not written off	5.38	(30.77)
Interest received	10.27	7.87
Dividends received	11.81	5.96
	<u>(228.84)</u>	<u>(297.00)</u>
Net cash used in investment activities (B)	(228.84)	(297.00)

Cash Flow Statement - (continued)

Rupees in crores

Year ended 31-03-2007                      Year ended 31-03-2006

C. Cash flow from financing activities :

Long term borrowings:			
Secured loans availed	137.55		133.60
Unsecured loans availed	71.33		34.44
Sales tax deferral loan availed	39.64		30.16
Interest paid	(42.35)		(20.99)
Dividend and dividend tax paid	(35.21)		(35.22)
		<u>170.96</u>	<u>141.99</u>
Net cash used in financing activities	(C)	170.96	141.99

D. Net increase in cash and cash equivalents	(A+B+C)	62.21	(49.52)
Cash and cash equivalents at the beginning of the year		24.35	73.87
Cash and cash equivalents at the end of the year		86.56	24.35

Notes:

1. The above statement has been prepared in indirect method except in case of interest, dividend and purchase and sale of investments which have been considered on the basis of actual movement of cash.
2. Cash and cash equivalents represent cash and bank balances.

<p>VENU SRINIVASAN Chairman &amp; Managing Director</p>	<p>H. LAKSHMANAN Director</p>	<p>S.G. MURALI Sr. Vice President – Finance</p>	<p>As per our report annexed For Sundaram &amp; Srinivasan Chartered Accountants</p>
<p>Chennai June 28, 2007</p>		<p>T.S. RAJAGOPALAN Secretary</p>	<p>M. BALASUBRAMANIAM Partner</p>



Balance Sheet abstract and company's general business profile

I. Registration details:

Registration no.   2 2 8 4 5 of 1992 State code

Balance sheet date

Date Month Year

II. Capital raised during the year (amount in Rs. thousands)

Public issue  Rights issue

Bonus issue  Private placement

III. Position of mobilisation and deployment of funds (amount in Rs. thousands)

Total liabilities	<input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/>	Total assets	<input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/>
Sources of Funds			
Paid up capital	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/>	Reserves and surplus	<input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/>
Secured loans	<input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/>	Unsecured loans	<input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>
Deferred tax liability	<input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/>		
Application of Funds			
Net fixed assets	<input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="0"/>	Capital work-in-progress	<input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="0"/>
Investments	<input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/>	Net current assets	<input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/>
Misc. expenditure	<input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/>		

IV. Performance of the company (amount in Rs. thousands)

Turnover	<input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="0"/>	Total expenditure	<input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/>
Profit before tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/>	Profit after tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>
Earnings per share (Rs.)	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="."/> <input type="text" value="8"/> <input type="text" value="0"/>	Dividend rate (%)	<input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="5"/>

V. Generic names of three principal products/services of company as per monetary terms (ITC Code)

Product description	Item Code No. (ITC Code)
Mopeds, Motorcycles and Scooters	<input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="0"/>
Parts for the above	<input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="0"/>
IC Engines for the above	<input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="0"/>

Statement pursuant to section 212 of the Companies Act, 1956 relating to subsidiaries

S No.	Name of the subsidiary	Sundaram Auto Components Limited, Chennai	TVS Motor Company (Europe) B.V., Amsterdam	TVS Motor (Singapore) Pte. Limited, Singapore	PT TVS Motor Company Indonesia, Jakarta
(1)	(2)	(3)	(4)	(5)	(6)
1	Financial year of the subsidiary	01.04.2006 - 31.03.2007	01.04.2006 - 31.03.2007	01.04.2006 - 31.03.2007	01.01.2006 - 31.12.2006
2	Shares of the subsidiary held by the company on the above date				
	(a) Number and face value	37,00,000 Equity shares of Rs. 10/- each fully paid up	1,70,801 Ordinary shares of Euro 100/- each fully paid up	1,14,91,260 Ordinary shares of Sing \$ 1/- each fully paid up	27,60,000 shares of US \$ 10 each fully paid up
	(b) Extent of holding	100%	100%	100%	75% by (4) and 25% by (5)
3	Net aggregate amount of profits / (losses) of the subsidiary for the above financial year of the subsidiary not dealt with in the company's accounts				
	(a) for the financial year of the subsidiary - profit/(loss)	Rs. 4.37 crores	(Rs. 0.42 crores)	(Rs. 0.03 crores)	–
	(b) for the previous financial years since it became a subsidiary - profit/(loss)	Rs. 6.63 crores	(Rs. 0.46 crores)	–	(Rs. 1.27 crores)
4	Net aggregate amount of profits / (losses) of the subsidiary for the above financial year of the subsidiary dealt with in the company's accounts				
	(a) for the financial year of the subsidiary - profit	Rs. 2.77 crores	–	–	–
	(b) for the previous financial years since it became a subsidiary - profit	Rs. 1.78 crores	–	–	–

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President – Finance

Chennai  
June 28, 2007

T.S. RAJAGOPALAN  
Secretary

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# Consolidated Accounts

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### Auditors' report on consolidated accounts

We have audited the attached consolidated Balance Sheet of TVS Motor Company Limited, Chennai and its subsidiaries as at 31<sup>st</sup> March 2007, and also the related Profit and Loss Account and the cash flow statement for the year ended on that date, both annexed hereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statement of subsidiaries namely TVS Motor Company (Europe) B.V., Amsterdam, TVS Motor (Singapore) Pte. Limited, Singapore and PT TVS Motor Company Indonesia, Jakarta and associate namely TVS Finance and Services Limited, Chennai. The financial statements and other information of the subsidiaries and associate have been audited by other auditors whose reports have been furnished to us and our opinion, in so far it relates to the amounts included in respect of these subsidiaries and associate is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in India. These 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 amount 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.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 on "Consolidated Financial Statements" read with Accounting Standard 23 on "Accounting for investments in Associates" issued by The Institute of Chartered Accountants of India, on the basis of the individual financial statements of TVS Motor Company Limited, Chennai, its subsidiaries viz., Sundaram Auto Components Limited, Chennai TVS Motor Company (Europe) B.V., Amsterdam, TVS Motor (Singapore) Pte. Limited, Singapore and PT TVS Motor Company Indonesia, Jakarta and its associate TVS Finance and Services Limited, Chennai included in the aforesaid consolidation.

