

TVS MOTOR COMPANY LIMITED

Sixteenth Annual Report 2007-2008

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. KANNAN*

Chairman

T.R. PRASAD

N. GANGA RAM

T. K. BALAJI

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.

Share Transfer Agent

Sundaram-Clayton 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

* Effective 1st July 2008.

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.
Tel : 044 - 2827 2233
Fax : 044 - 2825 7121

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
Solan 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	2007-08	2006-07	2005-06	2004-05	2003-04
Sales and other income	3,310	3,921	3,306	2,955	2,856
Profit before interest, depreciation and tax	132	203	275	291	296
Profit before tax	35	91	168	200	215
Profit after tax	32	67	117	138	138
Net fixed assets	1,043	1,003	794	770	704
Share capital	24	24	24	24	24
Reserves and surplus	798	786	742	655	551
Networth	769	751	673	614	562
Total borrowings	666	634	385	187	119
Earnings per share (Rs.)	1.34	2.80	4.93	5.79	5.83
Dividend per share (Rs.)	0.70	0.85	1.30	1.30	1.30
Book value per share (Rs.)	32.04	31.29	28.04	25.58	23.42

Notice to the Shareholders

NOTICE is hereby given that the sixteenth annual general meeting of the company will be held at "Sathguru Gnanananda Hall", Naradha Gana Sabha Trust, 314 TTK Road, Chennai 600 018 on Thursday, the 14th August 2008, at 10.30 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 31st March 2008 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 pursuant to the recommendation of the board of directors of the Company, a dividend of Re. 0.70 per share on 23,75,43,557 equity shares of Re.1/- each fully paid up absorbing a sum of Rs. 16.63 crores be and is hereby declared for the year ended 31st March 2008 and the same be paid to those shareholders whose names appear in the register of members of the Company as at the close of 7th August, 2008.

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

RESOLVED THAT Mr. H. Lakshmanan, 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. T.R. Prasad, 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. K.S. Bajpai, 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.

SPECIAL BUSINESS

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

RESOLVED THAT subject to the provisions of Sections 198 and 309 and other applicable provisions, if any, of the Companies Act, 1956 the non-executive independent directors of the Company (as defined in Clause 49 of the Listing Agreement with Stock Exchanges), be paid, (in addition to sitting fees for attending the meetings of the board or of a committee thereof and travelling and stay expenses) such sum as commission payable at such intervals for each such independent director of the Company, as may be determined by the board of directors of the Company, from time to time, for each financial year, for a period of five years commencing from 1st April 2008, within the overall limits, so as not to exceed in aggregate 1% of the net profits of the Company, calculated in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956.

By order of the board

Bangalore
June 30, 2008

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 7 days from Friday, the 8th August 2008 to Thursday, the 14th August 2008 (both days inclusive).
3. Subject to the provisions 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

14th August 2008 to the shareholders whose names appear in the register of members as at the close of 7th August 2008.

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 in respect of the above period are requested to make their claim by surrendering the unencashed 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 proxy form and hand over the slip at the entrance of the meeting hall.
9. In terms of clause 49(IV)(G) of the Listing Agreement with the Stock Exchanges, a brief resume of directors, who are proposed to be re-appointed in this meeting, nature of their expertise in specific functional areas, their other directorships and committee memberships, their shareholdings and relationships with other directors in the Company are given below:

I. Mr. H. Lakshmanan

Born on 14th August 1933, Mr. H. Lakshmanan is a Company executive with vast experience. He joined the TVS Group in 1953. He rose to the position of executive director of Sundaram-Clayton Limited in 1982 and continues to hold the position. He has rich experience, expertise and knowledge in areas such as banking, finance, business administration and human resources. He was co-opted as a director of the Company on 26th April 2002.

He holds 26,435 equity shares in the Company and he is not related to any other directors of the Company. Details of his other directorships and membership/chairmanship of committees are given below:

S. No.	Name of the Company	Position held	Committee membership/ Chairmanship
1.	Harita Seating Systems Limited	Chairman	Investors' grievance committee - Chairman Audit committee - Chairman
2.	Harita NTI Limited	Director	
3.	Anusha Investments Limited	Whole time director	Audit committee - Member
4.	WABCO-TVS (INDIA) Limited	Director	Audit committee - Member Investors' grievance committee - Member
5.	Sundaram Auto Components Limited	Director	
6.	Auto (India) Engineering Limited	Director	
7.	Sundaram Investment Limited	Director	
8.	TVS Electronics Limited	Director	Audit committee - Member
9.	TVS Finance and Services Limited	Director	Shareholders'/ Investors' grievance committee - Member Audit committee - Member
10.	TVS Investments Limited	Director	Audit committee - Chairman
11.	Harita TVS Technologies Inc. USA	Director	
12.	TVS-E Technologies Limited	Director	Audit committee - Chairman
13.	Sundaram Clayton Senior Officers Welfare Foundation (P) Limited	Director	
14.	Harita Techserv Limited	Director	
15.	TVS Capital Funds Limited	Director	
16.	Harita Properties Private Limited	Director	
17.	TVS Motor (Singapore) Pte. Limited	Director	
18.	TVS Motor Company (Europe) B.V.	Managing Director	
19.	PT TVS Motor Company Indonesia	Commissioner	

II. Mr. T.R. Prasad

Born on 15th July 1941, Mr.T.R. Prasad holds Masters' Degree in Physics (Electronics) from Banaras Hindu University. He is a lifetime fellow of the Institute of Engineers. He joined the Indian Administrative Service in the year 1963.

Mr. Prasad's earlier assignments include his positions as Principal Secretary, Industry and Commerce / Urban

Development / Revenue, Government of Andhra Pradesh, Chairman, Vizag Port Trust, Special Officer, Municipal Corporation of Hyderabad, Managing Director of Andhra Pradesh State Financial Corporation / Andhra Pradesh State Civil Supplies Corporation, Development Commissioner and Ex-Officio Secretary to Chief Minister, Secretary, Irrigation and Command Area Development, and Secretary, Planning, Government of Andhra Pradesh.

Mr. Prasad also held various positions of repute and high responsibility which include Defence Secretary to Government of India, Secretary of Industrial Policy and Promotion, Government of India, Chairman of Foreign Investment Promotion Board, Secretary of Heavy Industry and Chairman of Maruti Udyog Limited.

He served as director on the board of IDBI, ICICI, EXIM Bank, Vizag Steel Plant, Hindustan Shipyard, Nagarjuna Chemicals and Fertilizers and Dredging Corporation of India.

Mr. Prasad took over as Cabinet Secretary, Government of India, on 1st November 2000 and held this post for a two year tenure after which he joined the Twelfth Finance Commission as a member and served in that capacity till 31st December 2004. He was co-opted as a director of the Company on 27th January 2005.

He is a member of the audit committee of directors of the Company. He does not hold any share in the Company and he is not related to any other directors of the Company. Details of his other directorships and membership/chairmanship of committees are given below:

S. No.	Name of the Company	Position held	Committee membership/ Chairmanship
1.	Suven Life Sciences Limited, Hyderabad	Director	Member - Audit Committee
2.	TAJ GVK Hotels & Resorts Limited, Hyderabad	Director	
3.	Nelcast Limited	Director	Chairman - Audit Committee
4.	GMR Infrastructure Company Limited	Director	
5.	Indofil Organic Industries Limited	Director	
6.	Satyam Computer Services Limited	Director	Member - Audit Committee Member - Investors/ Shareholders Grievance Committee
7.	Pipavav Shipyard Limited	Director	Member - Audit Committee
8.	Delhi International Airport Pvt. Limited	Director	Member - Audit Committee

III Mr. K.S. Bajpai

Born on 30th March 1928, Mr. K.S. Bajpai, was in Indian Foreign Service and retired as Secretary to Government, Government of India, New Delhi.

Mr. K.S. Bajpai served as Secretary of the Ministry of External Affairs and also served as Indian Ambassador to Pakistan, China and United States of America. He was a visiting fellow at Stanford University’s Centre for International Security and Co-operation in 2002. He was co-opted as a director of the Company on 27th January 2003.

He does not hold directorship in any other Company.

He does not hold any share in the Company and is not related to any other directors of the Company.

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956.

The following explanatory statement sets out all material facts relating to the special business mentioned in the accompanying notice dated 30th June 2008 and shall be taken as forming part of the notice.

Item No.7

The Company has been paying commission to non-executive independent directors not exceeding 1% of the net profits of the Company in such manner as the board may determine, from time to time, for each financial year. A sum of Rs. 3,60,000/- per annum as commission was paid each year to each independent director for five financial years commencing from 1st April 2003. This payment was earlier approved by a special resolution by the shareholders at the annual general meeting held on 12th September 2003, in terms of the provisions of Section 309(4) of the Companies Act, 1956.

The approval of the shareholders was for a period of 5 years from 1st April 2003 to 31st March 2008.

The non-executive independent directors devote considerable time in deliberating the operational and other issues of the Company and provide valuable advice in regard to the management of the Company, from time to time. The Company also derives substantial benefit through their expertise and advice. Since the corporate governance regulations expect increased involvement and participation by such independent directors in the meetings of audit committee and board and having regard to their contribution and involvement in policy issues concerning the Company’s operations, it is considered expedient to continue with the payment of commission for a further period of five years commencing from 1st April 2008.

The directors, therefore, recommend that the special resolution as set out in item no. 7 be approved by the shareholders.

Interest of directors

None of the directors, except M/s. T. Kannan, N. Ganga Ram, C.R. Dua, K.S. Bajpai and Mr. T.R. Prasad, being non-executive independent directors of the Company, is deemed to be concerned / interested in the abovesaid resolution.

By order of the board

Bangalore
June 30, 2008

T.S. RAJAGOPALAN
Secretary

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

Directors' report to the shareholders

The directors present the sixteenth annual report and the audited accounts for the year ended 31st March 2008.

1. FINANCIAL HIGHLIGHTS

Details	Year ended 31.03.2008	Year ended 31.03.2007
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QUANTITATIVE

(Numbers in lakhs)

Sales:

Motorcycles	6.10	9.23
Mopeds	4.09	3.44
Scooters	2.58	2.59
Total vehicles sold	12.77	15.26

(Rupees in crores)

FINANCIAL

Sales (net of excise duty) and other income	3,310.35	3,920.89
EBITDA	132.15	203.23
Interest and finance charges (net)	2.19	24.78
Depreciation	94.59	87.60
Profit before tax	35.37	90.85
Provision for tax (including deferred tax and fringe benefit tax)	3.60	24.25
Profit for the year (after tax)	31.77	66.60
Surplus brought forward	29.09	35.50
Tax relating to earlier years	–	(0.32)
Profit available for appropriation	60.86	101.78
APPROPRIATIONS:		
Interim dividend	–	16.63
Proposed dividend	16.63	3.56
Tax on dividend	2.83	2.94
Transfer to general reserve	10.00	49.56
Surplus carried forward	31.40	29.09

2. DIVIDEND

The board of directors have recommended a dividend of Re. 0.70 per share for the year 2007-08 absorbing a sum of Rs. 16.63 crores. subject to the approval of shareholders in the ensuing annual general meeting.

3. PERFORMANCE

The total number of two wheelers sold by the Company during the year under review was 1.28 million units, registering a fall of 16% over the previous year. Motorcycles declined steeply by 33%, while mopeds grew by 19%. Scooter sales remained flat. The Company's export sales grew by 32% to 1.36 lakh numbers from 1.03 lakhs in 2006-07.

During the year 2007-08, the motorcycle category of the two wheeler industry registered a decline of 8%. The economy segment which has been the driver of growth in the past suffered maximum decline of 19%, because of non availability of retail finance and stringent credit norms imposed by the financiers, especially in small towns and rural markets. During the year, the motorcycle portfolio was largely dependent on StaR brand of motorcycles, which is a significant player in the economy segment, dependent upon availability of retail credit.

Despite the slowdown, keeping in mind specific requirements of customers, the Company launched a powerful 110 cc variant of StaR City and a new StaR Sport which delivers best in class mileage.

The executive segment of the two wheeler industry declined marginally by 3% despite launch of new products by the manufacturers. This segment accounts for over 55% of total motorcycle sales. Launch of TVS Flame, in this segment by the company, was delayed due to litigation on usage of twin spark plug. While the legal process is still going on, in order to avoid business disruption, the Company launched TVS Flame with a single spark plug without compromising on any of the performance parameters towards the end of the year. The product portfolio of the Company is now complete with the launch of TVS Flame.

The Company plans to launch new variants of Scooty and Apache RTR during the year 2008-09. With the complete product range now available, the Company hopes to reverse the decline and grow during 2008-09.

During the year, the turnover declined to Rs. 3310 crores from Rs. 3921 crores. The profit before tax (PBT) of Rs. 35 crores for the year was substantially lower than the previous year's PBT of Rs. 91 crores due to lower sales and consequent reduction in margins.

THREE WHEELER OPERATIONS

The Company launched its three wheeler, TVS King in two variants – two stroke petrol and two stroke LPG in March 2008. The product comes with many first time features in the industry and delivers higher comfort and convenience, better fuel efficiency and more importantly superior style to give pride of ownership to the drivers.

The product has received encouraging response from the market. TVS King has been launched in selected towns and will be gradually extended all over India by December 2008.

The Company plans to introduce four stroke version in Petrol, LPG and CNG fuels for domestic and export markets during 2008-09.

4. MANAGEMENT DISCUSSION AND ANALYSIS

During the year 2007-08, the Company commenced commercial production from its Nalagarh Plant located in Himachal Pradesh. The Company enriched its portfolio in the motorcycle category with the launch of TVS Flame for the executive segment. The Company also entered the three wheeler segment in March 2008. Another important milestone crossed during the year was the commencement of commercial production from its state-of-the-art plant located at Karawang near Jakarta, Indonesia and successful launch of TVS Neo, the Bebek, exclusively developed for the Indonesian market by its subsidiary PT TVS Motor Company Indonesia.

Indian two wheeler industry suffered on account of restricted availability of retail finance, high interest rates and stringent norms exercised by the financiers. This coupled with higher inflation dampened the spirit of the two wheeler buyers, leading to a sharp decline in sales during 2007-08.

The Company achieved annual two wheeler sales of 1.28mn, a decline of 16% from 1.53mn numbers sold in the previous year. The turnover declined from Rs. 3,921 crores to Rs. 3,310 crores. The profit before tax of Rs. 35 crores for the year was substantially lower than the previous year's PBT of Rs. 91 crores due to lower sales and consequent reduction in gross margins.

The current year 2008-09 will continue to be a challenging year. Continued restricted availability of retail finance, high inflation and high fuel prices are likely to affect growth of two wheelers. In addition, steep increase in cost of raw materials and inability to fully pass on the cost increase will impact margins.

However, the Company is now in a better position to leverage on its complete portfolio with the launch of TVS Flame and reverse the declining trend in sales. The Company further plans to launch more new products and partially neutralize the rise in costs by implementing aggressive cost reduction programmes in the current year.

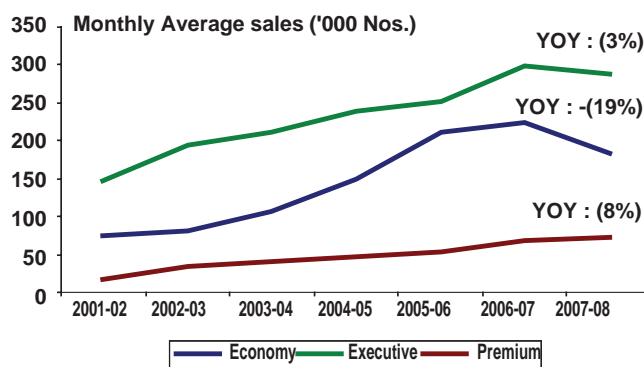
INDUSTRY STRUCTURE AND DEVELOPMENTS

The two wheeler industry had been on a strong growth trajectory in the past years. Easy availability of retail finance with low down payment schemes, increasing household incomes and launch of more stylish and fuel efficient motorcycles had enabled the industry to grow.

However, the year 2007-08 saw a decline of 5% in two-wheeler sales compared to the previous year. Motorcycles declined by 8% while ungeared scooters and mopeds which are less dependent on retail finance registered a robust growth of 16% and 10% respectively.

In the motorcycle category, the economy segment which has been the driver of growth in the past suffered maximum decline of 19%, as this segment is most sensitive to retail finance. The executive segment declined marginally by 3% despite launch of new products by leading manufacturers. Premium segment recorded a growth of 8% over the previous year. The category

share of motorcycles came down from 84% in 2006-07 to 81% in 2007-08.



Ungeared segment grew at a robust 16% as compared to 10% in the previous year, increasing its category share to 13%.

Mopeds grew at 10% as compared to 5% of previous year and maintained its category share.

Particulars	2006-07			2007-08		
	Sales in mn	Growth in %	Category share	Sales in mn	Growth in %	Category share
Motorcycles	7.10	15%	84%	6.54	-8%	81%
Ungeared scooters	0.87	10%	10%	1.01	16%	13%
Geared scooters	0.10	-49%	1%	0.06	-40%	1%
Mopeds	0.39	5%	5%	0.43	10%	5%
Total two wheelers	8.46	12%	100%	8.04	-5%	100%

However, in the long term, growing population and economic activity will increase the overall need for mobility. In addition, the contributors to the mobility requirement include increasing women workforce, rising trend in self employment, emergence of satellite towns and growth in rural economy. The current penetration levels of two wheelers in the country are still low at 7% which offers considerable scope for growth.

BUSINESS OUTLOOK AND OVERVIEW

In 2007-08, the economy grew at 8.7% which is lower than the previous year's growth of 9.4%. Agriculture continued to grow at a moderate pace of 2.6%, whereas Services and Industry grew by 10.6% and 8.6% respectively.

In 2008-09, GDP growth is projected to be lower at 7%. High inflationary pressures and non-availability of retail finance especially in small towns and rural markets will continue to dampen the sentiments of two wheeler industry. Further, the increase in fuel prices is likely to affect customer's buying behaviour adversely. Consequently, motorcycle segment is expected to remain flat during 2008-09. Ungeared scooter segment and mopeds, which are less dependent on retail finance, are estimated to grow at 10% and 5% respectively.

COMPANY PERFORMANCE

New Product Launches and Initiatives

During the year 2007-08, the Company launched various new products and variants.

TVS Flame

This is the hottest riding experience sporting many first time features (in the executive segment) like the embedded trafficators, Instant Mileage Indicator, DeltaEdge exhaust and glove box. Flame sports a revolutionary 3 Valve CCVTi engine which delivers best in class mileage without compromise on power. With this launch, the Company will actively compete in the executive segment.



Apache RTR

This 160cc Apache launched in the growing premium segment, was declared Performance Bike of the year 2008 by Auto Business Standard Motoring, NDTV and Overdrive. It also bagged the NDTV Car & Bike Award for Best Design of the year.



StaR Sport

The new StaR Sport with superior style, refreshing graphics, pleasing colours and contemporary design became an instant hit. More importantly, this bike delivers the best mileage in its class.