In our opinion, and based on our audit, the consolidated financial statements referred to above give a true and fair view of the financial position of TVS Motor Company Limited, Chennai and its subsidiaries named above as at 31<sup>st</sup> March 2007 and of the results of their operations and their cash flows for the year ended in conformity with generally accepted accounting principles in India.

For Sundaram & Srinivasan  
*Chartered Accountants*

M BALASUBRAMANIAM  
*Partner*  
Membership No.F7945

Chennai  
June 28, 2007

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Balance Sheet as at 31st March 2007

	Schedule number	Rupees in crores	
		As at 31-03-2007	As at 31-03-2006
<b>I SOURCES OF FUNDS</b>			
1 Shareholders' funds			
(a) Capital	I	23.75	23.75
(b) Reserves and surplus	II	783.14	726.35
2 Loan funds			
(a) Secured loans	III	472.68	318.06
(b) Unsecured loans	IV	191.24	78.73
3 Deferred tax liability (net of deferred tax asset)		152.36	148.01
Total		1,623.17	1,294.90
<b>II APPLICATION OF FUNDS</b>			
1 Fixed assets			
(a) Gross block		1,560.51	1,437.99
(b) Less: Depreciation		697.79	619.33
(c) Net block	V	862.72	818.66
(d) Capital work-in-progress	VI	283.37	57.27
2 Investments	VII	176.77	179.30
3 Current assets, loans and advances			
(a) Inventories	VIII	409.42	367.25
(b) Sundry debtors	IX	81.04	72.16
(c) Cash and bank balances	X	138.15	134.64
(d) Other current assets	XI	0.30	0.30
(e) Loans and advances	XII	231.71	209.40
Total (A)		860.62	783.75
Current liabilities and provisions			
(a) Current liabilities	XIII	568.47	547.10
(b) Provisions	XIV	50.38	62.78
Total (B)		618.85	609.88
Net current assets (A - B)		241.77	173.87
4 Miscellaneous expenditure to the extent not written off or adjusted	XV	58.54	65.80
Total		1,623.17	1,294.90
Notes on accounts	XXI		

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President – Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2007

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Profit and Loss Account for the year ended 31st March 2007

Rupees in crores

	Schedule number	Year ended 31-03-2007	Year ended 31-03-2006
Gross sales		4,541.49	3,768.61
Less: Excise duty		623.41	501.76
Net sales		3,918.08	3,266.85
Other income	XVI	71.02	71.48
Raw materials and components consumed	XVII	2,916.62	2,299.05
Labour charges		2.24	3.44
Salaries and wages, stores consumed and other expenses	XVIII	848.79	755.09
Miscellaneous expenditure	XIX	1.88	1.72
Profit before interest, depreciation and tax		219.57	279.03
Interest (net)	XX	29.44	14.43
Depreciation		91.82	98.44
Profit before tax		98.31	166.16
Provision for taxation		11.30	47.43
Provision for fringe benefit tax		4.91	6.15
Provision for deferred tax		4.35	(2.28)
Pro-rata share of loss of associate		3.58	4.39
Profit for the year (after tax)		74.17	110.47
Balance profit brought forward		14.34	23.57
Tax relating to earlier years		—	5.51
Profit for the year (after tax)		74.17	110.47
Total		88.51	139.55
Tax relating to earlier years		0.32	—
I Interim dividend paid		16.63	16.63
II Interim dividend payable		—	14.25
Proposed dividend		3.56	—
Dividend tax paid		2.73	2.33
Provision for dividend tax		0.61	2.00
Transfer to general reserves		49.56	90.00
Balance surplus carried forward to Balance Sheet		15.10	14.34
Total		88.51	139.55
Nominal value of each share in rupees		1.00	1.00
Earnings per share in rupees on 23,75,43,557 shares		3.12	4.65
Diluted earnings per share in rupees		3.12	4.65

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President – Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2007

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules

	Rupees in crores	
	As at 31-03-2007	As at 31-03-2006
<b>I CAPITAL</b>		
Authorised		
25,00,00,000 Equity shares of Re. 1/- each	25.00	25.00
	<u>25.00</u>	<u>25.00</u>
Issued, subscribed and paid-up		
(a) 23,10,00,700 Equity shares of Re. 1/- each	23.10	23.10
Out of the above 23,10,00,000 equity shares of Re. 1/- each were allotted for consideration other than cash to the shareholders of the erstwhile transferor company viz. Sundaram Auto Engineers (India) Limited, Chennai.		
(b) 65,42,857 Equity shares of Re. 1/- each allotted to the shareholders of amalgamated company viz. Lakshmi Auto Components Limited, Chennai	0.65	0.65
	<u>23.75</u>	<u>23.75</u>
<b>II RESERVES AND SURPLUS</b>		
(a) Capital reserves		
(i) On shares forfeited		
As per last Balance Sheet (Rs. 55,200/-)	—	—
(ii) On surplus arising out of amalgamation		
As per last Balance Sheet	2.40	
Less: Pre-acquisition loss of subsidiary	<u>—</u>	
	2.40	2.40
(iii) Foreign currency translation reserve	10.87	4.40
(b) General reserve		
As per last Balance Sheet	705.21	
Add: Transfer from Profit and Loss Account	<u>49.56</u>	
	754.77	705.21
(c) Surplus		
Balance in Profit and Loss Account	15.10	14.34
	<u>783.14</u>	<u>726.35</u>
<b>III SECURED LOANS</b>		
From banks		
(i) External commercial borrowings secured by a first charge on the specified assets on an exclusive basis	446.16	308.61
(ii) Secured by a first charge on the entire fixed assets of the company	17.68	8.00
(iii) Secured by hypothecation of present and future inventories and receivables	8.84	1.45
	<u>472.68</u>	<u>318.06</u>
<b>IV UNSECURED LOANS</b>		
(a) From banks	107.98	36.42
(b) From others	72.20	32.56
(c) Other deposits	11.06	9.75
	<u>191.24</u>	<u>78.73</u>

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules - (continued)

V FIXED ASSETS							Rupees in crores	
Description	Land	Buildings	Plant & machinery, tools, dies and jigs	Furniture & fixtures, equipments	Vehicles	Other fixed assets @	Total As at 31-03-2007	Total As at 31-03-2006
Cost of assets								
As at 01-04-2006	83.24	136.03	1,159.73	47.63	5.92	5.44	1,437.99	1,319.65
Additions	11.07	4.91	126.08	4.48	1.32	0.16	148.02	162.71
Sales / deletion	—	—	23.57	1.25	0.68	—	25.50	44.37
Total	94.31	140.94	1,262.24	50.86	6.56	5.60	1,560.51	1,437.99
Depreciation								
Upto 31-03-2006	—	28.17	548.54	34.30	3.59	4.73	619.33	528.05
For the year	—	4.44	82.34	3.71	0.89	0.44	91.82	98.44
Withdrawn on assets sold/deleted	—	—	11.58	1.21	0.57	—	13.36	7.16
Total	—	32.61	619.30	36.80	3.91	5.17	697.79	619.33
Written down value								
As at 31-03-2007	94.31	108.33	642.94	14.06	2.65	0.43	862.72	—
As at 31-03-2006	83.24	107.86	611.19	13.33	2.33	0.71	—	818.66

@ vide note 2(t)

Rupees in crores  
As at 31-03-2007      As at 31-03-2006

### VI CAPITAL WORK-IN-PROGRESS

(a) Building under construction	90.89	16.55
(b) Machinery in transit/installation (including R & D Rs. 21.88 crores - last year Rs. 3.88 crores)	111.19	12.04
(c) Expenditure pending allocation (to be capitalised)	81.29	28.68
	<u>283.37</u>	<u>57.27</u>

### VII INVESTMENTS (AT COST)

A LONG TERM		
(a) Trade - quoted		0.33
(b) Trade - unquoted	61.65	
Less: Pro-rata share in the loss of associate company	<u>3.58</u>	
		58.07
(c) Non-trade - quoted		14.10
(d) Non-trade - unquoted (Rs. 37,100/-)		—
Total long term investments (A)		<u>72.50</u>
B SHORT TERM		
Non-trade - quoted		104.27
Total short term investments (B)		<u>104.27</u>
Grand total - Investments (A + B)		<u>176.77</u>
		<u>179.30</u>



## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules - (continued)

	Rupees in crores	
	As at 31-03-2007	As at 31-03-2006
<b>VIII INVENTORIES</b>		
* Raw materials and components	120.47	88.80
* Work-in-process	25.13	20.95
* Finished goods	122.81	163.27
* Stock of dies, moulds and tools	74.39	56.25
* Stores	19.32	20.76
Goods-in-transit	47.30	17.22
	<u>409.42</u>	<u>367.25</u>
( * as certified by chairman & managing director)		
<b>IX SUNDRY DEBTORS - UNSECURED</b>		
(a) Debts outstanding for a period exceeding six months		
(i) Considered good	24.89	19.10
(ii) Considered doubtful	2.36	—
(b) Other debts	56.15	53.06
	<u>83.40</u>	<u>72.16</u>
Less: Provision for doubtful debts	2.36	—
	<u>81.04</u>	<u>72.16</u>
<b>X CASH AND BANK BALANCES</b>		
(a) Cash and cheques on hand	0.22	0.15
(b) With scheduled banks		
(i) in current accounts	12.70	16.74
(ii) in cash credit accounts	3.02	6.45
(iii) in term deposit accounts	122.21	111.30
	<u>138.15</u>	<u>134.64</u>
<b>XI OTHER CURRENT ASSETS</b>		
Interest accrued on non-trade quoted investments	0.30	0.30
	<u>0.30</u>	<u>0.30</u>
<b>XII LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD</b>		
(a) Advances recoverable in cash or in kind or for value to be received	194.17	192.31
(b) Inter corporate deposits	4.28	15.41
(c) Other deposits	12.93	1.68
(d) Advance payment of income tax less provisions	20.33	—
	<u>231.71</u>	<u>209.40</u>
<b>XIII CURRENT LIABILITIES</b>		
Sundry creditors	568.47	547.10
	<u>568.47</u>	<u>547.10</u>
<b>XIV PROVISIONS</b>		
(a) Pension fund	32.57	33.01
(b) Leave salary	5.12	4.93
(c) Warranty	7.34	7.25
(d) Interim dividend payable	—	14.25
(e) Provision for dividend tax	0.61	2.00
(f) Taxation less advance payments	—	0.72
(g) Fringe benefit tax less advance payments	1.18	0.62
(h) Proposed dividend	3.56	—
	<u>50.38</u>	<u>62.78</u>
<b>XV MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)		
(a) New product launch expenses	52.32	58.00
(b) External commercial borrowings upfront fees	6.22	7.80
	<u>58.54</u>	<u>65.80</u>