StaR City 110 cc

An upgrade of the existing and highly successful StaR City, this new motorcycle packs a more powerful punch with increased power and higher fuel efficiency with VTi technology.



Scooty TeenZ Electric

This new entrant in the TVS Scooty family is an electric eco-friendly scooter. This will address the growing demand for electric scooters in India. Scooty TeenZ Electric has been launched in Gujarat and Maharashtra. During the year 2008-09, this product will be made available across the country.



TVS Tru4 Oil

TVS Tru4 oil has been indigenously developed by the Company in association with BPCL. This is specifically designed for smooth clutch operations, smoother gearshift and enhanced engine protection providing an ultra smooth biking experience for the customer. This product has



been certified by JASO (Japanese Automotive Standards Organisation) for MA2 with API 20W40 grade.

Motorcycles

In this category, the Company faced a steep decline of 33% during 2007-08. The Company's motorcycle portfolio was largely dependent on StaR brand of motorcycles and the impact of non-availability of retail finance was severe. Launch of TVS Flame was delayed due to litigation on usage of twin spark plug. While the legal process is still going on, in order to avoid business disruption, the Company has launched TVS Flame with a single spark plug without compromising on any of the performance parameters. With the complete product range now available, the Company hopes to reverse the decline and grow during 2008-09.

Ung geared scooters

Scooty Pep+ continues to be the market leader in sub 100cc market. Emergence of electric scooters segment has affected TVS Scooty sales marginally. The newly launched TeenZ Electric will address this issue. This product is also rated the best amongst the competing brands by Overdrive Magazine (June 2008 issue). The Company will also be launching a new variant of Scooty and a big scooter during the year 2008-09 to expand its customer base.

Mopeds

Mopeds grew by 19% and increased its market share to 95% from 89% in the previous year. Focused efforts on non-south states have helped to achieve this growth.

International Business

In 2007-08, export business saw steep growth of 32% as compared to 28% in the previous year. During this period, 5 more countries were included, taking the total countries to which the Company exports to 53.

Three Wheeler Operations

The three wheeler industry has grown at a compounded average growth rate (CAGR) of 12% over the last 5 years to reach 5 lakh units in 2007-08. Passenger segment accounts for 73% and balance being goods carriers. In addition to domestic demand, exports offer an attractive opportunity.

The Company launched its three wheeler, TVS King in two variants – two stroke petrol and two stroke LPG in March 2008. The product comes with many first time features in the industry and delivers higher comfort and convenience, better fuel efficiency and more importantly superior style to give pride of ownership to the drivers.



The product has received encouraging response from the market. TVS King has been launched in selected towns and will be gradually extended to all over India by December 2008.

The Company plans to introduce four stroke version in Petrol, LPG and CNG fuels for domestic and export markets during 2008-09.

OPPORTUNITIES AND THREATS

Growth in two wheeler demand would come mainly from rising population in relevant age and income groups and increasing use of personal transport.

The StaR brand stands to gain from this, but the current retail finance situation may hinder its growth in the current year.

Apache RTR is gaining popularity with the younger male population. To retain this segment of customers, who are very conscious about style and performance, frequent refreshes and upgrades are required.

The executive segment accounts for over 50% of the motorcycle category. The recently launched TVS Flame has been well received by discerning customers.

The Company has a strong presence in the sub 100cc ungeared scooter segment. However, the Company has no presence in the large scooter format which accounts for 70% of the total ungeared scooters. The Company plans to launch a new product during the year to target these customers. Emergence of electric scooters, especially in the context of rising fuel prices provides a new avenue of growth.

OPERATIONS REVIEW

Quality

The Company has significantly improved the quality performance of all its products through a systematic task force approach. The fact that the Company came out with Industry first five year extended warranty program on StaR brand is a testimony to its manufacturing quality.

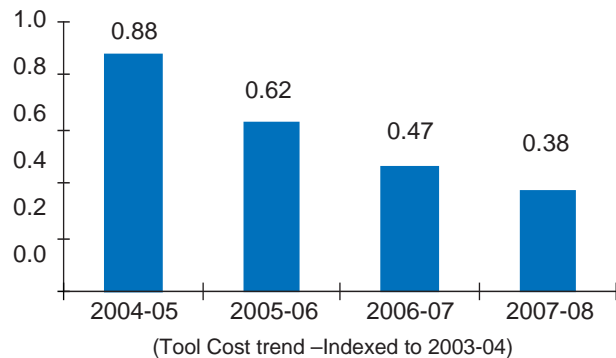
TQM

The Company continues to benefit from 100% participation of employees in TQM activities. The employees have completed more than 1,200 projects through QC Circles and Cross Functional Teams. The average number of suggestions implemented per employee was 69 during 2007-08.

Cost management

The Company continues its rigorous focus on costs through an effective deployment system. Value engineering and aggressive global sourcing projects are being pursued to reduce material costs and also to partially neutralize input material cost increase.

TPM is practiced in all the plants to ensure significant improvement in productivity and reduction in manufacturing cost. During 2007-08, the Hosur and Mysore plants were awarded the TPM excellence certificate by the Japanese Institute of Plant Management (JIPM).



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. It also has state-of-art-facilities for engine testing, NVH measurements and life testing. At present, more than 450 engineers are working on the development of new products and in other advanced areas of technology. The Company works with leading technological research laboratory and institutions.

The Company's R&D is cognizant of 2010 emission norms and is focused on ensuring complete compliance in 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 200 patents and its R&D team has published 44 technical papers in national and international conferences.

In addition to the requirements of domestic markets, the R&D team has developed products for ASEAN markets. The team has also developed three wheelers.

TVS Racing Group, which is an integral part of the R&D, participated in the major two-wheeler racing events in the country and won nearly 90% of the events.

Information technology

ERP system is used to integrate all the business processes across the Company. The Company has also integrated its dealers and suppliers into its IT systems.

During the year 2007-08, the Company has implemented Product Lifecycle Management system to digitize the new product development process. This solution will help in faster introduction of new products into the market. It integrates different processes within the Company and enables electronic collaboration with product development vendors.

The Company has also introduced Business Intelligence tool to get quick access to information through dashboards for effective decision-making.

During the year, the Company won the Team Tech 2007 Award of Excellence for Integrated use of Advanced Computer Aided

Engineering Technologies in product development. The company also won the prestigious SAP ACE 2007 Awards for Customer Excellence in the Most Innovative Netweaver Category for several SAP implementations that are put in place.

An external security audit of IT system was conducted during the year. The recommendations made by auditors have since been implemented.

Supply Chain Management

During the year, the Company streamlined its global sourcing operations apart from strengthening its domestic supply base. Supplier cluster programmes enabled transfer of best practices from the Company to the suppliers and also among the suppliers.

The domestic dealership network was further strengthened with addition of 48 dealers in 2007-08. The Company now has 604 exclusive dealers and over 2,500 authorised sub dealers and service centres.

The customer loyalty programme – Smiles forever - has been upgraded and revamped. The current customer base of the CRM programme is over 4.3 lakh members.

PT TVS Motor Company Indonesia

PT TVS Motor Company Indonesia, a subsidiary of the Company, has established a manufacturing facility at Karawang (near Jakarta), Indonesia with an annual capacity of 3,00,000 units.

The new product exclusively developed for the Indonesian market was launched during 2007-08 in select markets. The response from the customers has been extremely satisfactory. Apache RTR launched during 2007-08 has also caught the fancy of Indonesian customers. The Company has established a network of 25 dealers as on 31st March 2008 and plans to add another 125 during 2008-09.



Financial Performance

The company's financial performance for the year 2007-08 as compared to the previous year is furnished in the following table:

PARTICULARS	Year 2007-08		Year 2006-07	
	Rs. in crores	%	Rs. in crores	%
Sales:				
Motorcycles	1,706.54	51.6	2,513.78	64.1
Mopeds	617.54	18.7	501.84	12.8
Scooters	613.18	18.5	611.33	15.6
Spares and accessories and provision of technical know-how	281.49	8.5	228.01	5.8
Three wheeler	0.75	—	—	—
Other income	90.85	2.7	65.93	1.7
TOTAL REVENUE	3,310.35	100.0	3,920.89	100.0

PARTICULARS	Year 2007-08		Year 2006-07	
	Rs. in crores	%	Rs. in crores	%
Raw Material consumed	2,445.51	73.9	2,903.37	74.0
Staff cost	176.37	5.3	172.27	4.4
Stores and tools consumed	30.87	0.9	42.53	1.1
Power and fuel	40.72	1.2	43.10	1.1
Repairs and maintenance	31.46	0.9	29.50	0.8
Packing and freight charges	93.47	2.8	112.67	2.9
Advertisement and publicity	104.37	3.2	162.82	4.2
Other expenses	255.43	7.7	251.40	6.4
Interest & Finance charges	2.19	0.1	24.78	0.6
Depreciation	94.59	2.9	87.60	2.2
TOTAL EXPENDITURE	3,274.98	98.9	3,830.04	97.7
Profit before tax	35.37	1.1	90.85	2.3
Provision for tax (incl. deferred tax)	3.60	0.1	24.25	0.6
PROFIT AFTER TAX	31.77	1.0	66.60	1.7

Some of the key ratios for the current year are furnished below:

DESCRIPTION	UOM	2007-08	2006-07
EBITDA / turnover	%	4.1	5.1
Profit before tax / turnover	%	1.1	2.3
Return on capital employed	%	2.8	10.4
Return on net worth	%	4.1	9.2
Earnings per share at a face value of Re. 1 per share	Rs.	1.3	2.8

During the year, in the motor cycle portfolio, the Company was largely dependent on entry level motor cycles. For a major part of the year, the Company had no presence in the executive segment which accounts for more than 50% of motor cycle category. As mentioned earlier, the reduced availability of retail finance had a severe impact on sale of retail finance dependent entry level motor cycles. Further, the other major players in the industry resorted to high cost promotion. Despite lower sales, the Company was forced to offer promotion on its products also to remain competitive in the market. This led to reduction in operating margin. The interest and finance charges of Rs. 2.2 crores for the year 2007-08 is net of credit of Rs. 26.8 crores being the effect of restatement of external commercial borrowings.

The Company will have the benefit of TVS Flame, launched in executive segment towards the end of 2007-08. This along with other new launches planned during 2008-09 will help the Company to reverse the declining trend in sales and to report improved results. All the operating ratios will also improve consequent to benefit of full years production available from both the Himachal Pradesh and Three wheeler plants.

RISKS AND CONCERNS

Prices of raw materials have gone up sharply, especially steel, aluminum, nickel, copper, plastics and rubber. This development poses a significant risk to the profitability of the Company. 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.

Further, the motorcycle industry has slowed down significantly over the last year and continuance of high inflation, increase in price of petrol, interest rates and restricted availability of retail finance pose significant demand side risk. Low down payment options may not be offered and more stringent norms will continue to be followed by financiers. The free flowing credit which spurred the two wheeler growth in the past will be absent in the current year. The consequent slackening of demand could lead to lower capacity utilization and intense competition. The Company is exploring partnerships with regional retail finance players to mitigate this risk.

The fluctuating value of Indian Rupee against the US Dollar poses a significant risk in the context of forex exposure due to increasing export sales and global sourcing. In addition, the Company had borrowed USD 100 Mn through external commercial borrowings to fund the new projects. To mitigate the forex exposure risks, appropriate risk management policy has been implemented.

INTERNAL CONTROL AND THEIR ADEQUACY

The Company has a proper and adequate Internal control system to ensure that all the assets of the Company are safeguarded and protected against any loss and that all the transactions are properly authorised, recorded and reported.

HUMAN RESOURCE DEVELOPMENT

The Company focuses on attracting the best talent through strategic recruitment from reputed Engineering Colleges and Business Schools across the country.

Managers are developed through structured foundation programs in association with reputed institutions. The Company sponsors managers to overseas and inland universities for developing their capabilities to handle new technologies and management practices. They are also deputed to international conferences and seminars to gain global exposure.

Leadership development programs have been institutionalized as part of career development for senior executives. Career development workshops help identifying the high potential talents. This is reinforced with robust development plans supported by reward and recognition system.

The Company has developed a blueprint for creating Centers of Excellence in the key business processes. These Centers of Excellence build competencies required for the present and the future to provide competitive advantage.

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 31st March 2008, the Company had 4,284 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 continues to excel in key environmental performance areas, achieving a 35% reduction in fresh water consumption, 45% per unit reduction in landfill waste disposal and 33% reduction in paint sludge generation.

In line with the World Environment Day – 2008 theme “ Kick the Habit - Towards Low Carbon Economy”, the Company is making a conscious effort to reduce its Carbon Foot print. Accordingly, it has taken various energy conservation measures like the use of waste heat from central power plants, use of energy efficient motors, use of CFL lighting systems, use of natural lights, special V Belts in machine drives etc. The eventual goal is to become a Carbon Neutral Manufacturing Company.

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.

SST extended its coverage to 363 villages, serving a population of 3.71 lakhs. Some of the significant achievements are :

- Regular income of over Rs.4,000/- per month for 14,446 families.
- No case of Infant and maternal mortality in the project areas.
- Morbidity caused by poor sanitation & hygiene reduced from 37% to 13%.
- 100% enrolment of children in Balwadis and Schools.
- 1,12,000 hectares of degraded forest land reforested.
- 5,830 hectares were covered under Watershed Program.

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.

5. SUBSIDIARY COMPANIES

PT TVS Motor Company Indonesia, a subsidiary of the Company has established a manufacturing facility at Karawang (near Jakarta), Indonesia with an annual capacity of 300,000 units. The new product exclusively developed for the Indonesian market was launched during 2007-08 in select markets. The response from the customers has been extremely satisfactory. Apache RTR launched during 2007-08 has also caught the fascination of Indonesian customers. The Company has established a network of 25 dealers as on 31st March 2008 and plans to add another 125 during 2008-09.

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.

An application in terms of Section 212(8) of the Companies Act, 1956 has been made to the Central Government, seeking exemption from attaching the balance sheet and profit and loss account of the subsidiaries alongwith the report of the board of directors and that of the auditors' thereon, with the company's accounts and the Company awaits the approval of 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 on 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. H. Lakshmanan, Mr. T.R. Prasad and Mr. K.S. Bajpai, directors, retire at the ensuing annual general meeting of the Company and being eligible, offer themselves for re-appointment.

The brief resume of the aforesaid directors and other information have been detailed in the notice convening sixteenth annual general meeting of the Company. Appropriate resolutions for their re-appointment are being placed for approval of the share

holders at the ensuing annual general meeting. Directors recommend their re-appointment as directors of the company.

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 report on corporate governance is enclosed. A certificate from the auditors of the Company regarding compliance of the conditions of corporate governance as stipulated by the clause is attached to this report.

The chairman and managing director and senior vice president – finance of the Company have certified to the board on financial statements and other matters in accordance with the clause 49 (v) of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31st March 2008.

9. STATUTORY STATEMENTS

Conservation of energy, technology absorption and foreign exchange earnings and outgo

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.

Particulars of employees

The particulars required pursuant to 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.

However, 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.

Directors' Responsibility Statement

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 2008, 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 2008 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 very good work done by all the employees of the Company during the year under review.

The directors also thank the investors for their continued faith in the Company.

For and on behalf of the Board

Bangalore
June 30, 2008

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) Extended waste heat recovery hot water system to Taikisha paint plant process application & reduced High Speed Diesel (HSD) consumption in boiler.
 - (ii) Extended waste heat driven Vapour Absorption Machine (VAM) to supply chilled water for the chiller application.
 - (iii) Optimal air control system for air compressors to reduce electrical energy consumption.
 - (iv) Optimisation of Pressure and volume in pumps and blowers by providing Variable Frequency Drive (VFD) in all plants.
- The above measures have resulted in a saving of Rs. 1.20 crores.

2 Proposed measures:

- (i) Elimination of waste heat of hood exhaust in paint plants Extending waste heat driven VAM to Chiller units.
 - (ii) Optimisation of pumps and blowers discharge pressure and volume by providing VFDs.
 - (iii) Improving efficiency in process plants.
- 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 executive and 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 stepthru bikes.
- (v) Design and development of electric scooters.

2 Future plan of action:

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

3 Expenditure on R & D:	Rs. in crores
Capital expenditure	15.53
Revenue expenditure	54.82
Total	70.35
Total expenditure as a percentage of turnover	2.12%

- 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 1.3 lakh units. The Company expanded its presence to 53 countries.

The Company also commenced during the year exporting components and sub-assemblies to its subsidiary Company in Indonesia.

2 Total foreign exchange earned and used:	Rs. in crores
Foreign exchange used	207.75
Foreign exchange earned	334.47

For and on behalf of the Board

Bangalore
June 30, 2008

VENU SRINIVASAN
Chairman

Report on Corporate Governance

1. Company's philosophy on code of governance

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

2. Board of directors

2.1 Composition and category of directors

As of 31st March 2008, the total strength of the board is nine directors. As the Company has an executive chairman viz., Mr. Venu Srinivasan who is the 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 year 2007-2008, the board met 6 times on 21st May 2007, 28th June 2007, 27th July 2007, 17th August 2007, 24th October 2007 and 25th January 2008 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 2007-2008 and at the last annual general meeting, number of other directorships and committee chairmanships / memberships held by the directors in all companies as per declarations furnished by them are given in the table below:

Name of the director M/s.	Category	Attendance particulars		Number of other directorships and committee memberships / chairmanships		
		Board meetings	Last annual general meeting	Other directorships*	Committee memberships**	Committee chairmanships
Venu Srinivasan	E	6	Yes	14	4	2
Gopal Srinivasan	NE-NI	2	Yes	17	2	-
T.K. Balaji	NE-NI	5	Yes	14	6	1
H. Lakshmanan	NE-NI	5	Yes	19	8	4
T. Kannan	NE-I	4	Yes	6	5	-
N. Ganga Ram	NE-I	6	Yes	3	5	1
C.R. Dua	NE-I	2	Yes	31	3	1
K.S. Bajpai	NE-I	2	No	-	-	-
T.R. Prasad	NE-I	6	Yes	8	7	2

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 to directors:

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 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 declarations 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:

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. All the board members and senior management have confirmed compliance with the Code for the year ended 31st March 2008. 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.

2.6 In terms of clause 49(IV)(G) of the Listing Agreement with the Stock Exchanges, a brief resume of directors, proposed to be re-appointed, nature of their expertise in specific functional areas, their other directorships and committee memberships, their shareholdings and their relationships with other directors are provided in the notice convening the ensuing annual general meeting of the Company.