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules - (continued)

	Rupees in crores	
	Year ended 31-03-2007	Year ended 31-03-2006
<b>XVI OTHER INCOME</b>		
(a) Miscellaneous income	52.95	47.61
(b) Dividend income	9.04	4.99
(c) Profit on sale of fixed assets	2.74	0.96
(d) Profit on sale of investments	6.29	17.92
	71.02	71.48
<b>XVII RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening stock:		
Raw materials	88.80	57.21
Work-in-process	20.95	22.20
Finished goods	163.27	101.49
	273.02	180.90
Purchase of raw materials and components	2,912.01	2,391.17
Total (A)	3,185.03	2,572.07
Closing stock:		
Raw materials	120.47	88.80
Work-in-process	25.13	20.95
Finished goods	122.81	163.27
Total (B)	268.41	273.02
(A - B)	2,916.62	2,299.05
<b>XVIII SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES</b>		
* (a) Salaries, wages and allowances	148.68	131.20
* (b) Workmen and staff welfare expenses	23.93	20.75
* (c) Contribution to provident and other funds	12.43	17.33
* (d) Stores and tools consumed	43.25	41.83
* (e) Power and fuel	49.08	41.70
* (f) Rent	5.33	4.64
(g) Rates and taxes	13.92	19.27
* (h) Repairs and maintenance:		
(i) buildings	2.60	2.95
(ii) machinery	27.29	23.18
(iii) other assets	3.98	3.08
(i) Insurance	3.34	2.87
(j) Directors' sitting fees	0.07	0.07
(k) Commission to independent directors	0.18	0.22
(l) Audit fees	0.40	0.32
* (m) Travel and conveyance	19.69	14.54
* (n) Packing and freight charges	116.26	90.31
* (o) Advertisement and publicity	162.82	133.18
* (p) Other marketing expenses	129.68	125.47
* (q) Other expenses	76.35	68.33
(r) Commission to selling agents	8.59	7.42
(s) Cash discount	0.15	0.25
(t) Loss on sale / scrapping of fixed assets	0.77	6.18
	848.79	755.09

\*net of recoveries

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules - (continued)

Rupees in crores  
As at/  
Year ended  
31-03-2007

As at/  
Year ended  
31-03-2006

#### XIX MISCELLANEOUS EXPENDITURE WRITTEN OFF

External commercial borrowing upfront fees written off	1.88	1.72
	1.88	1.72

#### XX INTEREST

(a) On fixed loans	25.64	16.14
(b) Others	17.85	6.58
Total (A)	43.49	22.72
Less: Interest income		
(a) On non-trade investments (gross)	0.90	0.99
(b) On advances and deposits (gross)	13.15	7.30
Total (B)	14.05	8.29
(A - B)	29.44	14.43

#### XXI NOTES ON ACCOUNTS

##### 1 Consolidation of accounts:

##### A Basis of accounting

The financial statements are prepared under the historical cost convention and comply with the applicable accounting standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

##### B Translation of foreign currency statements:

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

##### C Principles of consolidation

(i) Consolidated financial statements relate to TVS Motor Company Limited, Chennai (the company), and its subsidiaries.

(ii) The consolidated financial statements have been prepared on the following basis:

- the financial statements of the company and its subsidiaries have been prepared on a line by line consolidation by adding the book values of like items of assets, liabilities, income and expenditure as per the respective audited financial statements of the respective companies.
- the accounts of TVS Motor (Singapore) Pte. Limited, Singapore, TVS Motor Company (Europe) B.V., Amsterdam and PT TVS Motor Company Indonesia, Jakarta have been audited by the auditors qualified to conduct audit in accordance with the laws of the respective countries.
- the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the manner as the company's individual financial statements.
- intra-group transactions and resulting unrealised profits have been eliminated.

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued) XXI NOTES ON ACCOUNTS – (continued)

(iii) The subsidiary companies considered in the consolidated financial statements are:

S No.	Name of the company	Country of incorporation	Proportion of ownership (interest / voting power - %)	Reporting date	Difference in reporting date
(a)	Sundaram Auto Components Limited, Chennai	India	100	31.03.2007	—
(b)	TVS Motor (Singapore) Pte. Limited, Singapore	Singapore	100	31.03.2007	—
(c)	TVS Motor Company (Europe) B.V., Amsterdam	Netherlands	100	31.03.2007	—
(d)	PT TVS Motor Company Indonesia, Jakarta	Indonesia	75 by (c) 25 by (b)	31.12.2006	3 months

Rupees in crores  
As at/ As at/  
Year ended Year ended  
31-03-2007 31-03-2006

#### 2. Accounting Standards

(a) AS - 1 Disclosure of accounting policies

The disclosure of accounting policies is made in respect of the reporting entity and its Indian subsidiary, Sundaram Auto Components Limited, Chennai. The accounts are maintained on accrual basis as a going concern.

(b) AS - 2 Valuation of inventories

Inventories are valued in accordance with the method of valuation prescribed by The Institute of Chartered Accountants of India at weighted average rates.

(c) AS - 3 Cash flow statements

The cash flow statement is prepared under “indirect method” and the same is annexed.

(d) AS - 4 Contingencies and events occurring after the Balance Sheet date

Disclosure of contingencies as required by the accounting standard is furnished in note no. 10.

(e) AS - 5 Net profit or loss for the period, prior period items and changes in accounting policies

Details of prior period debit to Profit and Loss Account

(i) Security Transaction Tax	0.19	—
(ii) Commission and brokerage	—	0.67
(iii) Provident fund administration charges	—	0.10

(f) AS - 6 Depreciation accounting

Depreciation has been provided under the straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956 with the applicable shift allowance.

In respect of assets added / assets sold during the year pro-rata depreciation has been provided at the rates prescribed under Schedule XIV.

Depreciation in respect of Computers and Vehicles has been provided at 30% and 18% respectively which is higher than the rate prescribed under Schedule XIV.

Depreciation on car acquired on lease is provided at 20%.

Depreciation in respect of tools and dies has been provided based on the quantity of components manufactured.

Depreciation in respect of assets acquired during the year whose actual cost does not exceed Rs. 5,000/- has been provided at 100%.

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
(g) AS - 9 Revenue recognition		
<p>The income of the company and its subsidiaries is derived from sale of automotive vehicles, parts thereof, engine oil, rubber and plastics components, net of trade discount and includes realised exchange fluctuations on exports.</p> <p>Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.</p> <p>Dividend from investments in shares/units is recognised when the company/Mutual Fund in which they are held declares the dividend and when the right to receive the same is established.</p> <p>The revenue and expenditure are accounted on a going concern basis.</p>		
(h) AS - 10 Accounting for fixed assets		
<p>All the fixed assets are valued at cost including expenditure incurred in bringing them to usable condition less depreciation.</p>		
Land includes land acquired under lease.	10.26	3.86
Building includes building constructed on leasehold land	1.33	1.33
Cost of vehicles includes vehicles acquired under finance lease	0.10	0.45
(i) AS - 11 Accounting for effects in foreign exchange rates		
<p>Purchase of imported raw materials, components, spare parts and capital goods are accounted based on retirement memos from banks. In respect of liabilities on import of raw materials, components, spare parts and capital goods which are in transit and where invoices / bills are yet to be received, the liability is accounted based on the advance copies of documents at the market exchange rate prevailing on the date of the Balance Sheet.</p> <p>The foreign currency loans and deposits held outside India in foreign currency were restated as on the Balance Sheet date as per the requirements of Accounting Standard and the net gain (last year loss) arising out of such restatement amounting to Rs. 7.30 crores (last year Rs. 1.09 crores) is credited (last year debited) to Profit and Loss Account.</p>		
Net exchange difference debited to carrying amount of fixed assets	0.08	—
<p>Sales include realised exchange fluctuation on exports.</p> <p>Derivative instruments:</p> <p>Interest Rate Structure (IRS) - The company has entered into seven derivative contracts (last year 1 contract) in respect of external commercial borrowings amounting to Rs. 433.43 crores ( last year Rs. 264 crores) (USD 100 mn. - last year USD 60 mn.) to convert floating interest rate to fixed interest rate.</p> <p>Currency swaps - The company has entered into five currency swap contracts (last year 3 contracts) in respect of external commercial borrowings amounting to Rs. 324.96 crores (last year Rs. 264 crores) (USD 75 mn. - last year USD 60 mn.) fixing the repayment liability of the company in Indian rupee.</p> <p>Foreign currency exposures not hedged - Floating interest rate and repayment liability in respect of external commercial borrowings amounting to Rs. 121.20 crores (last year Rs. 44.61 crores) (USD 27.93 mn. - last year USD 10 mn.).</p>		
Net exchange difference credited to Profit and Loss Account	13.95	0.13

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores  
As at/ As at/  
Year ended Year ended  
31-03-2007 31-03-2006

- (j) AS - 13 Accounting for Investments  
Investments are valued at cost.
- (k) AS - 14 Accounting for amalgamations  
During the year there was no amalgamation.
- (l) AS - 15 Accounting for retirement benefits
- (i) Contributions to provident fund are made to a recognised trust in respect of excluded employees. In respect of other employees the contribution is made to the Government.
- (ii) Provision for leave salary to employees is made on the basis of actuarial valuation.
- (iii) Provision for pension for senior managers is made on actuarial valuation basis for current and past services.
- (iv) Contributions to gratuity and superannuation fund are made to Life Insurance Corporation of India in accordance with the scheme framed by the Corporation.
- (m) AS - 16 Borrowing cost  
The borrowing costs have been treated in accordance with Accounting Standard on Borrowing Cost (AS-16) issued by The Institute of Chartered Accountants of India.  
Amount of borrowing costs attributable to qualifying assets capitalised during the year 5.73 —
- (n) AS - 17 Segment reporting - year ended 31st March 2007

Particulars	Business segment		
	Automotive vehicles	Automotive components	Total
Revenue			
External sales - domestic	3,600.97	58.50	3,659.47
- exports	253.99	4.62	258.61
Inter segment sales		71.65	71.65
Total sales	3,854.96	134.77	3,989.73
Less: Inter segment sales		71.65	71.65
Net revenue	3,854.96	63.12	3,918.08
Segmentwise results before interest and tax	122.93	7.96	130.89
Less: Interest			29.44
Less: Loss of subsidiaries			0.31
Less: Inter segment income			2.83
Profit before tax			98.31
Taxes			20.56
Pro-rata share of loss of associate			3.58
Profit after tax			74.17
Segment assets	2,149.93	95.67	2,245.60
Segment liabilities	1,208.64	69.96	1,278.60
Total cost incurred during the year to acquire segment assets	418.23	33.48	451.71
Segment depreciation	87.60	4.22	91.82
Non-cash expenses other than depreciation	1.88	—	1.88

#### Notes:

The company and its Indian subsidiary cater mainly to the needs of the domestic market.