3. Audit Committee

3.1 Brief description of terms of reference:

- a. Overseeing the Company's financial reporting process and the disclosure of financial information.
- b. 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.
- c. Reviewing the related party transactions.
- d. 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.
- e. Recommending to the board the appointment / re-appointment / replacement of the statutory auditors and the fees payable for audit and for other services rendered by the statutory auditors.
- f. Reviewing with the management, the performance of statutory and internal auditors.
- g. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- h. Reviewing the adequacy of internal audit functions and systems, structure, reporting process, audit coverage and frequency of internal audit.
- i. Discussion with external auditors regarding audit plan as well as post-audit discussion to ascertain any area of concern.
- j. Ascertainment of reasons for substantial defaults in the payment in case of non-payment of declared dividends and creditors.
- k. Review of management discussion analysis of financial conditions and results of operations and other matters specified under clause 49 of the Listing Agreement.

- l. Review of financial statements, in particular the investments made by the unlisted subsidiary.
- m. 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.

3.2 Composition, name of members and the chairman:

As of 31st March, 2008, the audit committee consists of the following independent and non-independent directors:

Name of the directors (M/s.)	Status
T.R. Prasad	Independent director
N. Ganga Ram	Independent director
T. Kannan	Independent director
T.K. Balaji	Non-Independent director

Mr. T.R. Prasad, Independent director, was the Chairman of the Audit Committee upto 30th June 2008 and Mr. T. Kannan is the Chairman of the Audit Committee effective 1st July 2008. Mr. T.S. Rajagopalan, secretary of the Company acts as the secretary of the Audit Committee. Chairman of the Audit Committee was present at the annual general meeting held on 17th August, 2007. 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.

3.3 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
21.05.2007	M/s T. R. Prasad, N.Ganga Ram, T. K. Balaji and T. Kannan
28.06.2007	M/s T.R. Prasad, N. Ganga Ram, T. K. Balaji and T. Kannan
27.07.2007	M/s T.R. Prasad, N. Ganga Ram and T.K. Balaji
24.10.2007	M/s T.R. Prasad, N. Ganga Ram, T.K. Balaji and T. Kannan
25.01.2008	M/s T.R. Prasad and N. Ganga Ram

4. Disclosures

4.1 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 interests 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.

4.2 Details of non-compliance(s), if any by the Company:

The Company has complied with all the requirements of the Stock Exchange(s) or Securities and Exchange Board of India on matters related to capital markets, as applicable from time to time. There were no penalties imposed or strictures passed against the Company by the statutory authorities in this regard.

4.3 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.

4.4 The Company follows the Accounting Standards issued by the Institute of Chartered Accountants of India and Company (Accounting Standards) Rules, 2006. The Company has not adopted a treatment different from that prescribed in any Accounting Standard, in the preparation of financial statements.

4.5 The chairman and managing director (CEO) and senior vice president – finance (CFO) of the Company have certified to the board on financial and other matters in accordance with Clause 49(V) of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31st March, 2008.

4.6 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.

4.7 The management discussion analysis report forms part of the directors' report.

5. Remuneration Committee

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

5.1 Remuneration to directors:

The remuneration payable to the chairman and managing director 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 23rd April 2010.

Sitting fees of Rs.20,000/-, which was enhanced from Rs. 10,000/- effective 28th June 2007, are paid to the non-executive directors for every meeting of the board and / or committee thereof attended by them.

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 for each such director for a period of five years with effect from 1st April 2003 as approved by the shareholders at the annual general meeting of the Company held on 12th September 2003. This approval for payment of commission to non-executive independent directors was valid up to 31st March 2008. A subject seeking the approval of the shareholders in respect of the commission payable to non-executive independent directors for a further period of five years w.e.f. 1st April 2008 is included in the notice convening the sixteenth annual general meeting of the Company.

Presently, the Company does not have a scheme for grant of stock options either to the directors or employees of the Company.

5.2 Particulars of sitting fees / remuneration and commission paid to the directors during the financial year 2007-2008.

Name of the director M/s.	Sitting fees (Rs.)	Commission (Rs.)	Total (Rs.)
Venu Srinivasan*	-	18,43,655	18,43,655
Gopal Srinivasan*	90,000	-	90,000
T.K. Balaji*	1,60,000	-	1,60,000
H. Lakshmanan	1,20,000	-	1,20,000
T. Kannan	1,50,000	3,60,000	5,10,000
N. Ganga Ram	2,70,000	3,60,000	6,30,000
C.R. Dua	30,000	3,60,000	3,90,000
K.S. Bajpai	40,000	3,60,000	4,00,000
T.R. Prasad	2,00,000	3,60,000	5,60,000

* 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. None of the other directors of the Company is related to one another.

5.3 Details of shareholding of non-executive directors in the Company as on 31st March 2008:

Name of the Director M/s.	No. of shares held (face value of Re.1/- each)
Gopal Srinivasan	9,000
T.K. Balaji	2,02,500
T. Kannan	1,33,832
H. Lakshmanan	26,435
N. Ganga Ram	-
C.R. Dua	-
K.S. Bajpai	-
T.R. Prasad	-

6. Investors' grievance committee

6.1 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.

6.2 As required by Securities and Exchange Board of India (SEBI), Mr. T.S. Rajagopalan, secretary of the Company has been appointed as the compliance officer. For any clarification / complaint, the shareholders may contact Mr. T.S. Rajagopalan, secretary of the Company.

6.3 The committee oversees and reviews all matters connected with share transfers, issue of duplicate share certificates and other issues pertaining to shares. 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.

6.4 Complaints received and redressed during the year 2007-2008:

S.No	Nature of complaint	No. of complaints
1.	Non receipt of share certificates	2
2.	Non receipt of dividend warrants	12
3.	Non receipt of annual reports	1
	Total	15

6.5 All the complaints were resolved as on 31st March 2008, and no complaint was pending.

All requests for dematerialisation of shares were carried out within the stipulated time period and no share certificate was pending for dematerialisation as on 31st March 2008.

6.6 Secretarial Audit:

A qualified practising company secretary carried out a 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 and placed the report for the perusal of the Board. 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.

7. General body meeting

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

Year	Location	Date	Time
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
2006-2007	The Music Academy, New No.168, (Old No. 306), T.T.K. Road, Chennai 600 014	17.08.2007	10.15 AM

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

During the last three years, namely 2004-05 to 2006-07, approval of the shareholders was obtained by passing special resolutions in respect of the following:

Year	Subject matter of special resolution	Date of AGM
2004-2005	Nil	17.08.2005
2005-2006	1. Amendment to articles of association of the company; and 2. 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
2006-2007	Nil	17.08.2007

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

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

8. Means of communication

8.1 Quarterly results:

The unaudited quarterly financial results of the Company were published in english and vernacular newspapers. These are not sent individually to the shareholders.

8.2 Newspapers wherein results are normally published:

The results are normally published in English 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.

8.3 Website:

The Company has in place a web site addressed as www.tvs motor.co.in. In terms of clause 51 of the listing agreement pertaining to electronic data information filing and retrieval (EDIFAR), the unaudited financial 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 website for publishing official news release and presentations, if any, made to institutional investors / analysts.

8.4 Management Discussion and Analysis Report:

As required by Clause 49 of the Listing Agreement, the management discussion and analysis report has been given as part of the directors' report.

9. General shareholder information:

9.1 Annual general meeting:

Date and time : Thursday, 14th August 2008 at 10.30 A.M

Venue : "Sathguru Gnanananda Hall" Narada Gana Sabha Trust, No. 314, T T K Road, Chennai 600 018

9.2 Financial Year: 1st April to 31st March

Financial Calendar 2008-09 (Tentative)

Annual general meeting : During August / September 2009

Financial reporting for the quarter ending : Financial calendar

30th June 2008 : 28th July 2008

30th September 2008 : between 15th and 31st of October 2008

31st December 2008 : between 15th and 31st of January 2009

31st March 2009 : between 15th and 30th of April 2009

9.3 Date of Book Closure: 8th August 2008 to 14th August 2008 (both days inclusive)

9.4 Particulars of dividend payment:

The board of directors have recommended a dividend of Re. 0.70 per share for the year 2007-2008, absorbing a sum of Rs. 16.63 crores subject to the approval of shareholders in the ensuing annual general meeting.

9.5 Listing on Stock Exchanges:

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 2008-2009 were 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 2007	65.90	56.00	65.70	61.00
May 2007	71.45	60.00	71.30	65.10
June 2007	71.55	60.75	66.80	60.60
July 2007	66.80	56.00	59.30	58.00
August 2007	67.80	54.00	69.70	62.70
September 2007	75.90	62.50	72.40	69.00
October 2007	73.30	53.00	59.90	57.70
November 2007	73.55	54.00	66.75	63.00
December 2007	78.70	64.00	73.90	71.50
January 2008	78.90	33.35	42.75	38.00
February 2008	44.90	35.90	44.90	42.10
March 2008	45.65	30.90	36.20	34.65

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

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

Financial year	Percentage change in	
	Company's share price (%)	BSE Sensex (%)
2007-2008	-35.26	19.68
2006-2007	-55.17	15.89
2005-2006	91.54	73.73

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

Financial year	Percentage change in	
	Company's share price (%)	NSE Nifty (%)
2007-2008	-40.08	24.66
2006-2007	-55.03	12.29
2005-2006	97.34	67.17

9.8 Share Transfer Agent and share transfer system:

- a. 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 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 1st October 2004.
- b. All matters connected with the share transfer both physical and electronic, dividends and other matters are handled by the STA located at the address mentioned elsewhere in this report.
- c. Shares lodged for transfer are normally processed within 10 days from the date of lodgement, if the documents are clear in all respects. All requests for dematerialization of securities are processed and the confirmation is given to the depositories within 7 days. Grievances received from investors and other miscellaneous correspondence on change of address, mandates etc. are processed by the STA within 7 days.
- d. Pursuant to Clause 47(c) of the Listing Agreement with Stock Exchanges, certificates, on half-yearly basis, have been issued by a Company Secretary in-practice for due compliance of share transfer formalities by the company.
- e. Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Company Secretary in-practice for timely dematerialization of the shares of the Company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the Company.
- f. The Company, as required under clause 47(f) of the Listing Agreement, has designated the following e-mail IDs, namely investorscomplaintssta@scl.co.in / tsr@scl.co.in for the purpose of registering complaints, if any, by the investors and expeditious redressal of their grievances.
- g. Investors are, therefore, requested to correspond with the STA for transfer / transmission of shares, change of address and queries pertaining to their shareholding, dividend etc. at their address given in this report.

9.9 Shareholding pattern as on 31st March 2008:

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	1,42,53,661	6.00
NRI & OCBs	9,35,289	0.39
Public financial institutions	2,27,22,056	9.57
Mutual funds	67,33,104	2.83
Banks	2,94,751	0.12
Other companies	1,41,71,988	5.97
Public	4,34,32,708	18.29
Total	23,75,43,557	100.00

9.10 Distribution of Shareholding as on 31st March 2008:

Shareholding (Range)	No. of Shares	%	No. of members	%
Upto 5000	3,54,86,852	14.94	1,03,638	99.19
5001-10000	32,44,407	1.37	445	0.43
10001-20000	26,68,544	1.12	188	0.18
20001-50000	40,24,157	1.69	126	0.12
50001-100000	20,60,244	0.87	29	0.03
100001 & above	19,00,59,353	80.01	53	0.05
Total	23,75,43,557	100.00	1,04,479	100.00

9.11 Dematerialisation of shares and liquidity:

Out of 10,25,43,557 equity shares of Re.1/- each held by persons other than promoters, 9,66,80,854 shares have been dematerialised as on 31st March 2008 accounting for 94.28%.

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 : Post Box No.4, Harita
Hosur 635 109. Tamilnadu
Tel: 04344 - 276780 Fax: 04344 - 276016
Email:
KN.Radhakrishnan@tvs motor.co.in
SG.Murali@tvs motor.co.in

Mysore : Post Box No.1
Byathahalli Village, Kadakola Post
Mysore 571 311. Karnataka
Tel: 0821 - 2596560
Fax : 0821 - 2596530/2596533
Email: KN.Radhakrishnan@tvs motor.co.in
Manohara.Rao@tvs motor.co.in

Himachal Pradesh : Bhatian Village, Nalagarh Post & Taluk
Solan district 174 101, Himachal Pradesh
Tel: 01795 - 220494 Fax: 01795 - 220496
Email: KN.Radhakrishnan@tvs motor.co.in
m.sridhar@tvs motor.co.in

9.14 Address for investor correspondence:

- | | |
|--|--|
| (i) For transfer / demate realisation 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 – 23741889. |
| (ii) For any query on annual report | Email :kr.raman@scl.co.in
sclshares@gmail.com |
| (iii) For investors Grievance & general correspondence | Email :tsr@scl.co.in
investorscomplaintssta@scl.co.in |

10. Non-mandatory disclosures

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 the 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 Remuneration committee:

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

10.3 Shareholder rights:

The half-yearly results of the company are published in newspapers and its web site www.tvsmotor.co.in and www.sebidifar.nic.in the official web site of SEBI. The results are not sent to the shareholders individually.

10.4 Audit qualifications:

The statutory financial statements of the Company are unqualified.

10.5 Training of Board Members / Mechanism for evaluating non-executive directors:

The present board of directors consists of well-experienced and responsible members of society. All the directors are well aware of business model as well as the risk profile of the business parameters of the company and their responsibilities as directors. Hence, in the opinion of the board, they do not require any further training. There is also no specific mechanism for the evaluating the performance of the non-executive directors of the Company.

10.6 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 issue.

11. Request to investors:

- Investors holding shares in physical mode are requested to kindly note the following procedure:
 - Investors are requested to communicate bank details, the change of address, if any, directly to the STA located at the address mentioned above
 - In case of loss / misplacement of share certificates, investors should immediately lodge a FIR / Complaint with the police and inform the Company / STA with original or certified copy of FIR / acknowledged copy of complaint for marking stop transfer of shares.
 - For expeditious transfer of shares, investors should fill in complete and correct particulars in the transfer deed. Wherever applicable, registration number of power of attorney should also be quoted in the transfer deed at the appropriate place.
 - Investors, whose signature has undergone any change over a period of time, are requested to lodge their new specimen signature duly attested by a bank manager to the STA.
 - Investors who have multiple folios in identical names are requested to apply for consolidation of such folios and send the relevant share certificates to the company.
- As required by SEBI, investors have to 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 unauthorized persons.
- Investors are requested to dematerialize their physical share certificates, through a depository participant. Shareholders requiring any further clarification / assistance on the subject may contact STA.
- Nomination in respect of shares – Section 109A of the Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his / her nominee without having to go through the process of obtaining succession certificate / probate of the Will etc. It would therefore be in the best interests of the shareholders holding shares in physical form registered as a sole holder to make such nominations. Investors, who have not availed nomination facility, are requested to avail the same

by submitting the nomination form. This form will be made available on request. Investors holding shares in demat form are advised to contact their DP's for making nominations.

- 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 note that National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) have announced the launch of SMS alert facility for demat account holders whereby investors will receive alerts for debits / credits (transfers) to their demat accounts a day after the transaction. These alerts will be sent to those account holders who have provided their mobile numbers to their Depository participants (DPs). No charge will be levied by NSDL/CDSL on DPs providing this facility to investors. This facility will be available to investors who request for the same and provide their mobile numbers to the DPs. Further information is available on the website of NSDL and CDSL namely www.nsdl.co.in and www.cdslindia.com, respectively.
- 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"(IEPF) in terms of Section 205C of the Companies Act, 1956.
- Investors who have not encashed their dividend warrants in respect of dividends declared for the year ended 31st 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 IEPF in terms of Section 205C of the Companies Act, 1956.

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

PARTICULARS OF UNCLAIMED DIVIDEND OF 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 st Interim	21.10.2002	26.11.2002	26.11.2009
2002-2003 2 nd Interim	09.06.2003	15.07.2003	15.07.2010
2003-2004 1 st Interim	17.10.2003	22.11.2003	22.11.2010
2003-2004 2 nd Interim	21.04.2004	27.05.2004	27.05.2011
2004-2005 1 st Interim	25.10.2004	01.12.2004	01.12.2011
2004-2005 2 nd Interim	30.05.2005	05.07.2005	05.07.2012
2005-2006 1 st interim	27.10.2005	03.12.2005	03.12.2012
2005-2006 2 nd interim	26.06.2006	01.08.2006	01.08.2013
2006-2007 1 st interim	26.10.2006	02.12.2006	02.12.2013
2006-2007 Final	17.08.2007	22.09.2007	22.09.2014

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
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.

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

The shareholders of 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 in terms of the relevant provisions of clause 49 of the Listing Agreement, we hereby certify that both the members of the board and the senior management personnel of the company 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 for the year ended 31st March 2008.

Bangalore
June 30, 2008

T.S. RAJAGOPALAN
Secretary

venu.srinivasan
Chairman & Managing Director

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 – 600 006 for the year ended 31st March 2008, 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 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 abovementioned 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. BALASUBRAMANIYAM
Partner
Membership No. F7945

Bangalore
June 30, 2008

Auditors' report to the shareholders

We have audited the attached Balance Sheet of M/s. TVS Motor Company Limited, Chennai 600 006 as at 31st March 2008, the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. 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 31st March 2008 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 31st March 2008;
 - 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.

For Sundaram & Srinivasan
Chartered Accountants

M. BALASUBRAMANIAM
Partner
Membership No.F7945

Bangalore
June 30, 2008

Annexure referred to in our report of even date on the accounts for the year ended 31st March, 2008

- | | |
|--|--|
| <p>(i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.</p> <p>(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.</p> <p>(c) The assets disposed off during the year are not substantial and therefore do not affect the going concern status of the company.</p> | <p>(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.</p> |
| <p>(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.</p> <p>(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.</p> <p>(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.</p> | <p>(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.</p> <p>(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.</p> |
| <p>(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. 67.44 crores (Balance due as at the year end Rs. 69.67 crores).</p> <p>(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.</p> <p>(c) The receipt of principal amount and interest thereon were regular.</p> <p>(d) As on the date of Balance Sheet there was no overdue amount recoverable on the said loans and advances.</p> <p>(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.</p> | <p>(vi) The company has not accepted any deposit from the public.</p> <p>(vii) The company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.</p> <p>(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 and three wheelers and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.</p> <p>(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.</p> <p>(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 31st March 2008 for a period of more than six months from the date they became payable.</p> |

(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	4.24	Central Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Cenvat / Excise duties	28.66	Assistant/Deputy Commissioner of Central Excise, Hosur and Mysore
Finance Act, 1994	Service tax	7.69	Assistant/Deputy Commissioner of Central Excise, Hosur and Mysore
Customs Act, 1962	Customs Duty	1.13	Commissioner of Customs, Chennai
Tamilnadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990	Entry Tax	2.50	High Court of Judicature at Madras, Chennai
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 read with Amendment Act, 2007	Electricity Tax	0.30	High Court of Judicature at Madras, Chennai
Income Tax Act, 1961	Income Tax & Interest there on	a) 7.04	Supreme Court of India
		b) 1.50	Income Tax Appellate Tribunal, Chennai
		c) 17.76	Commissioner of Income-Tax, Appeals, Chennai

(x) The company neither has 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.

For Sundaram & Srinivasan
Chartered Accountants

M. BALASUBRAMANIAM
Partner
Membership No.F7945

Bangalore
June 30, 2008

Balance Sheet as at 31st March 2008

Rupees in crores

	Schedule number	As at 31-03-2008	As at 31-03-2007
I SOURCES OF FUNDS			
1 Shareholders' funds			
(a) Capital	I	23.75	23.75
(b) Reserves and surplus	II	<u>797.83</u>	<u>785.52</u>
		821.58	809.27
2 Loan funds			
(a) Secured loans	III	452.68	506.16
(b) Unsecured loans	IV	<u>213.66</u>	<u>127.40</u>
		666.34	633.56
3 Deferred tax liability (net of deferred tax asset)		154.90	159.01
Total		<u>1,642.82</u>	<u>1,601.84</u>
II APPLICATION OF FUNDS			
1 Fixed assets			
(a) Gross block		1,790.97	1,483.01
(b) Less: Depreciation		<u>774.49</u>	<u>685.93</u>
(c) Net block	V	1,016.48	797.08
(d) Capital work-in-progress	VI	26.57	205.83
2 Investments	VII	338.96	344.74
3 Current assets, loans and advances			
(a) Inventories	VIII	405.38	396.56
(b) Sundry debtors	IX	87.86	111.40
(c) Cash and bank balances	X	3.73	86.56
(d) Other current assets	XI	0.30	0.30
(e) Loans and advances	XII	<u>277.52</u>	<u>227.58</u>
Total (A)		<u>774.79</u>	<u>822.40</u>
Current liabilities and provisions			
(a) Current liabilities	XIII	505.76	577.02
(b) Provisions	XIV	<u>60.99</u>	<u>49.73</u>
Total (B)		<u>566.75</u>	<u>626.75</u>
Net current assets (A - B)		208.04	195.65
4 Miscellaneous expenditure to the extent not written off or adjusted	XV	<u>52.77</u>	<u>58.54</u>
Total		<u>1,642.82</u>	<u>1,601.84</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

Bangalore
June 30, 2008

T.S. RAJAGOPALAN
Secretary

M. BALASUBRAMANIAM
Partner

Profit and Loss Account for the year ended 31st March 2008

		Rupees in crores	
	Schedule number	Year ended 31-03-2008	Year ended 31-03-2007
Gross sales		3,683.53	4,473.44
Less: Excise duty		464.03	618.48
Net sales		3,219.50	3,854.96
Other income	XVI	90.85	65.93
Total Revenue (A)		3,310.35	3,920.89
Raw materials and components consumed	XVII	2,445.51	2,903.37
Salaries and wages, stores consumed and other expenses	XVIII	730.74	812.41
Miscellaneous expenditure	XIX	1.95	1.88
Sub Total (B)		3,178.20	3,717.66
Profit before Interest, depreciation and tax (A – B)		132.15	203.23
Interest and finance charges (net)	XX	2.19	24.78
Depreciation		94.59	87.60
Profit before tax		35.37	90.85
Provision for taxation		3.65	9.50
Provision for fringe benefit tax		4.06	4.75
Provision for deferred tax		(4.11)	10.00
Profit for the year (after tax)		31.77	66.60
Balance profit brought forward		29.09	35.50
Profit for the year (after tax)		31.77	66.60
Total		60.86	102.10
Tax relating to earlier years		–	0.32
Interim dividend paid		–	16.63
Dividend tax paid		–	2.33
Proposed dividend		16.63	3.56
Provision for dividend tax		2.83	0.61
Transfer to general reserve		10.00	49.56
Balance surplus carried forward to Balance Sheet		31.40	29.09
Total		60.86	102.10
Nominal value of each share in rupees		1.00	1.00
Earnings per share in rupees on 23,75,43,557 shares		1.34	2.80
Diluted earnings per share in rupees		1.34	2.80

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

Bangalore
June 30, 2008

T.S. RAJAGOPALAN
Secretary

M. BALASUBRAMANIAM
Partner

Schedules

	Rupees in crores	
	As at 31-03-2008	As at 31-03-2007
I CAPITAL		
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 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>
II RESERVES AND SURPLUS		
(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 reserve		
As per last Balance Sheet	750.00	
Add: Transfer from Profit and Loss Account	<u>10.00</u>	
	760.00	750.00
(c) Surplus		
Balance in Profit and Loss Account	31.40	29.09
	<u>797.83</u>	<u>785.52</u>
III SECURED LOANS		
From banks		
(i) External commercial borrowings secured by a first charge on specified fixed assets	401.30	446.16
(ii) Secured by hypothecation of present and future inventories and receivables	51.38	60.00
	<u>452.68</u>	<u>506.16</u>
IV UNSECURED LOANS		
(a) From banks	98.04	44.14
(b) From others	103.67	72.20
(c) Other deposits	11.95	11.06
	<u>213.66</u>	<u>127.40</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	
	Freehold	Leasehold						As at 31-03-2008	As at 31-03-2007
Cost of assets									
As at 01-04-2007	58.75	7.90	134.61	1,221.86	48.99	6.26	4.64	1,483.01	1,378.41
Additions	0.60	3.71	111.62	217.10	7.40	0.20	1.83	342.46	130.04
Sales / deletion	25.18	–	0.05	8.30	0.60	0.37	–	34.50	25.44
Total	34.17	11.61	246.18	1,430.66	55.79	6.09	6.47	1,790.97	1,483.01
Depreciation/ Amortisation									
Upto 31-03-2007	–	–	32.00	609.31	36.27	3.76	4.59	685.93	611.63
For the year *	–	0.09	6.00	82.95	3.90	0.80	0.85	94.59	87.60
Withdrawn on assets sold/deleted	–	–	0.05	5.12	0.53	0.33	–	6.03	13.30
Total	–	0.09	37.95	687.14	39.64	4.23	5.44	774.49	685.93
Written down value									
As at 31-03-2008	34.17	11.52	208.23	743.52	16.15	1.86	1.03	1016.48	–
As at 31-03-2007	58.75	7.90	102.61	612.55	12.72	2.50	0.05	–	797.08

@ Vide note no. 1(z)

* Depreciation for the year of Rs. 94.59 crores includes Rs. 0.09 crores towards amortisation of leasehold land.

VI CAPITAL WORK-IN-PROGRESS

	Rupees in crores	
	As at 31-03-2008	As at 31-03-2007
(a) Building under construction	0.67	58.26
(b) Machinery in transit/installation (including R & D Rs. 23.78 crores - last year Rs. 21.82 crores)	25.90	92.06
(c) Expenditure pending allocation (to be capitalised)	–	55.51
	<u>26.57</u>	<u>205.83</u>

Schedules – (continued)

		Rupees in crores	
		As at 31-03-2008	As at 31-03-2007
VII INVESTMENTS (AT COST)			
(A) LONG TERM			
(a) Trade - quoted			
(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) Trade - Unquoted			
(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)	1,71,59,920 (last year 1,14,91,260) Ordinary shares of Singapore \$ 1/- each fully paid up in TVS Motor (Singapore) Pte. Limited, Singapore - Subsidiary company	46.96	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
(vi)	65,000 Equity shares of Colombian Pesos 1,000/- each fully paid up in TVS Andina S.A., Colombia - Joint Venture	0.14	-
(c) Non-trade - quoted			
	13,38,527 - 6.75% Tax free bonds of Unit Trust of India, Mumbai	14.08	14.08
(d) Non-trade - unquoted			
(i)	National savings certificates (deposited with sales tax authorities - Rs. 37,100/-)	-	-
(ii)	ICICI Prudential Life Insurance Group Superannuation Fund	9.23	-
	Total - Long term investments (A)	266.79	240.97
(B) SHORT TERM			
Non-trade - quoted			
(i)	8.30% Life Insurance Corporation of India Bonds, Chennai	-	1.00
(ii)	ABN AMRO Asset Management (India) Limited, Mumbai - ABN AMRO Equity Fund	1.00	-
(iii)	ABN AMRO Asset Management (India) Limited, Mumbai - ABN AMRO China India Fund	2.00	-
(iv)	ABN AMRO Asset Management (India) Limited, Mumbai - ABN AMRO Interval Fund	5.00	-
(v)	AIG Global Asset Management Company (India) Pvt. Limited, Mumbai - AIG Short Term Fund	5.01	-
(vi)	Birla Sunlife Asset Management Company Limited, Mumbai - Birla Fixed Term Quarterly Series VI	-	1.00
(vii)	Birla Sunlife Asset Management Company Limited, Mumbai - Birla Fixed Term Plan - Instl - Series V - Growth	1.00	-

Schedules – (continued)

		Rupees in crores	
		As at	As at
		31-03-2008	31-03-2007
VII INVESTMENTS (AT COST) - (continued)			
(B)	SHORT TERM (contd.)		
(viii)	Birla Sunlife Asset Management Company Limited, Mumbai - Birla Sunlife Special Situations Fund - Growth	5.01	–
(ix)	Birla Sunlife Asset Management Company Limited, Mumbai - Birla Sunlife International Equity - Plan B - Growth	5.00	–
(x)	Deutsche Asset Management India Private Limited, Mumbai - Deutsche FTP Series 9	–	2.00
(xi)	Deutsche Asset Management India Private Limited, Mumbai - Deutsche Alpha Equity Fund	–	2.00
(xii)	DBS Cholamandalam Asset Management Limited, Mumbai - Chola FMP Series 5	–	3.00
(xiii)	DSP Merrill Lynch Fund Managers Limited, Mumbai - TIGER Equity Fund	4.03	4.10
(xiv)	DSP Merrill Lynch Fund Managers Limited, Mumbai - Liquidity Fund	1.46	–
(xv)	DSP Merrill Lynch Fund Managers Limited, Mumbai - DSP Top 100 Equity Fund	–	7.64
(xvi)	DSP Merrill Lynch Fund Managers Limited, Mumbai - Small & Mid cap fund	–	5.01
(xvii)	DSP Merrill Lynch Fund Managers Limited, Mumbai - World Gold Fund - Growth	2.00	–
(xviii)	DSP Merrill Lynch Fund Managers Limited, Mumbai - Opportunities Fund - Growth	3.90	–
(xix)	DSP Merrill Lynch Fund Managers Limited, Mumbai - Opportunities Fund - Growth	1.00	–
(xx)	HDFC Asset Management Company Limited, Mumbai - FMP 13 M	–	5.00
(xxi)	HDFC Asset Management Company Limited, Mumbai - Long Term Equity Fund	–	5.00
(xxii)	HDFC Asset Management Company Limited, Mumbai - FMP 367 D - April 2007(5)	1.00	–
(xxiii)	HDFC Asset Management Company Limited, Mumbai - Infrastructure Fund	1.00	–
(xxiv)	HDFC Asset Management Company Limited, Mumbai - Midcap Opportunities Fund	1.00	–
(xxv)	HSBC Asset Management India Private Limited, Mumbai - Unique Opportunities Fund	–	1.00
(xxvi)	HSBC Asset Management India Private Limited, Mumbai - HSBC Fixed Term 13	–	5.00
(xxvii)	ING Vysya Mutual Fund Limited, Mumbai - ING Vysya Dynamic Asset Allocation Fund	2.00	2.00
(xxviii)	JM Financial Asset Management Pvt. Limited, Mumbai - JM Agri and Infra Fund	1.00	–
(xxix)	JM Financial Asset Management Pvt. Limited, Mumbai - Emerging Leaders Fund	4.00	–
(xxx)	JM Financial Asset Management Pvt. Limited, Mumbai - JM High Liquidity Fund	0.06	–
(xxxi)	JP Morgan Asset Management India Pvt. Limited, Mumbai - JP Morgan India Smaller Companies Fund	3.00	–
(xxxii)	Kotak Mahindra Asset Management Company Limited, Mumbai - Kotak FMP Series 25	–	3.00

Schedules – (continued)

		Rupees in crores	
		As at	As at
		31-03-2008	31-03-2007
VII INVESTMENTS (AT COST) - (continued)			
(B) SHORT TERM (contd.)			
(xxxiii)	Lotus India Asset Management Company Pvt. Limited, Mumbai - Agile Fund	2.00	–
(xxxiv)	Optimix Equity Multi Manager FOF Scheme - Growth	–	2.00
(xxxv)	Principal Mutual Fund Limited, Mumbai - Principal Resurgent India Equity Fund	–	2.00
(xxxvi)	Principal Mutual Fund Limited, Mumbai - Principal FMP 91 days	–	2.00
(xxxvii)	Prudential ICICI Asset Management Company Limited, New Delhi - Prudential Equity & Derivatives Fund	–	5.00
(xxxviii)	Prudential ICICI Asset Management Company Limited, New Delhi - Prudential Discovery Fund	–	23.00
(xxxix)	Prudential ICICI Asset Management Company Limited, New Delhi - Prudential ICICI Fusion Fund	–	5.00
(xl)	Reliance Capital Asset Management Limited, Ahmedabad - Natural Resources Fund	5.00	–
(xli)	Reliance Capital Asset Management Limited, Ahmedabad - Regular Savings fund	1.00	–
(xlii)	SBI Funds Management Pvt. Limited, Mumbai - SBI Contra Fund	–	5.00
(xliii)	SBI Funds Management Pvt. Limited, Mumbai - SBI Emerging Businesses Fund	4.04	–
(xliv)	Sundaram BNP Paribas Asset Management Company Limited, Chennai - Energy Opportunities Fund	1.00	–
(xlv)	Sundaram BNP Paribas Asset Management Company Limited, Chennai - Energy Opportunities Fund	1.00	–
(xlvi)	Sundaram BNP Paribas Asset Management Company Limited, Chennai - Energy Opportunities Fund	1.00	–
(xlvii)	Sundaram BNP Paribas Asset Management Company Limited, Chennai - Equity Multiplier Fund	0.96	–
(xlviii)	Sundaram BNP Paribas Asset Management Company Limited, Chennai - Global Advantage Fund	0.70	–
(xlix)	Standard Chartered Asset Management Company Private Limited, Mumbai - SC Arbitrage Fund	–	3.04
(l)	Standard Chartered Asset Management Company Private Limited, Mumbai - Standard Chartered Liquidity Manager	1.00	–
(li)	Standard Chartered Asset Management Company Private Limited, Mumbai - Grindlays FMP Plan - III	–	1.00
(lii)	Sundaram Asset Management Company Limited, Chennai - Sundaram Equity Multiplier	–	0.96
(liii)	Tata Asset Management Limited, Mumbai - Tata Fixed Horizon Fund	–	2.02
(liv)	Tata Asset Management Limited, Mumbai - Tata Indo-Global Infrastructure Fund	5.00	–
(lv)	Unit Trust of India, Mumbai - UTI Growth Sector Fund	–	6.00
	Total short term investments	<u>72.17</u>	<u>103.77</u>
	Grand total - Investments	<u>338.96</u>	<u>344.74</u>

Market value of quoted investments - Rs.118.18 crores -
(last year Rs.137.38 crores)

Schedules – (continued)

Rupees in crores
As at
31-03-2008 As at
31-03-2007

VIII INVENTORIES

* Raw materials and components	96.09	114.74
* Work-in-process	23.82	22.52
* Finished goods	145.56	120.79
* Stock of dies, moulds and tools	69.04	74.39
* Stores	21.93	19.22
Goods-in-transit	48.94	44.90
	<u>405.38</u>	<u>396.56</u>

(* as certified by chairman and managing director)

IX SUNDRY DEBTORS - UNSECURED

(a) Debts outstanding for a period exceeding six months		
(i) Considered good	7.99	23.58
(ii) Considered doubtful	3.09	2.36
(b) Other debts - considered good	<u>79.87</u>	<u>87.82</u>
	90.95	113.76
Less: Provision for doubtful debts	<u>3.09</u>	<u>2.36</u>
	<u>87.86</u>	<u>111.40</u>

X CASH AND BANK BALANCES

(a) Cash and cheques on hand	0.16	0.16
(b) With scheduled banks		
(i) in current accounts	2.63	11.45
(ii) in cash credit accounts	0.47	3.02
(iii) in term deposit accounts	0.29	5.34
(c) With other banks	<u>0.18</u>	<u>66.59</u>
	3.73	86.56

XI OTHER CURRENT ASSETS

Interest accrued on non-trade quoted investments	<u>0.30</u>	<u>0.30</u>
	0.30	0.30

XII LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD

(a) Advances recoverable in cash or in kind or for value to be received	179.81	184.31
(b) Inter corporate deposits	70.01	15.81
(c) Other deposits	3.30	11.45
(d) Advance payment of tax less provision	<u>24.40</u>	<u>16.01</u>
	277.52	227.58

XIII CURRENT LIABILITIES

Sundry creditors	<u>505.76</u>	<u>577.02</u>
	505.76	577.02

XIV PROVISIONS

(a) Pension fund	28.22	32.04
(b) Leave salary	5.23	5.00
(c) Warranty	7.64	7.34
(d) Proposed dividend	16.63	3.56
(e) Provision for dividend tax	2.83	0.61
(f) Fringe benefit tax less advance payments	<u>0.44</u>	<u>1.18</u>
	60.99	49.73

Schedules – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2008	As at/ Year ended 31-03-2007
XV MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
(a) New product launch expenses	45.83	52.32
(b) External commercial borrowings upfront fees	4.26	6.22
(c) Voluntary Retirement Scheme expenses	2.68	–
	52.77	58.54
XVI OTHER INCOME		
(a) Miscellaneous income	54.50	45.15
(b) Dividend from subsidiary company	–	2.77
(c) Dividend from others	3.52	9.04
(d) Profit on sale of fixed assets	19.55	2.69
(e) Profit on sale of investments	13.28	6.28
	90.85	65.93
XVII RAW MATERIALS AND COMPONENTS CONSUMED		
Opening stock:		
Raw materials	114.74	86.12
Work-in-process	22.52	18.62
Finished goods	120.79	162.41
	258.05	267.15
Purchase of raw materials and components	2,452.93	2,894.27
Total (A)	2,710.98	3,161.42
Closing stock:		
Raw materials	96.09	114.74
Work-in-process	23.82	22.52
Finished goods	145.56	120.79
Total (B)	265.47	258.05
(A - B)	2,445.51	2,903.37
XVIII SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES		
* (a) Salaries, wages and allowances (includes commission to managing director Rs. 0.18 crores (last year Rs. 0.88 crores) vide computation annexed)	146.08	138.76
* (b) Workmen and staff welfare expenses	21.45	21.83
* (c) Contribution to provident and other funds	8.84	11.68
* (d) Stores and tools consumed	30.87	42.53
* (e) Power and fuel	40.72	43.10
* (f) Rent	5.12	5.05
(g) Rates and taxes	2.45	11.68
* (h) Repairs and maintenance:		
(i) buildings	2.40	1.97
(ii) machinery	25.18	24.26
(iii) other assets	3.88	3.27
(i) Insurance	2.90	3.00
(j) Directors' sitting fees	0.11	0.07
(k) Commission to independent directors	0.18	0.18
(l) Audit fees	0.22	0.24
* (m) Travel and conveyance	21.58	19.69
* (n) Packing and freight charges	93.47	112.67