The export turnover is not significant in the context of the total turnover.

As such there are no reportable geographical segments.

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
(o) AS - 18 Related party disclosure		
Disclosure is made as per the requirements of the standard and the same is annexed.		
(p) AS -19 Leases		
(i) Asset acquired under finance lease - Vehicles - Original cost	0.10	0.45
(ii) The net carrying amount as on 31st March	0.02	0.11
(iii) Minimum lease payments		
- not later than one year - not discounted	0.01	0.08
- later than one year but not later than five years - not discounted	—	—
- later than five years - not discounted	—	—
(iv) Present value of minimum lease payments		
- not later than one year - discounted	0.01	0.04
- later than one year but not later than five years - discounted	—	—
- later than five years - discounted	—	—
(v) Contingent rents recognised as income in the statement of Profit and Loss Account	—	—
(vi) The total of future minimum sub-lease payment expected to be received under non-cancellable sub-leases as on 31st March	—	—
(vii) General description of the leasing arrangements		
- Nature of facility :	Finance lease	
- Restriction imposed by lease arrangement	- Nil-	
(q) AS - 20 Earnings per share		
Disclosure is made in the Profit and Loss Account as per the requirements of the standard.		
(r) AS - 22 Accounting for taxes on income		
(i) Deferred tax liability consists of:		
- tax on depreciation	151.10	132.26
- tax on amortisation of dies and moulds	21.24	12.66
- tax on expenses admissible on payment basis under Income-tax Act, 1961	25.48	22.61
	(A)	197.82
(ii) Deferred tax asset consists of:		
- tax on provision in respect of expenditure which will be allowed under the Income-tax Act, 1961 only on payment basis	29.13	19.52
- Unabsorbed depreciation	16.33	—
	(B)	45.46
Deferred tax liability (net of deferred tax asset) (A)-(B) - refer Balance Sheet	152.36	148.01
(s) AS - 23 Accounting for investments in associate:		
Name of the associate	TVS Finance and Services Limited, Chennai	
Method adopted in accounting for investment	Equity method	

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
(t) AS - 26 Accounting for intangible assets		
During the year the company acquired the following assets falling under the definition of intangible assets as per the accounting standard and the following disclosure is made in respect of those assets:		
(i) Software		
- Estimated useful life of the asset	2 years	2 years
- Amortisation rates used	50% each year as depreciation	50% each year as depreciation
- Gross carrying amounts at the beginning and at the end of the period together with additions and deletions during the year		
Opening balance	4.88	4.42
Additions during the year	0.17	0.46
Total	5.05	4.88
Amortised as depreciation	4.94	4.56
Closing balance	0.11	0.32
(ii) Licence fees		
- Estimated useful life of the asset	7 years	7 years
- Amortisation rates used	14.29% each year as depreciation	14.29% each year as depreciation
- Gross carrying amounts at the beginning and at the end of the period together with additions and deletions during the year		
Opening balance	0.56	0.57
Additions during the year	—	(0.01)
Total	0.56	0.56
Amortised as depreciation	0.25	0.17
Closing balance	0.31	0.39
(u) AS - 27 Capital commitments of reporting entity in joint venture:		
Equity participation in TVS Andina Sociedad Anonima (S.A.), Colombia, by reporting entity is at 26% of 500 million Colombian Pesos (Rs.0.28 crores approx). As the joint venture is yet to commence business, reporting on the share of the controlled assets, liabilities, income and expenses of the joint venture does not arise.		
(v) AS - 28 Impairment of assets:		
As on the Balance Sheet date the carrying amounts of the assets net of accumulated depreciation is not less than the recoverable amount of those assets. Hence there is no impairment loss on the assets of the company.		



## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
(w) AS - 29 Provisions, contingent liabilities and contingent assets:		
(i) Provisions		
In respect of warranty obligations provision is made in accordance with terms of sale of vehicles vide schedule XIV(c) to the Balance Sheet		
(ii) Contingent liabilities		
The amount for which the company is contingently liable is disclosed in note 10.		
(iii) Contingent assets which are likely to give rise to the possibility of inflow of economic benefits	—	1.47
(iv) Contested liabilities are detailed in note no. 11		
3 Amount of loan payable within one year :		
Unsecured - from banks	107.98	36.43
4 Fixed Assets		
Land:		
Title deeds in respect of land acquired near Ahmedabad in Gujarat at a cost of Rs. 0.01 crore is yet to be received from the registration authorities.		
Capital work-in-progress:		
Expenditure pending allocation: The reporting entity's unit and its subsidiary's unit at Nalagarh in Solan District of Himachal Pradesh were in construction stage as on 31.3.2007. These units commenced their commercial production on 29.4.2007 and 4.4.2007 respectively. The expenditure directly attributable and necessary for bringing the assets like land, building, plant & machinery and electrical installations to working condition have since been capitalised on advalorem basis on the date on which they commenced commercial production.		
The reporting entity's unit at Hosur in Tamil Nadu for manufacture of three wheelers and its subsidiary's unit at Oragadam, Chennai were in construction stage as on 31.3.2007. These units are expected to commence their commercial production in 2007-08. The expenditure directly attributable and necessary for bringing the assets like land, building, plant & machinery and electrical installations to working condition will be capitalised on advalorem basis on the date these units commence commercial production.		
5 Bank balance includes amount in respect of		
(a) Unclaimed dividends	0.40	0.82
(b) Balances lying with non-scheduled banks		
(i) HSBC Private Bank (Suisse) SA, Singapore		
- in 24 hrs call deposit account	23.01	—
- in deposit account	43.39	—
(ii) The Hongkong and Shanghai Banking Corpn. Ltd., Hongkong		
- in current account (Current year - Rs. 21,034.19)	—	0.12
- in deposit account	0.11	—
(iii) PT Bank Danamon Indonesia Tbk, Jakarta		
- in current account	—	0.09