Schedules – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2008	As at/ Year ended 31-03-2007
* (o) Advertisement and publicity	104.37	162.82
* (p) Other marketing expenses	144.49	129.68
* (q) Other expenses	63.05	70.57
(r) Commission to selling agents	12.60	8.59
(s) Loss on sale / scrapping of fixed assets	0.78	0.77
	<u>730.74</u>	<u>812.41</u>
*net of recoveries		
XIX MISCELLANEOUS EXPENDITURE WRITTEN OFF		
External commercial borrowings upfront fees written off	1.95	1.88
	<u>1.95</u>	<u>1.88</u>
XX INTEREST AND FINANCE CHARGES		
(a) On fixed loans	7.26	17.79
(b) Others	4.21	17.26
Total (A)	<u>11.47</u>	<u>35.05</u>
Less: Interest income		
(a) On non-trade investments (gross)	0.91	0.90
(b) On advances and deposits (gross)	8.37	9.37
Total (B)	<u>9.28</u>	<u>10.27</u>
(A - B)	<u>2.19</u>	<u>24.78</u>
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 Events occurring after the Balance Sheet date		
The equity shares of TVS Finance and Services Limited, Chennai, in which the company holds 1,64,52,192 Equity shares, were delisted from the Stock Exchanges.		
(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) Raw materials consumed	0.94	–
(iii) Other marketing expenses	0.03	–

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2008	As at/ Year ended 31-03-2007
(f)	<p>AS - 6 Depreciation accounting</p> <p>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.</p> <p>In respect of assets added / assets sold during the year, pro-rata depreciation has been provided at the rates prescribed under Schedule XIV.</p> <p>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.</p> <p>Depreciation in respect of tools and dies has been provided based on the quantity of components manufactured. In respect of tools and dies meant for the manufacture of certain slow moving two wheeler models, accelerated depreciation amounting to Rs.11.71 crores has been provided during the year.</p> <p>Depreciation in respect of assets acquired during the year whose cost does not exceed Rs. 5,000/- has been provided at 100%.</p>		
(g)	<p>AS - 7 Construction contracts</p> <p>This Accounting Standard is not applicable.</p>		
(h)	<p>AS - 8 Research & Development</p> <p>This Accounting Standard is withdrawn.</p>		
(i)	<p>AS - 9 Revenue recognition</p> <p>The income of the company is derived from sale of automotive vehicles and parts thereof and provision of technical know-how, 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 declare the dividend and the right to receive the same is established.</p> <p>The revenue and expenditure are accounted on a going concern basis.</p>		
(j)	<p>AS - 10 Accounting for fixed assets</p> <p>All the fixed assets are valued at cost including expenditure incurred in bringing them to usable condition less depreciation.</p> <p>Cost of lands includes lands acquired under lease</p> <p>Buildings include buildings constructed on leasehold lands</p>	<p style="text-align: right;">11.61</p> <p style="text-align: right;">6.58</p>	<p style="text-align: right;">7.90</p> <p style="text-align: right;">1.33</p>
(k)	<p>AS - 11 Accounting for effects of changes in foreign exchange rates</p> <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 re-stated as on 31st March 2008 as per the requirements of Accounting Standard 11 and the net gain arising out of such re-statement amounting to Rs. 26.85 crores (Last year Rs. 7.30 crores) is credited to Profit and Loss Account in Interest and Finance charges.</p>		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2008	As at/ Year ended 31-03-2007
(k)	AS - 11 Accounting for effects of changes in foreign exchange rates – (continued)		
	Sales include realised exchange fluctuation on exports amounting to Rs. 2.78 crores (last year Rs. 1.43 crores).		
	Derivative Instruments		
	Derivative contracts are entered into by the company only based on underlying transactions. The company has not entered into any derivative contracts of a speculative nature.		
	Currency swaps - Out of total external commercial borrowings of USD 100 mn., the company has entered into five currency swap contracts (last year 5 contracts) covering USD 75 mn., fixing the repayment liability of the company in Indian rupees.		
	Interest Rate Structure (IRS) - The company has entered into seven derivative contracts in respect of total external commercial borrowings amounting to USD 100 mn. to convert floating interest rate to fixed interest rate.		
	The premium paid in respect of these contracts is debited to Interest and Finance charges.		
(l)	AS - 12 Accounting for Government Grants		
	The company has not received any grants.		
(m)	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	148.35	62.14
	Deutsche Asset Management India Private Limited, Mumbai	11.19	25.30
	Birla Sunlife Asset Management Company Limited, Mumbai	42.10	47.00
	Standard Chartered Asset Management Company Limited, Mumbai	3.14	62.14
	JM Financial Asset Management Private Limited, Mumbai	47.99	2.00
	Reliance Capital Asset Management Limited, Ahmedabad	13.19	35.00
	SBI Mutual Fund of State Bank of India, Mumbai	214.21	62.88
	Sundaram Asset Management Company Limited, Chennai	13.70	51.16
	Tata Asset Management Limited, Mumbai	42.04	42.02
	Prudential ICICI Asset Management Company Limited, New Delhi	104.00	155.08
	Kotak Mahindra Asset Management Company Limited, Mumbai	–	19.48
	Franklin Templeton Asset Management (India) Private Limited, Mumbai	6.12	48.74
	HSBC Asset Management (India) Private Limited, Mumbai	1.45	53.54
	HDFC Asset Management Company Limited, Mumbai	74.50	106.00
	ING Vysya Asset Management Company Limited, Mumbai	15.00	44.02
	Principal Asset Management Company Private Limited, Chennai	15.11	33.21
	ABN Amro Asset Management (India) Limited, Mumbai	21.11	16.87
	DBS Cholamandalam Asset Management Limited, Mumbai	3.00	23.00
	Unit Trust of India, Mumbai	79.70	40.71
	Fidelity Fund Management Private Limited, Mumbai	16.30	5.00
	LIC Mutual Fund, Chennai	18.01	5.00
	ING Investment Management (I) Private Limited, Mumbai	2.37	2.00
	8.30% LIC Bond, Chennai	–	10.00

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2008	As at/ Year ended 31-03-2007
AIG Global Asset Management Company (India) Private Limited, Mumbai	32.16	–
JP Morgan Asset Management India Private Limited, Mumbai	5.09	–
Lotus India Asset Management Company Private Limited, Mumbai	3.09	–
TVS Andina S.A., Colombia	0.14	–
TVS Motor (Singapore) Pte. Ltd., Singapore	16.45	–
ICICI Prudential Life Insurance Group Superannuation Fund, Mumbai	9.23	–
Total	<u>958.74</u>	<u>952.29</u>
(ii) Investments realised during the year:		
DSP Merrill Lynch Investment Managers Limited, Mumbai	152.71	54.34
Deutsche Asset Management India Private Limited, Mumbai	15.19	28.30
Birla Sunlife Asset Management Company Limited, Mumbai	32.09	46.00
Standard Chartered Asset Management Company Limited, Mumbai	6.18	59.68
JM Financial Asset Management Private Limited, Mumbai	42.93	2.00
Reliance Capital Asset Management Limited, Ahmedabad	7.19	40.00
SBI Mutual Fund of State Bank of India, Mumbai	215.17	65.16
Sundaram Asset Management Company Limited, Chennai	10.00	59.48
Prudential ICICI Asset Management Company Limited, New Delhi	137.00	132.50
Tata Asset Management Limited, Mumbai	39.06	40.00
Kotak Mahindra Asset Management Company Limited, Mumbai	3.00	24.48
Franklin Templeton Asset Management (India) Private Limited, Mumbai	6.12	48.74
HSBC Asset Management (India) Private Limited, Mumbai	7.45	63.28
HDFC Asset Management Company Limited, Mumbai	81.50	108.97
ING Vysya Asset Management Company Limited, Mumbai	15.00	44.02
Principal Asset Management Company Private Limited, Chennai	19.11	29.21
ABN Amro Asset Management (India) Limited, Mumbai	13.11	16.87
DBS Cholamandalam Asset Management Limited, Mumbai	6.00	20.00
Unit Trust of India, Mumbai	85.70	49.71
Fidelity Fund Management Private Limited, Mumbai	16.30	5.00
LIC Mutual Fund, Chennai	18.01	5.00
8.3% LIC Bond, Chennai	1.00	9.00
AIG Global Asset Management Company (India) Private Limited, Mumbai	27.15	–
JP Morgan Asset Management India Private Limited, Mumbai	2.09	–
Lotus India Asset Management Company Private Limited, Mumbai	1.09	–
ING Investment Management (I) Private Limited, Mumbai	4.37	–
Total	<u>964.52</u>	<u>951.74</u>
The amounts of Rs. 958.74 crores (last year Rs. 952.29 crores) and Rs. 964.52 crores (last year Rs. 951.74 crores) are cumulative figures.		
Cost of investments held as at Balance Sheet date	338.96	344.74

- (n) AS - 14 Accounting for amalgamations
During the year there was no amalgamation.

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

(o) AS - 15 Accounting for Employee benefits

Disclosure is made as per the requirements of the standard and the same is furnished below:

A Defined contribution plans

(a) Contribution to provident fund is in the nature of defined contribution plan and are made to a recognised trust.

(b) Contribution to superannuation fund is in the nature of defined contribution plan and is remitted to Life Insurance Corporation of India in accordance with the scheme framed by the Corporation.

B Defined benefit plan

(a) The company extends defined benefit plans in the form of leave salary to employees. In addition, the company also extends pension to senior managers of the company. Provision for leave salary and pension is made on actuarial valuation basis.

(b) The company also extends defined benefit plan in the form of gratuity to employees. Contribution to gratuity is made to Life Insurance Corporation of India in accordance with the scheme framed by the Corporation.

C Disclosure as required by Accounting Standard 15

Rupees in crores

	Leave salary	Pension	Gratuity
(a) Expenses recognised in the Profit and Loss Account			
(i) Current service cost	0.33	–	1.52
(ii) Interest cost	0.38	2.58	1.43
(iii) Expected return on plan assets	–	–	(1.62)
(iv) Net actuarial loss /(gain) recognised in the year	0.01	3.53	0.32
Total	0.72	6.11	1.65
(b) Change in defined benefit obligation during the year ended 31 st March 2008			
(i) Present value of obligation as at beginning of the year (01-04-2007)	5.00	32.04	20.02
(ii) Interest cost	0.38	2.58	1.43
(iii) Current service cost	0.33	–	1.52
(iv) Benefits paid	(0.49)	(9.93)	(1.90)
(v) Actuarial loss on obligation	0.01	3.53	0.64
(vi) Present value of obligation as at the end of the year (31-03-2008)	5.23	28.22	21.71
(c) Change in fair value of plan assets during the year ended 31 st March 2008			
(i) Fair value of plan assets at the beginning of the year (01-04-2007)	–	–	21.58
(ii) Expected return on plan assets	–	–	1.62
(iii) Contributions made during the year	–	–	1.93
(iv) Benefits paid	–	–	(1.90)
(v) Actuarial gain on plan assets	–	–	0.32
(vi) Fair value of plan assets as at the end of the year (31-03-2008)	–	–	23.55

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

(o) AS - 15 Accounting for Employee benefits – (continued)

Rupees in crores

	Leave salary	Pension	Gratuity
(d) Balance Sheet movements			
(i) Value of benefit obligations / (net assets) at the beginning of the year (01-04-2007)	5.00	32.04	(1.56)
(ii) Contributions made during the year	–	–	(1.93)
(iii) Expenses	0.72	6.11	1.65
(iv) Benefits paid	(0.49)	(9.93)	–
(v) Value of benefit obligations / (net assets) at the end of the year (31-03-2008)	5.23	28.22	(1.84)
Note: The net asset in respect of gratuity plan is not recognised as it is lying in an irrevocable trust fund approved by Income tax authorities.			
(e) Actuarial assumptions			
(i) Discount rate used	8.00%	9.50%	8.00%
(ii) Expected return on plan assets	NA	NA	8.00%
Estimates of future salary increase considered in actuarial valuation take into account inflation, seniority and other relevant factors.			

As at/
Year ended
31-03-2008

As at/
Year ended
31-03-2007

(p) AS - 16 Borrowing cost

The borrowing costs have been treated in accordance with Accounting Standard on borrowing cost issued by The Institute of Chartered Accountants of India.

Amount of borrowing costs attributable to qualifying assets capitalised during the year

6.18

5.28

(q) AS - 17 Segment reporting

The company operates in only one segment viz., automotive vehicles. Hence the Accounting Standard on segment reporting is not applicable.

(r) AS - 18 Related party disclosure

Disclosure is made as per the requirements of the standard and the same is furnished below:

List of related parties	
Reporting entity	TVS Motor Company Limited, Chennai
Subsidiary companies	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	Sundaram-Clayton Limited, Chennai
Fellow subsidiaries	a) Anusha Investments Limited, Chennai b) Auto (India) Engineering Limited, Chennai c) TVS Investments Limited, Chennai d) TVS Electronics Limited, Chennai e) TVS Capital Funds Limited, Chennai f) TVS-e Access India Limited, Chennai

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores
As at/ As at/
Year ended Year ended
31-03-2008 31-03-2007

(r) AS - 18 Related party disclosure – (continued)

List of related parties	
Fellow subsidiaries – (continued)	g) TVS-e Servicetec Limited, Chennai h) Sravanaa Properties Limited, Chennai i) Tumkur Property Holdings Limited, Chennai j) Prime Property Holdings Limited, Chennai
Associate company	TVS Finance and Services Limited, Chennai (a subsidiary of TVS Investments Limited, Chennai)
Joint Venture	TVS Andina S.A., Colombia
Key management personnel	Mr. Venu Srinivasan
Relative of key management personnel	Mr. Gopal Srinivasan

Particulars of transactions with related parties

(a) Purchase of goods		
– holding company	73.07	51.92
– subsidiary companies (Sundaram Auto Components Limited, Chennai and PT TVS Motor Company Indonesia, Jakarta)	74.82	88.17
– fellow subsidiary (TVS Electronics Limited, Chennai)	–	0.01
(b) Sale of goods		
– holding company	9.82	–
– subsidiary companies (Sundaram Auto Components Limited, Chennai and PT TVS Motor Company Indonesia, Jakarta)	20.65	–
– fellow subsidiary (TVS Electronics Limited, Chennai)	0.02	–
(c) Sale of fixed assets		
– holding company	0.04	–
(d) Rendering of services (including interest received)		
– holding company	1.15	0.28
– subsidiary companies (Sundaram Auto Components Limited, Chennai, TVS Motor Company (Europe) B.V., Amsterdam, PT TVS Motor Company Indonesia, Jakarta)	21.22	0.71
– fellow subsidiary (TVS Electronics Limited, Chennai)	0.01	0.05
– associate company (TVS Finance and Services Limited, Chennai)	0.34	0.35

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2008	As at/ Year ended 31-03-2007
(r) AS - 18 Related party disclosure – (continued)		
(e) Availing of services (includes sub-contract charges paid)		
– holding company	31.91	40.80
– subsidiary company (Sundaram Auto Components Limited, Chennai)	0.32	0.34
– fellow subsidiary (TVS Electronics Limited, Chennai)	0.20	0.49
– associate company (TVS Finance and Services Limited, Chennai)	11.99	15.04
(f) Trade advances made during the year		
– subsidiary companies (Sundaram Auto Components Limited, Chennai, TVS Motor Company (Europe) B.V., Amsterdam)	67.44	3.20
– fellow subsidiaries (TVS Electronics Limited, Chennai and TVS Investments Limited, Chennai)	5.00	5.00
– associate company (TVS Finance and Services Limited, Chennai)	–	37.75
(g) Trade advances received back during the year		
– holding company	–	9.00
– subsidiary companies (Sundaram Auto Components Limited, Chennai, TVS Motor Company (Europe) B.V., Amsterdam)	9.39	–
– fellow subsidiary (TVS Electronics Limited, Chennai)	–	5.00
– associate company (TVS Finance and Services Limited, Chennai)	0.34	35.08
(h) Amount outstanding as at Balance Sheet date:		
(i) Sundry debtors		
– subsidiary company (PT TVS Motor Company Indonesia, Jakarta)	18.79	39.82
– fellow subsidiary (TVS Electronics Limited, Chennai)	0.01	–
(ii) Loans and advances receivable		
– subsidiary companies (Sundaram Auto Components Limited, Chennai, TVS Motor Company (Europe) B.V., Amsterdam)	69.67	12.85
– fellow subsidiary (TVS Investments Limited, Chennai)	5.00	–
– associate company (TVS Finance and Service Limited, Chennai)	2.33	2.67
(iii) Sundry creditors		
– holding company	21.40	5.51
– associate company (TVS Finance and Services Limited, Chennai)	0.13	0.35
(i) Investments made during the year		
– subsidiary company (TVS Motor (Singapore) Pte. Limited, Singapore)	16.45	–
– joint venture (TVS Andina S.A., Colombia)	0.14	–
(j) Obligation arising out of agreements facilitating credit to associate company	75.00	75.00
(k) Remuneration to key management personnel	0.18	0.88

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2008	As at/ Year ended 31-03-2007
(s)	AS - 19 Accounting for Leases The company has not entered into any lease agreements during the year.		
(t)	AS - 20 Earnings per share Disclosure is made in the Profit and Loss Account as per the requirements of the standard.		
(u)	AS - 21 Consolidated financial statements Consolidated financial statements of the company, its subsidiaries and joint venture are enclosed.		
(v)	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 2008 is made in accordance with the provisions of Section 115JB of the Income Tax Act, 1961 (i.e., Minimum Alternate Tax) 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	164.48	150.50
	– tax on amortisation of dies and moulds	20.92	21.24
	– tax on expenses admissible on payment basis under Income-tax Act, 1961	<u>34.55</u>	<u>25.46</u>
		(A) <u>219.95</u>	<u>197.20</u>
	(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	25.92	21.86
	– Unabsorbed depreciation	<u>39.13</u>	<u>16.33</u>
		(B) <u>65.05</u>	<u>38.19</u>
	Deferred tax liability (net of deferred tax asset) (A)-(B) - refer Balance Sheet	154.90	159.01
(w)	AS - 23 Accounting for investments in associates in consolidated financial statements Equity method of accounting is followed in the consolidated accounts in respect of investments in associates, viz., TVS Finance and Services Limited, Chennai.		
(x)	AS - 24 Discontinuing operations During the year the company has not discontinued any of its operations.		
(y)	AS - 25 Interim financial reporting The company has elected to publish quarterly financial results which were subject to limited review by the statutory auditors.		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores
As at/
Year ended
31-03-2008 As at/
Year ended
31-03-2007

(z) 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	4.64	4.55
Additions during the year	1.83	0.09
Total	6.47	4.64
Amortised as depreciation	5.44	4.59
Closing balance	1.03	0.05

(aa) AS - 27 Financial reporting of interests in joint venture

Equity participation in TVS Andina S.A., Colombia, by reporting entity is 130 mn. Colombian Pesos (26% of 500 million Colombian Pesos - Rs. 0.28 crores). Out of this, 65 million Colombian Pesos (Rs. 0.14 crores) have been invested during the year (Last year - Nil) (See Note 11 (e))

The assets, liabilities, income and expenses of the jointly controlled entity have been recognised on a proportionate consolidation basis in the consolidated financial statement as prescribed in the Accounting Standard.