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
(c) Maximum amount invested in non-scheduled banks at any time during the year		
(i) HSBC Bank Plc, London	—	146.03
(ii) ICICI Bank Limited, Singapore	67.42	—
(iii) Deutsche Bank, Singapore	67.70	—
(iv) HSBC Private Bank (Suisse) SA, Singapore	66.40	—
(v) The Hongkong and Shanghai Banking Corpn. Ltd., Hongkong	0.12	0.80
(vi) PT Bank Danamon Indonesia Tbk, Jakarta	0.22	0.92
6 Loans and advances include:		
(a) Loan due from a company under the same management viz. Sundaram-Clayton Limited, Chennai	2.34	9.26
(b) Maximum due from the above company at any time during the year	9.26	10.25
7 Deposits include:		
(a) Deposit with post office (Rs. 21,500/-)	—	—
(b) Deposit with central excise	0.59	0.25
(c) Deposit with sales tax	0.92	0.89
8 Sundry creditors include :		
(a) Investor Education and Protection Fund - Unclaimed dividend	0.40	0.82
(b) Amount due to Small Scale Industrial units	30.07	30.05
(c) Amount due to other industrial units	392.46	334.02
9 Miscellaneous expenditure not written off:		
(a) In respect of new product launch expenses Accounting Standard 26 is not applicable as it does not create any intangible asset or a resource. This expenditure is being written off in 36 months.		
(b) Expenditure incurred in raising external commercial borrowings is being written off over the period of loan.		
10 Contingent liability not provided for:		
(a) On counter guarantee given to banks	1.36	3.82
(b) On letters of credit	30.10	43.16
(c) On guarantee to Housing Development Finance Corporation Limited, Mumbai on loans granted to employees of the company	1.25	1.25
(d) On bills discounted	81.19	54.83
(e) Capital commitments not provided for	70.68	38.17
(f) On obligation arising out of agreements facilitating credit to an associate company	75.00	75.00

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Schedules – (continued)

#### XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
11 Liability contested and not provided for:		
(a) Excise	13.44	4.03
(b) Service Tax	9.53	—
(c) Customs	1.13	—
(d) Sales tax	2.51	3.75
(e) Electricity tax	0.45	0.15
(f) Income-tax	52.72	21.62
(g) Employee settlement claims	0.05	0.05
(h) Land acquisition matters	0.25	0.25
12 Tax deducted at source:		
(a) On interest income	2.84	1.18
(b) On sub-contract receipts	0.01	0.01
(c) On professional services rendered	0.02	0.02
13 Contribution to provident and other funds include:		
(a) Contribution towards gratuity as per scheme framed by Life Insurance Corporation of India	1.96	3.72
(b) Contribution towards pension fund	0.25	4.05
14 Repairs include:		
(a) Wages	3.21	2.98
(b) Stores consumed	16.51	15.70
15 Audit fees comprise:		
(a) As statutory auditors	0.30	0.23
(b) Taxation matters	0.05	0.04
(c) Certification matters	0.04	0.04
(d) Cost audit fees	0.01	0.01
Total	0.40	0.32
16 General:		
(a) Other expenses include travel and stay expenses of auditors	0.09	0.06
(b) Loss on sale of investments netted against profit on sale of investments	1.84	1.85
17 Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.		

#### 18 Related party disclosure

##### List of related parties

Reporting entity	TVS Motor Company Limited and its subsidiaries Sundaram Auto Components Limited, Chennai TVS Motor Company (Europe) B.V., Amsterdam TVS Motor (Singapore) Pte. Limited, Singapore and PT TVS Motor Company Indonesia, Jakarta
Holding company	Sundaram-Clayton Limited, Chennai
Fellow subsidiaries	a) Anusha Investments Limited, Chennai b) TVS Electronics Limited, Chennai c) Wabco-TVS (India) Limited, Chennai d) TVS Investments Limited, Chennai e) Padi Automotive Systems Limited, Chennai f) Sravanaa Properties Limited, Chennai
Associate company	TVS Finance and Services Limited, Chennai (a subsidiary of TVS Investments Limited, Chennai)
Key management personnel	Mr. Venu Srinivasan - parent company
Relative of key management personnel	Mr. Gopal Srinivasan

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2007	As at/ Year ended 31-03-2006
19 Particulars of transactions with related parties		
(a) Purchase of goods		
- holding company	51.92	49.11
- fellow subsidiary (TVS Electronics Limited, Chennai)	0.01	—
(b) Sale of goods		
- holding company	19.57	15.66
- fellow subsidiaries	0.16	—
(c) Sale of fixed assets		
- holding company	—	0.60
- fellow subsidiary (Wabco-TVS (India) Limited, Chennai)	—	1.09
(d) Rendering of services (including interest and sub-contract charges received)		
- holding company	0.32	0.81
- associate company	0.35	0.06
- fellow subsidiaries	0.05	—
(e) Availing of services (includes sub-contract charges paid)		
- holding company	41.76	33.67
- fellow subsidiaries	0.49	0.68
- associate company	15.08	10.24
(f) Trade advances made during the year		
- fellow subsidiaries	5.00	—
- associate company	37.75	15.00
(g) Trade advances received back during the year		
- holding company	9.00	0.70
- fellow subsidiaries	5.00	—
- associate company	35.08	15.00
(h) Amount outstanding as at Balance Sheet date:		
(i) Sundry debtors		
- holding company	2.34	—
- fellow subsidiaries	0.05	0.23
(ii) Loans and advances receivable		
- holding company	—	9.00
(iii) Sundry creditors		
- holding company	5.51	17.16
- fellow subsidiary	0.01	0.01
- associate company	0.35	0.07
(i) Obligation arising out of agreements facilitating credit to associate company TVS Finance and Services Limited, Chennai	75.00	75.00
(j) Remuneration to key management personnel	0.88	1.67

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President – Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2007

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Cash Flow Statement

	Rupees in crores	
	Year ended 31-03-2007	Year ended 31-03-2006
<b>A. Cash flow from operating activities:</b>		
Net profit for the year	98.31	166.16
Add:		
Depreciation	91.82	98.44
Depreciation withdrawn on sale/scraping of assets	(13.36)	(7.16)
Miscellaneous expenditure written off	1.88	1.72
Income tax relating to earlier years	(0.32)	5.51
Dividend income	(9.04)	(4.99)
Interest income	(14.05)	(8.29)
Interest expenditure	43.49	22.72
	<u>100.42</u>	<u>107.95</u>
Operating profit before working capital changes	198.73	274.11
Adjustments for:		
Trade receivables	(8.88)	(28.00)
Inventories	(42.17)	(126.90)
Other current assets	—	(0.01)
Loans and advances	(1.98)	(58.07)
Trade payables	21.37	83.68
Provisions	(0.16)	5.34
	<u>(31.82)</u>	<u>(123.96)</u>
Cash generated from operations	166.91	150.15
Direct taxes paid	<u>(36.70)</u>	<u>(41.60)</u>
Net cash from operating activities (A)	130.21	108.55
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets	(148.02)	(162.71)
Sale of fixed assets	25.50	44.37
Capital work-in-progress	(226.10)	(20.66)
Purchase of investments	(953.29)	(1,238.70)
Sale of investments	958.72	1,201.38
Miscellaneous expenditure not written off	5.38	(31.74)
Interest received	14.05	8.29
Dividends received	9.04	4.99
Net cash used in investment activities (B)	<u>(314.72)</u>	<u>(194.78)</u>

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated Cash Flow Statement – (continued)

		Rupees in crores	
		Year ended 31-03-2007	Year ended 31-03-2006
<b>C. Cash flow from financing activities :</b>			
Secured loans availed		147.23	141.60
Unsecured loan availed		72.87	35.30
Sales tax deferral loan availed		39.64	29.27
Interest paid		(43.49)	(22.72)
Dividend and dividend tax paid		<u>(35.62)</u>	<u>(35.36)</u>
		<u>180.63</u>	<u>148.09</u>
Net cash used in financing activities	(C)	180.63	148.09
<b>D. Net increase in cash and cash equivalents (A+B+C)</b>			
		(3.88)	61.86
Cash and cash equivalents at the beginning of the year		133.19	71.33
Cash and cash equivalents at the end of the year		129.31	133.19

#### Notes:

- The above statement has been prepared in indirect method except in case of interest, dividend and purchase and sale of investments which has been considered on the basis of actual movement of cash.
- Cash and cash equivalents represent cash and bank balances.

<b>VENU SRINIVASAN</b> <i>Chairman &amp; Managing Director</i>	<b>H. LAKSHMANAN</b> <i>Director</i>	<b>S.G. MURALI</b> <i>Sr. Vice President – Finance</i>	As per our report annexed For Sundaram & Srinivasan <i>Chartered Accountants</i>
Chennai June 28, 2007		<b>T.S. RAJAGOPALAN</b> <i>Secretary</i>	<b>M. BALASUBRAMANIYAM</b> <i>Partner</i>

## CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

### Consolidated accounts of TVS Motor Company Limited and its subsidiaries

Disclosure of information relating to subsidiaries as required by the central government under section 212(8) of the companies act, 1956

S No	Particulars	Name of subsidiaries			
		Sundaram Auto Components Limited	TVS Motor Company (Europe) B.V.	TVS Motor (Singapore) Pte. Limited	PT TVS Motor Company Indonesia
(a)	Reporting currency *	INR	US Dollars	Singapore dollars	Indonesian Rupiah
					Rs. in crores
(b)	Capital	3.70	91.63	30.51	132.77
(c)	Reserves	21.64	7.09	2.54	9.12
(d)	Total assets	63.21	98.72	33.05	134.87
(e)	Total liabilities	63.21	98.72	33.05	134.87
(f)	Details of investments **	0.52	-	-	-
(g)	Turnover including other income	135.69	-	-	-
(h)	Profit before taxation	6.92	(0.42)	(0.03)	3.82
(i)	Provision for taxation	2.55	-	-	(6.24)
(j)	Profit after taxation	4.37	(0.42)	(0.03)	10.06
(k)	Proposed dividend (Interim)	2.77	-	-	-

\* The financial statements of subsidiaries whose reporting currency are other than INR are converted into Indian Rupees on the basis of appropriate exchange rate.

\*\* Excluding investment in subsidiaries