(ab) AS - 28 Impairment of assets

As on the Balance Sheet date the carrying amounts of the assets net of accumulated depreciation are not less than the recoverable amount of those assets. Hence there is no impairment loss on the assets of the company.

(ac) 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 no. 11.

(iii) Contested liabilities are detailed in note no. 12.

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2008	As at/ Year ended 31-03-2007
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 :		
	– External commercial borrowing - from banks	53.50	–
	– Secured - from banks	51.38	60.00
	– Unsecured - from banks	98.04	44.14
4	Land Title deeds in respect of lands acquired near Ahmedabad in Gujarat at a cost of Rs. 0.01 crore and near Hosur, Tamil Nadu at cost of Rs. 0.48 crores are yet to be received from the registration authorities.		
5	Sundry debtors (under “other debts”) include amount due from subsidiary company PT TVS Motor Company Indonesia, Jakarta (since realised)	18.79	39.82
6	Bank balance includes amount in respect of		
	(a) Unclaimed dividends	0.75	0.90
	(b) Balances lying with non-scheduled banks:		
	(i) HSBC Private Bank (Suisse) S.A., Singapore		
	– in call deposit account	0.04	23.01
	– in deposit account	–	43.39
	(ii) The Hongkong and Shanghai Banking Corpn. Ltd., Hongkong		
	– in current account (Current year - Rs. 19,425.48, last year - Rs. 21,034.19)	–	–
	– in deposit account	0.10	0.11
	(iii) Industrial and Commercial Bank of China, China		
	– in current account	0.03	0.05
	– in deposit account	0.01	0.03
	(c) Maximum amount invested in non-scheduled banks at any time during the year		
	(i) ICICI Bank Limited, Singapore	–	67.42
	(ii) Deutsche Bank, Singapore	–	67.70
	(iii) HSBC Private Bank (Suisse) S.A., Singapore	66.40	66.40
	(iv) The Hongkong and Shanghai Banking Corpn. Ltd., Hongkong	0.12	0.12
	(v) Industrial and Commercial Bank of China, China	0.15	0.15
7	Loans and advances include:		
	(a) Loan due from subsidiary company -		
	(i) Sundaram Auto Components Limited, Chennai	7.14	8.46
	(ii) TVS Motor Company (Europe) B.V., Amsterdam	62.53	4.39
	(b) Due from an officer of the company	0.05	0.05
	(c) Maximum amount due from an officer of the company at any time during the year	0.05	0.05

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2008	As at/ Year ended 31-03-2007
8	Deposits include:		
(a)	Deposit with post office (Rs. 21,500/-)	–	–
(b)	Deposit with central excise	0.08	0.58
(c)	Deposit with sales tax	2.50	0.92
9	Sundry creditors include :		
(a)	Investor Education and Protection Fund Unclaimed dividend	0.75	0.90
(b)	Amount due to Small Scale Industrial units	21.26	28.30
(c)	Amount due to other industrial units	329.19	371.05
	Amount payable to Small Scale Industrial units		
	– due more than 30 days but within the agreed credit period of 45 days		

Accurate Engineering Company; Acma Tools; Aim Electronics; Alacrity Electronics Limited; Amman Power Printing Press; Apt Pneumatics Private Limited; Auto Shell Perfect Moulders Limited; Automations; 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; Duracon Automation; Elctrolink Products Private Limited; Elemec Industries; Elheat Ceramic Engineering Private Limited; Emm Ess Patterns; Essae Digitronics Private Limited; Essae Excel Private Limited; Federn Fabrik; Finearc Systems Private Limited; G.I.Auto Private Limited; G.V.Tool Company; Galaxy Instruments Private Limited; Gem Precision Tool Private Limited; Gramos Chemicals India Private Limited; Haresh Machine Tools Company; Hitech Rolling Balls Private Limited; IEC Air Tools Private Limited; Industrial Hygienic Systems; Integrated Engineering & Exports; Jason Tools; Jassons Diamond Products; Jaycee Industries; Jitesh Enterprises; Kark Design Tech; Kay Jay Forgings Private Limited; Khaitan Logistics Private Limited; Klipco Private Limited; Kohinoor Printers Private Limited; Kumaran Printers & Binders; Kurkute Brothers Private Limited; Lakshmi Data Forms; M.D.Fab; M.N.Rama Rao & Co; Magod Laser Machining Private Limited; Mahem Engineering Private Ltd; Mechatronics; Mehta Engineers Limited; Mini Machine Tools; Mini Nuts; Mipalloy; Multilink; N R Industries; Nu-Tech Rubber Products; Orbital Systems (Bombay) Private Limited; Orsett Hydraulics Private Limited; PKN Caps & Polymers Private Limited; Plant Engineering Services; Polyrub Extrusions India; Powertech Pollution Controls Private Limited; Precision Compaidd Mouldings Private Limited; Presscom Products; R.M.Industries; Rajamane Industries Private Limited; Ramesh & Co; Ramsays Corporation; Ratnalekshmi Precision Tools Private Limited; Rollman Trading Company; Sakthi Engineering; Sankar Np Japan Private Limited; Sansera Engineering Private Limited; Schevaran Laboratories Private Limited; Servewel Industries; Shet-Dass Engineers Private Limited; Shivkson Engineering; Sri Balamurugan Metal Works; Sri Ganesh Industries; Sri Parvathi Enterprises; SRV Automations; Stand Parts; Standard Insulations; Sterimed Surgicals (India) Private Limited; Sun Engineering Works; Supangita Engineers Private Limited; Superheat Furnaces Private Limited; Switch International Limited; Synchron Machine Tools Private Limited; Syscon Instruments Private Limited; Thayyil Enterprises; Tool Mac; 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; Wellwin Industry Limited; Yess Dee Enterprises; Zavar Gauges & Tools Private Limited

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2008	As at/ Year ended 31-03-2007
Information required under Micro, Small and Medium Enterprises Development Act, 2006:		
The company has written to all its suppliers to ascertain if they are covered by the said Act. Based on information received from the suppliers, the amount due to such parties at the year end has been furnished above.		
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.		
10 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.		
However, as certain models of two wheelers were found to be slow moving, a sum of Rs. 18.09 crores incurred as product launch expenses relating to these models and remaining unamortised has been fully written off.		
(b) Expenditure incurred in raising external commercial borrowings is being written off over the period of loan.		
(c) Expenditure incurred under Voluntary Retirement Scheme is being written off over a period of 5 years.		
11 Contingent liability not provided for:		
(a) On counter guarantee given to banks	0.59	0.65
(b) On letters of credit	27.49	19.86
(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	36.31	79.05
(e) Capital commitments towards		
– capital expenditure	26.68	70.49
– Investment in Equity shares of TVS Andina S.A., Colombia	0.14	—
(f) On obligation arising out of agreements facilitating credit to an associate company	75.00	75.00
(g) Disputed stamp duty in respect of land purchased near Hosur, Tamil Nadu	0.07	—
12 Liability contested and not provided for:		
(a) Excise	32.90	13.41
(b) Service Tax	7.69	9.43
(c) Customs	1.13	1.13
(d) Sales tax	2.50	2.50
(e) Electricity tax	0.45	0.45
(f) Income-tax	26.30	52.72
(g) Employee settlement claims	0.05	0.05
(h) Land acquisition	0.25	0.25
13 Tax deducted at source on interest income	2.92	2.83
14 Contribution to provident and other funds include:		
(a) Contribution towards gratuity as per scheme framed by Life Insurance Corporation of India	1.93	1.88
(b) Contribution towards pension fund	3.06	0.25

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2008	As at/ Year ended 31-03-2007
15	Repairs include:		
	(a) Wages	3.27	3.10
	(b) Stores consumed	16.29	16.28
16	Audit fees comprise:		
	(a) As statutory auditors	0.16	0.16
	(b) Taxation matters	0.02	0.04
	(c) Certification matters	0.03	0.03
	(d) Cost audit fees	0.01	0.01
	Total	0.22	0.24
17	General		
	(a) Expenses in excess of 1% of total revenue		
	(i) Carriage outwards included in packing and freight charges	71.90	92.35
	(ii) Sales promotion expenses included in other marketing expenses	57.15	56.94
	(b) Other expenses include travel and stay expenses of auditors	0.11	0.08
	(c) Cash discount	0.10	0.15
	(d) Loss on sale of investments netted against profit on sale of investments	1.28	1.84
18	Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

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

Rupees in crores

	Particulars	Name of the company		Amount outstanding as at 31-03-2008	Amount outstanding as at 31-03-2007
(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 During the previous year	8.46 9.59	7.14	8.46
		TVS Motor Company (Europe) B.V., Amsterdam Maximum amount due at any time during the year During the previous year	62.53 4.39	62.53	4.39
		TVS Motor (Singapore) Pte. Limited, Singapore Maximum amount due at any time during the year During the previous year	– 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 During the previous year	2.67 20.00	2.33	2.67
(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 During the previous year	62.53 4.39	62.53	4.39
		TVS Motor (Singapore) Pte. Limited, Singapore Maximum amount due at any time during the year During the previous year	– 0.03	–	–
		TVS Finance and Services Limited, Chennai Maximum amount due at any time during the year During the previous year	2.67 20.00	2.33	2.67
(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 During the previous year	17.50 17.50	17.50	17.50

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

19 Disclosure made in terms of clause 32 of the listing agreement with stock exchanges – (continued)

Rupees in crores

	Particulars	Name of the company		Amount outstanding as at 31-03-2008	Amount outstanding as at 31-03-2007
		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 During the previous year	91.63 91.63	91.63	91.63
		TVS Motor (Singapore) Pte. Limited, Singapore (1,71,59,920 (last year 1,14,91,260) Ordinary shares of Singapore \$ 1/- each fully paid up) Maximum amount held at any time during the year During the previous year	46.96 30.51	46.96	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 During the previous year	86.92 86.92	86.92	86.92
(iii)	In joint venture	TVS Andina S.A., Colombia (65,000 Equity shares of Colombian Pesos 1,000/- each fully paid up) Maximum amount held at any time during the year During the previous year	0.14 –	0.14	–
(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 During the previous 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

20 Determination of net profit as per sections 349 and 350 of the Companies Act, 1956	As at/ Year ended 31-03-2008	As at/ Year ended 31-03-2007
Profit as per Profit and Loss Account (before managerial remuneration)	35.73	91.91
Add: Depreciation as per Profit and Loss Account	94.59	87.60
	<u>130.32</u>	<u>179.51</u>
Less: Depreciation as per section 350 read with Schedule XIV	92.96	90.91
Less: Profit on sale of immovable property as per Section 349(3)(d)	<u>18.93</u>	
	111.89	
Profit as per section 349	<u>18.43</u>	<u>88.60</u>
Commission payable to managing director at 2% thereof as approved by the shareholders	0.36	1.77
(a) Actual commission provided at 1%	0.18	0.88
(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	<u>0.18</u>	<u>0.18</u>

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

21 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 31-03-2008		Year ended 31-03-2007	
		Quantity	Value	Quantity	Value
I	RAW MATERIALS CONSUMED				
1	(a) Basic raw materials				
	Steel sheets, coils, strips and bars	Kgs.	48,88,642	80,28,008	38.97
	Steel tubes	Mtrs.	32,529	1,17,152	1.32
	Aluminium alloys and ingots	Kgs.	53,04,045	75,10,722	88.86
	(b) Intermediates and components (which individually do not account for more than 10% of the total value of consumption)		2,391.43		2,736.50
			<u>2,471.58</u>		<u>2,865.65</u>
2	Consumption of raw materials and components				
		% of total consumption		% of total consumption	
	(a) Imported	7.8	192.84	7.4	210.81
	(b) Indigenous	92.2	2,278.74	92.6	2,654.84
		<u>100.0</u>	<u>2,471.58</u>	<u>100.0</u>	<u>2,865.65</u>
II	CONSUMPTION OF MACHINERY SPARES				
	(a) Imported	7.8	0.37	6.6	0.32
	(b) Indigenous	92.2	4.39	93.4	4.51
		<u>100.0</u>	<u>4.76</u>	<u>100.0</u>	<u>4.83</u>
III	IMPORTS (CIF VALUE)				
	(a) Raw materials		4.10		38.07
	(b) Spare parts and components		140.72		164.37
	(c) Capital goods		14.19		42.67
IV	OTHER EXPENDITURE IN FOREIGN CURRENCY				
	(a) Travel		3.30		2.26
	(b) Subscription to books and periodicals		–		0.05
	(c) Subscription to associations		0.13		0.07
	(d) Welfare expenses - training		0.63		1.32
	(e) Consultancy		2.71		3.07
	(f) Advertisement and publicity		0.85		1.61
	(g) Other marketing expenses		0.01		1.04
	(h) Procurement/Selling commission		11.75		17.74
	(i) Research and development		12.52		36.47
	(j) External commercial borrowing upfront fees		–		0.30
	(k) Warranty cost reimbursement		0.64		0.53
	(l) Interest on foreign currency loan (net of capitalisation - Rs. 6.18 Crores Last year - Rs. 5.28 crores)		15.75		25.34
	(m) Repairs and maintenance		0.45		–
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)		308.14		250.29
	(b) Others:				
	(i) Freight and Insurance		5.25		3.70
	(ii) Interest income		4.89		4.11
	(iii) Technical knowhow		16.19		–
			<u>334.47</u>		<u>258.10</u>
VII	SALE BY CLASS OF GOODS				
		Quantity nos.	Value	Quantity nos.	Value
	(a) Motorcycles	6,10,455	1,706.54	9,22,936	2,513.78
	(b) Mopeds	4,09,126	617.54	3,44,202	501.84
	(c) Scooters	2,57,835	613.18	2,59,151	611.33
	(d) Three-wheelers	108	0.75	–	–
	(e) Spares and accessories and provision of technical know-how		281.49		228.01
	Total		<u>3,219.50</u>		<u>3,854.96</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	Year ended 31-03-2008	Year ended 31-03-2007	Qty. nos.	Value	Qty. nos.	Value
(a) Motorcycles	41,206	86.47	30,683	76.15	5,97,757	9,33,620	27,920	81.80	41,206	86.47
(b) Mopeds	2,260	2.15	5,254	6.67	4,11,209	3,41,212	4,311	6.49	2,260	2.15
(c) Scooters	10,958	19.11	31,674	67.11	2,64,508	2,38,445	17,404	43.11	10,958	19.11
(d) Three wheelers	–	–	–	–	128	–	16	0.09	–	–
(e) Components which do not individually account for 10% or more of the total value of stock		13.06		12.48				14.07		13.06
Total		120.79		162.41				145.56		120.79

Note: During the year 588 motorcycles, 32 mopeds, 227 scooters and 4 three wheelers (last year 161 motorcycles, 4 mopeds and 10 scooters) were captively used.

VENU SRINIVASAN <i>Chairman & Managing Director</i>	H. LAKSHMANAN <i>Director</i>	S.G. MURALI <i>Sr. Vice President – Finance</i>	As per our report annexed For Sundaram & Srinivasan <i>Chartered Accountants</i>
Bangalore June 30, 2008		T.S. RAJAGOPALAN <i>Secretary</i>	M. BALASUBRAMANIAM <i>Partner</i>

Cash Flow Statement

Rupees in crores

	Year ended 31-03-2008	Year ended 31-03-2007
A. Cash flow from operating activities:		
Net profit before tax and extraordinary items	35.37	90.85
Net profit for the year	35.37	90.85
Add:		
Depreciation for the year	94.59	87.60
Depreciation on sale/scraping of assets	(6.03)	(13.30)
Miscellaneous expenditure written off	1.95	1.88
Income tax relating to earlier years	–	(0.32)
Dividend income	(3.52)	(11.81)
Interest income	(9.28)	(10.27)
Interest expenditure	11.47	35.05
	89.18	88.83
Operating profit before working capital changes	124.55	179.68
Adjustments for:		
Trade receivables	23.54	(53.21)
Inventories	(8.82)	(38.66)
Loans and advances	(41.55)	3.31
Trade payables	(71.26)	52.56
Provisions	(3.29)	(0.17)
	(101.38)	(36.17)
Cash generated from operations	23.17	143.51
Direct taxes paid	(16.84)	(30.72)
Net cash from operating activities (A)	6.33	112.79
B. Cash flow from investing activities:		
Purchase of fixed assets	(342.46)	(130.04)
Sale of fixed assets	34.50	25.44
Capital work-in-progress	179.26	(151.15)
Purchase of investments	(958.74)	(952.29)
Sale of investments	964.52	951.74
Miscellaneous expenditure not written off	3.82	5.38
Interest received	9.28	10.27
Dividends received	3.52	11.81
	(106.30)	(228.84)
Net cash used in investment activities (B)	(106.30)	(228.84)

Cash Flow Statement - (continued)

Rupees in crores

		Year ended 31-03-2008	Year ended 31-03-2007
C. Cash flow from financing activities :			
Long term borrowings:			
Secured loans availed		(75.74)	197.55
Unsecured loans availed		54.79	11.33
Sales tax deferral loan availed		31.47	39.64
Interest paid		(11.47)	(35.05)
Dividend and dividend tax paid		(4.17)	(35.21)
		<u>(5.12)</u>	<u>178.26</u>
Net cash used in financing activities	(C)	(5.12)	178.26
D. Net increase in cash and cash equivalents (A+B+C)			
		(105.09)	62.21
Cash and cash equivalents at the beginning of the year		86.56	24.35
Cash and cash equivalents at the end of the year		(18.53)	86.56

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.

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

Bangalore
June 30, 2008

T.S. RAJAGOPALAN
Secretary

M. BALASUBRAMANIAM
Partner

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

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	01.04.2007 - 31.03.2008	01.04.2007 - 31.03.2008	01.04.2007 - 31.03.2008	01.01.2007 - 31.03.2008
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	1,71,59,920 Ordinary shares of Singapore \$ 1/- each fully paid up	31,60,000 shares of US \$ 10 each fully paid up
	(b) Extent of holding	100%	100%	100%	65.51% by (4) and 34.49% 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. 4.76 crores)	(Rs. 0.27 crores)	(Rs. 0.01 crores)	(Rs. 32.39 crores)
	(b) for the previous financial years since it became a subsidiary - profit/(loss)	Rs. 7.84 crores	(Rs. 0.88 crores)	(Rs. 0.03 crores)	Rs. 8.79 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	-	-	-	-
	(b) for the previous financial years since it became a subsidiary - profit	Rs. 4.55 crores	-	-	-

VENU SRINIVASAN
Chairman & Managing Director

H. LAKSHMANAN
Director

S.G. MURALI
Sr. Vice President – Finance

Bangalore
June 30, 2008

T.S. RAJAGOPALAN
Secretary

Consolidated Accounts

Auditors' report on consolidated accounts

We have audited the attached consolidated Balance Sheet of TVS Motor Company Limited, Chennai and its subsidiaries as at 31st March 2008, 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 statements of subsidiaries namely TVS Motor Company (Europe) B.V., Amsterdam, TVS Motor (Singapore) Pte. Limited, Singapore, PT TVS Motor Company Indonesia, Jakarta and associate namely TVS Finance and Services Limited, Chennai and joint venture namely TVS Andina S.A., Colombia. The financial statements and other information of the subsidiaries, associate and joint venture 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, associate and joint venture, 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" and Accounting Standard 27 on "Financial reporting of interests in Joint Ventures" 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, its associate TVS Finance and Services Limited, Chennai and its joint venture TVS Andina S.A., Colombia 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 31st March 2008 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

Bangalore
June 30, 2008

M BALASUBRAMANIAM
Partner
Membership No.F7945

CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheet as at 31st March 2008

	Schedule number	Rupees in crores	
		As at 31-03-2008	As at 31-03-2007
I SOURCES OF FUNDS			
1 Shareholders' funds			
(a) Capital	I	23.75	23.75
(b) Reserves and surplus	II	<u>728.14</u>	<u>783.14</u>
2 Loan funds			
(a) Secured loans	III	506.19	532.68
(b) Unsecured loans	IV	<u>301.42</u>	<u>131.24</u>
3 Deferred tax liability (net of deferred tax asset)		121.76	152.36
Total		<u>1,681.26</u>	<u>1,623.17</u>
II APPLICATION OF FUNDS			
1 Fixed assets			
(a) Gross block		2,073.33	1,560.51
(b) Less: Depreciation		<u>800.58</u>	<u>697.79</u>
(c) Net block	V	1,272.75	862.72
(d) Capital work-in-progress	VI	28.63	283.37
2 Investments	VII	132.99	176.77
3 Current assets, loans and advances			
(a) Inventories	VIII	439.76	409.42
(b) Sundry debtors	IX	84.76	81.04
(c) Cash and bank balances	X	14.72	138.15
(d) Other current assets	XI	0.30	0.30
(e) Loans and advances	XII	241.00	231.71
Total (A)		<u>780.54</u>	<u>860.62</u>
Current liabilities and provisions			
(a) Current liabilities	XIII	543.01	568.47
(b) Provisions	XIV	61.49	50.38
Total (B)		<u>604.50</u>	<u>618.85</u>
Net current assets (A - B)		176.04	241.77
4 Miscellaneous expenditure to the extent not written off or adjusted	XV	70.85	58.54
Total		<u>1,681.26</u>	<u>1,623.17</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

Bangalore
June 30, 2008

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 2008

Rupees in crores

	Schedule number	Year ended 31-03-2008	Year ended 31-03-2007
Gross sales		3,735.57	4,541.49
Less: Excise duty		465.02	623.41
Net sales		3,270.55	3,918.08
Other income	XVI	91.93	63.72
Total Revenue (A)		3,362.48	3,981.80
Raw materials and components consumed	XVII	2,451.45	2,916.62
Labour charges		2.70	2.24
Salaries and wages, stores consumed and other expenses	XVIII	818.55	848.79
Miscellaneous expenditure	XIX	1.95	1.88
Sub-total (B)		3,274.65	3,769.53
Profit before interest, depreciation and tax (A - B)		87.83	212.27
Interest and Finance charges (net)	XX	8.84	22.14
Depreciation		108.92	91.82
Profit before tax		(29.93)	98.31
Provision for taxation		3.67	11.30
Provision for fringe benefit tax		4.22	4.91
Provision for deferred tax		(30.60)	4.35
Pro-rata share of loss of associate		21.03	3.58
Profit for the year (after tax)		(28.25)	74.17
Balance profit brought forward		14.10	14.34
Tax relating to earlier years		0.06	–
Depreciation relating to earlier years		0.11	–
Profit for the year (after tax)		(28.25)	74.17
Total		(13.98)	88.51
Tax relating to earlier years		–	0.32
I Interim dividend paid		–	16.63
Proposed dividend		16.63	3.56
Dividend tax paid		–	2.73
Provision for dividend tax		2.83	0.61
Transfer to general reserve		10.00	50.56
Balance surplus carried forward to Balance Sheet		(43.44)	14.10
Total		(13.98)	88.51
Nominal value of each share in rupees		1.00	1.00
Earnings per share in rupees on 23,75,43,557 shares		(1.19)	3.12
Diluted earnings per share in rupees		(1.19)	3.12

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

Bangalore
June 30, 2008

T.S. RAJAGOPALAN
Secretary

M. BALASUBRAMANIAM
Partner

CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Schedules

	Rupees in crores	
	As at 31-03-2008	As at 31-03-2007
I CAPITAL		
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>
II RESERVES AND SURPLUS		
(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	2.40
(iii) Foreign currency translation reserve	3.41	10.87
(b) General reserve		
As per last Balance Sheet	755.77	
Add: Transfer from Profit and Loss Account	<u>10.00</u>	
	765.77	755.77
(c) Surplus		
Balance in Profit and Loss Account	(43.44)	14.10
	<u>728.14</u>	<u>783.14</u>
III SECURED LOANS		
From banks		
(i) External commercial borrowings secured by a first charge on the specified assets	401.30	446.16
(ii) Secured by a first charge on the entire fixed assets of the company	14.86	17.68
(iii) Secured by exclusive charge on the movable fixed assets of the company	25.20	-
(iv) Secured by hypothecation of present and future inventories and receivables	64.83	68.84
	<u>506.19</u>	<u>532.68</u>
IV UNSECURED LOANS		
(a) From banks	185.80	47.98
(b) From others	103.67	72.20
(c) Other deposits	11.95	11.06
	<u>301.42</u>	<u>131.24</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	Total
	Free hold	Lease hold						As at 31-03-2008	As at 31-03-2007
Cost of assets									
As at 01-04-2007	84.04	10.27	140.94	1,262.24	50.86	6.56	5.60	1,560.51	1,437.99
Additions	18.62	4.31	161.63	352.26	10.33	0.18	1.88	549.21	148.02
Sales / deletion	25.18	–	0.05	10.19	0.60	0.37	–	36.39	25.50
Total	77.48	14.58	302.52	1,604.31	60.59	6.37	7.48	2,073.33	1,560.51
Depreciation/ Amortisation									
Upto 31-03-2007	–	–	32.61	619.30	36.80	3.91	5.17	697.79	619.33
For the year	–	0.12	8.08	94.14	4.76	0.84	0.98	108.92	91.82
Withdrawn on assets sold/deleted	–	–	0.05	5.21	0.53	0.34	–	6.13	13.36
Total	–	0.12	40.64	708.23	41.03	4.41	6.15	800.58	697.79
Written down value									
As at 31-03-2008	77.48	14.46	261.88	896.08	19.56	1.96	1.33	1,272.75	–
As at 31-03-2007	84.04	10.27	108.33	642.94	14.06	2.65	0.43	–	862.72

@ vide note 1(t)

Rupees in crores

As at 31-03-2008 As at 31-03-2007

VI CAPITAL WORK-IN-PROGRESS

(a) Building under construction	0.67	90.89
(b) Machinery in transit/installation (including R & D Rs. 23.78 crores - last year Rs. 21.88 crores)	27.96	111.19
(c) Expenditure pending allocation (to be capitalised)	–	81.29
	<u>28.63</u>	<u>283.37</u>

VII INVESTMENTS (AT COST)

A LONG TERM

(a) Trade - quoted		0.33	0.33
(b) Trade - unquoted		58.07	
Less: Pro-rata share in the loss of associate company		<u>21.03</u>	
		37.04	58.07
(c) Non-trade - quoted		14.10	14.10
(d) Non-trade - unquoted (Last year Rs. 37,100/-)		9.23	–
Total long term investments (A)		<u>60.70</u>	<u>72.50</u>

B SHORT TERM

Non-trade - quoted		<u>72.29</u>	<u>104.27</u>
Total short term investments (B)		<u>72.29</u>	<u>104.27</u>
Grand total - Investments (A + B)		<u>132.99</u>	<u>176.77</u>

CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Schedules - (continued)

	Rupees in crores	
	As at 31-03-2008	As at 31-03-2007
VIII INVENTORIES		
* Raw materials and components	119.57	120.47
* Work-in-process	27.51	25.13
* Finished goods	150.85	122.81
* Stock of dies, moulds and tools	69.04	74.39
* Stores	22.25	19.32
Goods-in-transit	50.54	47.30
	<u>439.76</u>	<u>409.42</u>
(* as certified by chairman & managing director)		
IX SUNDRY DEBTORS - UNSECURED		
(a) Debts outstanding for a period exceeding six months		
(i) Considered good	8.48	24.89
(ii) Considered doubtful	3.09	2.36
(b) Other debts - Considered good	76.28	56.15
	<u>87.85</u>	<u>83.40</u>
Less: Provision for doubtful debts	3.09	2.36
	<u>84.76</u>	<u>81.04</u>
X CASH AND BANK BALANCES		
(a) Cash and cheques on hand	0.21	0.22
(b) With scheduled banks		
(i) in current accounts	4.96	12.65
(ii) in cash credit accounts	0.47	3.02
(iii) in term deposit accounts	8.90	55.67
(c) With other banks	0.18	66.59
	<u>14.72</u>	<u>138.15</u>
XI OTHER CURRENT ASSETS		
Interest accrued on non-trade quoted investments	0.30	0.30
	<u>0.30</u>	<u>0.30</u>
XII LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD		
(a) Advances recoverable in cash or in kind or for value to be received	189.14	194.17
(b) Inter corporate deposits	6.26	4.28
(c) Other deposits	4.92	12.93
(d) Advance payment of income tax less provisions	40.68	20.33
	<u>241.00</u>	<u>231.71</u>
XIII CURRENT LIABILITIES		
Sundry creditors	543.01	568.47
	<u>543.01</u>	<u>568.47</u>
XIV PROVISIONS		
(a) Pension fund	28.55	32.57
(b) Leave salary	5.40	5.12
(c) Warranty	7.64	7.34
(d) Proposed dividend	16.63	3.56
(e) Provision for dividend tax	2.83	0.61
(f) Fringe benefit tax less advance payments	0.44	1.18
	<u>61.49</u>	<u>50.38</u>
XV MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
(a) New product launch expenses	63.91	52.32
(b) External commercial borrowings upfront fees	4.26	6.22
(c) Voluntary retirement scheme expenses	2.68	-
	<u>70.85</u>	<u>58.54</u>

CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Schedules - (continued)

		Rupees in crores	
		Year ended 31-03-2008	Year ended 31-03-2007
XVI OTHER INCOME			
(a)	Miscellaneous income	55.40	45.65
(b)	Dividend income	3.52	9.04
(c)	Profit on sale of fixed assets	19.55	2.74
(d)	Profit on sale of investments	13.46	6.29
		<u>91.93</u>	<u>63.72</u>
XVII RAW MATERIALS AND COMPONENTS CONSUMED			
Opening stock			
Raw materials		120.47	88.80
Work-in-process		25.13	20.95
Finished goods		<u>122.81</u>	<u>163.27</u>
		268.41	273.02
Purchase of raw materials and components		2,480.97	2,912.01
Total (A)		<u>2,749.38</u>	<u>3,185.03</u>
Closing stock			
Raw materials		119.57	120.47
Work-in-process		27.51	25.13
Finished goods		<u>150.85</u>	<u>122.81</u>
Total (B)		<u>297.93</u>	<u>268.41</u>
(A - B)		<u>2,451.45</u>	<u>2,916.62</u>
XVIII SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES			
*	(a) Salaries, wages and allowances	167.54	148.68
*	(b) Workmen and staff welfare expenses	24.81	23.93
*	(c) Contribution to provident and other funds	9.83	12.43
*	(d) Stores and tools consumed	32.45	43.25
*	(e) Power and fuel	49.34	49.08
*	(f) Rent	8.12	5.33
	(g) Rates and taxes	3.34	13.92
*	(h) Repairs and maintenance		
	(i) buildings	4.55	2.60
	(ii) machinery	28.91	27.29
	(iii) other assets	4.67	3.98
	(i) Insurance	3.56	3.34
	(j) Directors' sitting fees	0.10	0.07
	(k) Commission to independent directors	0.18	0.18
	(l) Audit fees	0.51	0.40
*	(m) Travel and conveyance	25.11	19.69
*	(n) Packing and freight charges	97.72	116.26
*	(o) Advertisement and publicity	104.37	162.82
*	(p) Other marketing expenses	159.55	129.68
*	(q) Other expenses	80.50	76.50
	(r) Commission to selling agents	12.61	8.59
	(s) Loss on sale / scrapping of fixed assets	<u>0.78</u>	<u>0.77</u>
		<u>818.55</u>	<u>848.79</u>

*net of recoveries

CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Schedules - (continued)

Rupees in crores
As at/
Year ended
31-03-2008 As at/
Year ended
31-03-2007

XIX MISCELLANEOUS EXPENDITURE WRITTEN OFF

External commercial borrowing upfront fees written off	1.95	1.88
	1.95	1.88

XX INTEREST AND FINANCE CHARGES

(a) On fixed loans	13.59	18.34
(b) Others	1.57	17.85
Total (A)	15.16	36.19
Less: Interest income		
(a) On non-trade investments (gross)	2.71	0.90
(b) On advances and deposits (gross)	3.61	13.15
Total (B)	6.32	14.05
(A - B)	8.84	22.14

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 joint venture 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), its subsidiaries and joint venture.
- (ii) The consolidated financial statements have been prepared on the following basis:
 - the financial statement of the company, its subsidiaries and joint venture have been prepared on a line by line consolidation/proportionate 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, PT TVS Motor Company Indonesia, Jakarta and TVS Andina S.A., Colombia 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 statement.
 - 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)

1 Consolidation of accounts – (continued)

(iii) The subsidiary companies and joint venture 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
	Subsidiary Companies:				
(a)	Sundaram Auto Components Limited, Chennai	India	100	31.03.2008	–
(b)	TVS Motor (Singapore) Pte. Limited, Singapore	Singapore	100	31.03.2008	–
(c)	TVS Motor Company (Europe) B.V., Amsterdam	Netherlands	100	31.03.2008	–
(d)	PT TVS Motor Company Indonesia, Jakarta	Indonesia	65.51 by (c) 34.49 by (b)	31.03.2008	–
	Joint Venture:				
(e)	TVS Andina S.A., Colombia	Colombia	26	31.12.2007	3 months

Rupees in crores
As at/ As at/
Year ended Year ended
31-03-2008 31-03-2007

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 Events occurring after the Balance Sheet date

The equity shares of TVS Finance and Services Limited, Chennai, in which the company holds 1,64,52,192 Equity shares, were delisted from the Stock Exchanges.

(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) Raw materials consumed	0.94	–
(iii) Other marketing expenses	0.03	–

(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 in respect of tools and dies has been provided based on the quantity of components manufactured. In respect of tools and dies meant for the manufacture of certain slow moving two wheeler models, accelerated depreciation amounting to Rs.11.71 crores has been provided during the year.

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 31-03-2008	As at/ Year ended 31-03-2007
(g) AS - 9 Revenue recognition		
<p>The income of the company, its subsidiaries and joint venture is derived from sale of automotive vehicles, parts thereof, rubber and plastics components and provision of technical know-how, 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 declare the dividend and 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>		
Cost of lands includes lands acquired under lease	14.58	10.26
Buildings include buildings constructed on leasehold land	6.58	1.33
Cost of vehicles includes vehicles acquired under finance lease	–	0.10
(i) AS - 11 Accounting for effects of changes 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 re-stated as on 31st March 2008 as per the requirements of Accounting Standard 11 and the net gain arising out of such re-statement amounting to Rs 27.42 crores (Last year Rs 7.30 crores) is credited to Profit and Loss Account in Interest and Finance charges.</p> <p>Sales include realised exchange fluctuation on exports.</p> <p>Derivative instruments:</p> <p>Derivative contracts are entered into by the company only based on underlying transactions. The company has not entered into any derivative contracts of a speculative nature.</p> <p>Currency swaps - Out of total external commercial borrowings of USD 100 mn., the company has entered into five currency swap contracts (last year 5 contracts) covering USD 75 mn. fixing the repayment liability of the company in Indian rupee. The premium paid in respect of these contracts is debited to Interest and Finance charges.</p> <p>Interest Rate Structure (IRS) - The company has entered into seven derivative contracts in respect of total external commercial borrowings amounting to USD 100 mn. to convert floating interest rate to fixed interest rate.</p> <p>The premium paid in respect of these contracts is debited to Interest and Finance charges.</p>		
(j) AS - 13 Accounting for Investments		
<p>Investments are valued at cost.</p>		
(k) AS - 14 Accounting for amalgamations		
<p>During the year there was no amalgamation.</p>		

CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

- (I) AS - 15 Employee benefits
- A Defined contribution plans
- (a) Contribution to provident fund is in the nature of defined contribution plan and are made to a recognised trust.
- (b) Contribution to superannuation fund is in the nature of defined contribution plan and is remitted to Life Insurance Corporation of India in accordance with the scheme framed by the Corporation.
- B Defined benefit plan
- (a) The company extends defined benefit plans in the form of leave salary to employees. In addition, the company also extends pension to senior managers of the company. Provision for leave salary and pension is made on actuarial valuation basis.
- (b) The company also extends defined benefit plan in the form of gratuity to employees. Contribution to gratuity is made to Life Insurance Corporation of India in accordance with the scheme framed by the Corporation.
- C Disclosure as required by Accounting Standard 15

	Rupees in crores		
	Leave Salary	Pension	Gratuity
(a) Expenses recognised in the Profit & Loss Account			
(i) Current service cost	0.38	–	1.52
(ii) Interest cost	0.39	2.64	1.49
(iii) Expected return on plan assets	–	–	(1.62)
(iv) Net actuarial loss/(gain) recognised in the year	0.02	3.22	0.01
Total	0.79	5.86	1.40
(b) Change in defined benefit obligation during the year ended 31 st March 2008			
(i) Present value of obligation as at beginning of the year (01-04-2007)	5.12	32.63	20.61
(ii) Interest cost	0.39	2.63	1.48
(iii) Current service cost	0.38	–	1.52
(iv) Benefits paid	(0.51)	(9.93)	(1.90)
(v) Actuarial loss on obligation	0.02	3.22	0.33
(vi) Present value of obligation as at the end of the year (31-03-2008)	5.40	28.55	22.04
(c) Change in fair value of plan assets during the year ended 31 st March 2008			
(i) Fair value of plan assets at the beginning of the year (01-04-2007)	–	–	21.58
(ii) Expected return on plan assets	–	–	1.62
(iii) Contributions made during the year	–	–	1.93
(iv) Benefits paid	–	–	(1.90)
(v) Actuarial gain on plan assets	–	–	0.32
(vi) Fair value of plan assets as at the end of the year (31-03-2008)	–	–	23.55
(d) Balance Sheet movements			
(i) Value of benefit obligations / (net assets) at the beginning of the year (01-04-2007)	5.12	32.63	(0.97)
(ii) Contributions made during the year	–	–	(1.93)
(iii) Expenses	0.79	5.85	1.39
(iv) Benefits paid	(0.51)	(9.93)	–
(v) Value of benefit obligation / (net assets) at the end of the year (31-03-2008)	5.40	28.55	(1.51)
Note: The net asset in respect of gratuity plan is not recognised as it is lying in an irrevocable trust fund approved by income tax authorities.			

CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

(l) AS - 15 Employee benefits – (continued)

	Rupees in crores		
	Leave Salary	Pension	Gratuity
(e) Actuarial assumptions			
(i) Discount rate used	8.00%	9.50%	8.00%
(ii) Expected return on plan assets	NA	NA	8.00%
Estimates of future salary increase considered in actuarial valuation take into account inflation, seniority and other relevant factors.			

Year ended 31-03-2008 Year ended 31-03-2007

(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 7.18 5.73

(n) AS - 17 Segment reporting - year ended 31st March 2008

Particulars	Business segment		
	Automotive vehicles	Automotive components	Total
Revenue			
External sales - domestic	2,890.53	63.57	2,954.10
- exports	313.39	3.06	316.45
Inter segment sales	20.83	71.53	92.36
Total sales	3,224.75	138.16	3,362.91
Less: Inter segment sales	20.83	71.53	92.36
Net revenue	3,203.92	66.63	3,270.55
Segmentwise results before interest and tax	(19.86)	0.58	(19.28)
Less: Interest			8.84
Less: Loss of subsidiaries			0.21
Less: Inter segment income			1.60
Profit before tax			(29.93)
Taxes			22.71
Pro-rata share of loss of associate			21.03
Profit after tax			(28.25)
Segment assets	2,464.81	119.99	2,584.80
Segment liabilities	1,402.25	97.58	1,499.83
Total cost incurred during the year to acquire segment assets	325.94	30.80	356.74
Segment depreciation	103.05	5.87	108.92
Non-cash expenses other than depreciation	1.95	–	1.95

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 31-03-2008	As at/ Year ended 31-03-2007
(o) AS - 18 Related party disclosure		
Disclosure is made as per the requirements of the standard and the same is given in Note No. 19.		
(p) AS -19 Leases		
(i) Asset acquired under finance lease - Vehicles - Original cost	–	0.10
(ii) The net carrying amount as on 31st March	–	0.02
(iii) Minimum lease payments		
- not later than one year - not discounted	–	0.01
- 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
- 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	166.38	151.10
- tax on amortisation of dies and moulds	21.77	21.24
- tax on expenses admissible on payment basis under Income-tax Act, 1961	34.59	25.48
	(A)	<u>222.74</u>
(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	27.79	29.13
- Unabsorbed depreciation	73.19	16.33
	(B)	<u>100.98</u>
Deferred tax liability (net of deferred tax asset) (A)-(B) - refer Balance Sheet	121.76	152.36
(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 31-03-2008	As at/ Year ended 31-03-2007
(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	5.05	4.88
Additions during the year	1.88	0.17
Total	<u>6.93</u>	<u>5.05</u>
Amortised as depreciation	5.82	4.94
Closing balance	<u>1.11</u>	<u>0.11</u>
(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	0.55	0.55
Additions during the year	-	-
Total	<u>0.55</u>	<u>0.55</u>
Amortised as depreciation	0.33	0.23
Closing balance	<u>0.22</u>	<u>0.32</u>

(u) AS - 27 Financial reporting of interest in joint venture:

Equity participation in TVS Andina S.A., Colombia, by reporting entity is 130 mn. Colombian Pesos (26% of 500 million Colombian Pesos - Rs. 0.28 crores). Out of this, 65 million Colombian Pesos (Rs. 0.14 crores) have been invested during the year (Last year - Nil)

The assets, liabilities, income and expenses of the jointly controlled entity have been recognised on a proportionate consolidation basis in the consolidated financial statement as prescribed in the Accounting Standard.

(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 31-03-2008	As at/ Year ended 31-03-2007
(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) Contested liabilities are detailed in note no. 11		
3 Amount of loan payable within one year:		
- External commercial borrowing - from banks	53.50	–
- Secured - from banks	51.38	60.00
- Unsecured - from banks	106.09	47.98
4 Fixed Assets		
Land:		
Title deeds in respect of lands acquired near Ahmedabad in Gujarat at a cost of Rs. 0.01 crore and near Hosur, Tamil Nadu at cost of Rs. 0.48 crores are yet to be received from the registration authorities.		
5 Bank balance includes amount in respect of		
(a) Unclaimed dividends	0.75	0.90
(b) Balances lying with non-scheduled banks:		
(i) HSBC Private Bank (Suisse) S.A., Singapore		
- in call deposit account	0.04	23.01
- in deposit account	–	43.39
(ii) The Hongkong and Shanghai Banking Corpn. Ltd., Hongkong		
- in current account (Current year - Rs. 19,425.48, last year - Rs. 21,034.19)	–	–
- in deposit account	0.10	0.11
(iii) Industrial and Commercial Bank of China, China.		
- in current account	0.03	0.05
- in deposit account	0.01	0.03
(c) Maximum amount invested in non-scheduled banks at any time during the year		
(i) ICICI Bank Limited, Singapore	–	67.42
(ii) Deutsche Bank, Singapore	–	67.70
(iii) HSBC Private Bank (Suisse) S.A., Singapore	66.40	66.40
(iv) The Hongkong and Shanghai Banking Corpn. Ltd., Hongkong	0.12	0.12
(v) Industrial and Commercial Bank of China, China	0.15	–
(vi) PT Bank Danamon Indonesia Tbk, Jakarta	–	0.22
6 Sundry debtors include		
Sundry debtors - from a company under the same management		
– Sundaram-Clayton Limited, Chennai		
(i) Exceeding six months (considered good)	0.14	0.52
(ii) Other debts (considered good)	1.27	1.82

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 31-03-2008	As at/ Year ended 31-03-2007
7 Deposits include		
(a) Deposit with post office (Rs. 21,500/-)	–	–
(b) Deposit with central excise	0.09	0.59
(c) Deposit with sales tax	2.50	0.92
8 Sundry creditors include		
(a) Investor Education and Protection Fund - Unclaimed dividend	0.75	0.90
(b) Amount due to Small Scale Industrial units	22.50	30.07
(c) Amount due to other industrial units	352.40	392.46
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 proposed to be written off in 36 months.		
However, in addition, during the year, a sum of Rs. 18.09 crores has been debited to Advertisement and Publicity expenses towards accelerated amortisation of product launch expenses as certain models of two wheelers were found to be slow moving.		
(b) Expenditure incurred in raising external commercial borrowings is proposed to be written off over the period of loan.		
(c) Expenditure incurred under Voluntary Retirement Scheme is being written off over a period of 5 years.		
10 Contingent liability not provided for		
(a) On counter guarantee given to banks	0.79	1.36
(b) On letters of credit	36.53	30.10
(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	39.61	81.19
(e) Capital commitments towards		
- capital expenditure	27.02	70.68
- investment in Equity Shares of TVS Andina S.A., Colombia	0.14	–
(f) On obligation arising out of agreements facilitating credit to an associate company	75.00	75.00
(g) Disputed stamp duty in respect of land purchased near Hosur, Tamil Nadu	0.07	–
(h) On import of capital goods under Export Promotion Capital Goods Scheme	0.41	–
11 Liability contested and not provided for		
(a) Excise	33.05	13.44
(b) Service Tax	7.74	9.53
(c) Customs	1.13	1.13
(d) Sales tax	2.50	2.51
(e) Electricity tax	0.45	0.45
(f) Income-tax	26.30	52.72
(g) Employee settlement claims	0.05	0.05
(h) Land acquisition matters	0.25	0.25

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 31-03-2008	As at/ Year ended 31-03-2007
12 Tax deducted at source		
(a) On interest income	2.92	2.84
(b) On sub-contract receipts	0.02	0.01
(c) On professional services rendered	0.04	0.02
13 Contribution to provident and other funds include		
(a) Contribution towards gratuity as per scheme framed by Life Insurance Corporation of India	2.09	1.96
(b) Contribution towards pension fund	3.06	0.25
14 Repairs include		
(a) Wages	3.41	3.21
(b) Stores consumed	16.75	16.51
15 Audit fees comprise		
(a) As auditors	0.42	0.30
(b) Taxation matters	0.04	0.05
(c) Certification matters	0.04	0.04
(d) Cost audit fees	0.01	0.01
Total	<u>0.51</u>	<u>0.40</u>
16 General		
(a) Other expenses include travel and stay expenses of auditors	0.13	0.09
(b) Loss on sale of investments netted against profit on sale of investments	1.28	1.84
(c) Cash discount	0.10	0.15

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) Auto (India) Engineering Limited, Chennai c) TVS Investments Limited, Chennai d) TVS Electronics Limited, Chennai e) TVS Capital Funds Limited, Chennai f) TVS-e Access India Limited, Chennai g) TVS-e Servicetec Limited, Chennai h) Sravanaa Properties Limited, Chennai i) Tumkur Property Holdings Limited, Chennai j) Prime Property Holdings Limited, Chennai.
Associate company	TVS Finance and Services Limited, Chennai (a subsidiary of TVS Investments Limited, Chennai)
Joint venture	TVS Andina S.A., Colombia
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)

19 Particulars of transactions with related parties	Rupees in crores	
	As at/ Year ended 31-03-2008	As at/ Year ended 31-03-2007
(a) Purchase of goods		
- holding company	73.07	51.92
- fellow subsidiary (TVS Electronics Limited, Chennai)	–	0.01
(b) Sale of goods		
- holding company	30.75	19.57
- fellow subsidiaries	0.02	0.16
(c) Sale of fixed assets		
- holding company	0.04	–
(d) Rendering of services (including interest and sub-contract charges received)		
- holding company	1.24	0.32
- associate company	0.34	0.35
- fellow subsidiaries	0.01	0.05
(e) Availing of services (includes sub-contract charges paid)		
- holding company	32.90	41.76
- fellow subsidiaries	0.26	0.49
- associate company	11.99	15.08
(f) Trade advances made during the year		
- fellow subsidiaries	5.00	5.00
- associate company	–	37.75
(g) Trade advances received back during the year		
- holding company	–	9.00
- associate company	0.34	35.08
- fellow subsidiaries	–	5.00
(h) Trade advances received during the year		
- holding company	5.70	–
- fellow subsidiaries	2.50	–
(i) Trade advances repaid during the year		
- holding company	5.70	–
- fellow subsidiaries	2.50	–
(j) Amount outstanding as at Balance Sheet date:		
(i) Sundry debtors		
- holding company	1.40	2.34
- fellow subsidiaries	0.01	0.05
(ii) Loans and advances receivable		
- associate company	2.33	2.67
- fellow subsidiaries	5.00	–
(iii) Sundry creditors		
- holding company	21.40	5.51
- fellow subsidiary	0.01	0.01
- associate company	0.13	0.35
(k) Obligation arising out of agreements facilitating credit to associate company TVS Finance and Services Limited, Chennai	75.00	75.00
(l) Remuneration to key management personnel	0.18	0.88

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

Bangalore
June 30, 2008

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 31-03-2008	Year ended 31-03-2007
A. Cash flow from operating activities:		
Net profit for the year	(29.93)	98.31
Add:		
Depreciation	109.03	91.82
Depreciation withdrawn on sale/scraping of assets	(6.13)	(13.36)
Miscellaneous expenditure written off	1.95	1.88
Income tax relating to earlier years	0.06	(0.32)
Dividend income	(3.52)	(9.04)
Interest income	(6.32)	(14.05)
Interest expenditure	15.16	43.49
	<u>110.23</u>	<u>100.42</u>
Operating profit before working capital changes	80.30	198.73
Adjustments for:		
Trade receivables	(3.72)	(8.88)
Inventories	(30.34)	(42.17)
Loans and advances	11.06	(1.98)
Trade payables	(25.46)	21.37
Provisions	(3.44)	(0.16)
	<u>(51.90)</u>	<u>(31.82)</u>
Cash generated from operations	28.40	166.91
Direct taxes paid	(28.98)	(36.70)
Net cash from operating activities (A)	(0.58)	130.21
B. Cash flow from investing activities:		
Purchase of fixed assets	(549.21)	(148.02)
Sale of fixed assets	36.39	25.50
Capital work-in-progress	254.74	(226.10)
Purchase of investments	(946.15)	(953.29)
Sale of investments	961.44	958.72
Miscellaneous expenditure not written off	(14.26)	5.38
Interest received	6.32	14.05
Dividends received	3.52	9.04
Net cash used in investment activities (B)	<u>(247.21)</u>	<u>(314.72)</u>

CONSOLIDATED ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Cash Flow Statement – (continued)

		Rupees in crores	
		Year ended 31-03-2008	Year ended 31-03-2007
C. Cash flow from financing activities :			
Secured loans availed	(53.36)	147.23	
Unsecured loan availed	138.71	72.87	
Sales tax deferral loan availed	31.47	39.64	
Interest paid	(15.16)	(43.49)	
Dividend and dividend tax paid	(4.17)	(35.62)	
		<u>97.49</u>	<u>180.63</u>
Net cash used in financing activities	(C)	97.49	180.63
<hr/>			
D. Net increase in cash and cash equivalents	(A+B+C)	(150.30)	(3.88)
Cash and cash equivalents at the beginning of the year		129.31	133.19
Cash and cash equivalents at the end of the year		(20.99)	129.31

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.

venu srinivasan <i>Chairman & Managing Director</i>	H. LAKSHMANAN <i>Director</i>	S.G. MURALI <i>Sr. Vice President – Finance</i>	As per our report annexed For Sundaram & Srinivasan <i>Chartered Accountants</i>
Bangalore June 30, 2008		T.S. RAJAGOPALAN <i>Secretary</i>	M. BALASUBRAMANIAM <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.	US \$ in Million	TVS Motor (Singapore) Pte. Limited	Singapore \$ in Million	PT TVS Motor Company Indonesia	Indonesian Rupiah in Million
(a)	Reporting currency	Rs. in crores	Rs. in crores	US \$ in Million	Rs. in crores	Singapore \$ in Million	Rs. in crores	Indonesian Rupiah in Million
(b)	Capital	3.70	91.63	27.01	46.96	17.16	133.34	307,784
(c)	Reserves	17.05	(7.23)	(17.97)	(0.65)	(0.01)	(13.50)	(177,139)
(d)	Total assets	119.99	148.52	24.64	46.39	17.17	254.56	522,869
(e)	Total liabilities	119.99	148.52	24.64	46.39	17.17	254.56	522,869
(f)	Details of investments ³	0.14	–	–	–	–	–	–
(g)	Turnover including other income	139.61	–	–	–	–	10.41	23,282
(h)	Profit before taxation	(3.31)	(0.27)	(10.54)	(0.01)	(0.01)	(60.17)	(210,991)
(i)	Provision for taxation	(1.45)	–	–	–	–	27.78	(62,136)
(j)	Profit after taxation	(4.76)	(0.27)	(10.54)	(0.01)	(0.01)	(32.39)	(148,851)
(k)	Proposed dividend	–	–	–	–	–	–	–

Notes:

- The accounts of subsidiaries have been re-stated in line with Indian GAAP and as required by Accounting Standard 21 issued by The Institute Of Chartered Accountants of India, wherever applicable.
- The Financial Statements of the subsidiaries whose reporting currency are other than INR are converted into Indian rupees on the basis of following exchange rates:

Particulars	For assets and Liabilities at Closing Exchange rate	For Profit and Loss Items at Daily Average rate
US \$ to INR	Rs. 40.13 / US \$	Rs. 40.29 / US \$
Indonesian Rupiah to INR	Rs. 0.0043 / Indonesian Rupiah	Rs. 0.0045 / Indonesian Rupiah
Singapore \$ to INR	Rs. 28.9070 / Singapore \$	Rs. 27.3062 / Singapore \$

- Investments excludes investment in subsidiaries.

TVS MOTOR COMPANY LIMITED

Regd. Office : "JAYALAKSHMI ESTATES"
29 (Old No. 8), Haddows Road,
Chennai - 600 006.

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Name of the attending member _____

DP Id.* _____ Client Id.* _____

Folio No. _____ ** _____ No. of shares _____

Name of proxy _____
(If proxy attends instead of member)

I hereby register my presence at the annual general meeting.

Venue : "Sathguru Gnanananda Hall"
Narada Gana Sabha Trust,
No. 314, TTK Road,
Chennai - 600 018.

Date : 14th August 2008

Time : 10.30 a.m.

Signature of member/proxy

* Applicable for investors holding shares in electronic form.

** Applicable for investors holding shares in physical form.

REQUEST TO MEMBERS

1. Members and their proxies/bodies corporate should bring the attendance slip duly filled in for attending the meeting.
2. Members are requested to avoid being accompanied by non-members and/or children.
3. Members are requested to bring their copies of annual report to the meeting as the company is unable to provide another copy in view of the increased cost of paper.
4. Members are requested to be in their seats at the meeting hall before the scheduled time for commencement of the annual general meeting to avoid interruptions in the proceedings.
5. Members who are holding shares in physical form are requested to intimate the Share Transfer Agent of the company, changes if any, in their registered address.
6. Members intending to appoint proxies are requested to complete the proxy form sent herewith and deposit the same with the Registered Office of the company, at least 48 hours before the time fixed for holding the meeting.
7. If you and/or your family members are receiving more than one copy of the annual report and other communications and would like to avoid duplication, kindly advise to enable us to mail only one copy. This will help us to avoid wastage.
8. In the case of shares held in electronic form, the beneficial owners are advised to bring the identity card issued by the depository participant.

Tear Here

TVS MOTOR COMPANY LIMITED

Regd. Office : "JAYALAKSHMI ESTATES"
29 (Old No. 8), Haddows Road,
Chennai - 600 006.

PROXY FORM

DP Id.* _____ Client Id.* _____ Folio No. ** _____

I/We _____ of _____ in the district of _____ being a Member/Members of TVS MOTOR COMPANY LIMITED hereby appoint _____ of _____ in the district of _____ or failing him _____ of _____ in the district of _____ as my/our proxy to attend and vote for me/us on my/our behalf at the annual general meeting of the company to be held on Thursday the 14th August 2008 and at any adjournment thereof.

Signed this _____ day of _____ 2008.

For Office use	
Proxy No.	
Date of receipt	
No. of shares	

Revenue
Stamp

N.B.: The instrument appointing proxy should be deposited with the STA at least 48 hours before the commencement of the meeting

* Applicable for investors holding shares in electronic form.

** Applicable for investors holding shares in physical form.

Please fill in the particulars, viz. Folio No/DP Id/Client Id as given in the address slip.

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