

# **TVS MOTOR COMPANY LIMITED**

**Twelfth Annual Report 2003-2004**

**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

C. V. R. PANIKAR

**Audit Committee**

N. GANGA RAM  
*Chairman*

T. K. BALAJI

T. KANNAN

**Investors' Grievance Committee**

N. GANGA RAM  
*Chairman*

VENU SRINIVASAN

T. KANNAN

**President**

C. P. RAMAN

**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.  
The Stock Exchange, Mumbai.  
National Stock Exchange of India Ltd., Mumbai.

**Bankers**

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

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

STATE BANK OF PATIALA  
Whites Road, Chennai 600 014.

STATE BANK OF BIKANER & JAIPUR  
Gandhinagar, Bangalore 560 009.

INDIAN OVERSEAS BANK  
C & I Credit Branch,  
Dr. Radhakrishnan Salai, Chennai 600 004.

**Registered office**

Jayalakshmi Estates,  
24, Haddows Road, Chennai 600 006.

**Factories**

- 1) Post Box No. 4,  
Harita, Hosur 635 109.
- 2) Post Box No. 1,  
Byathahalli village,  
Kadakola post,  
Mysore 571 311.

**Subsidiary**

Sundaram Auto Components Limited  
Chennai.

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## Financial Highlights

Rupees in crores

DETAILS	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
Sales and other income	2856	2726	1944	1841	1621
Profit before interest, depn., and tax	296	284	144	148	190
Profit before tax	215	201	83	82	120
Profit after tax	138	128	54	63	87
Net fixed assets	704	533	440	436	405
Share capital	24	23	23	23	23
Reserves and surplus	551	400	300	334	292
Networth	562	423	323	357	315
Total borrowings	119	122	167	234	212
Earnings per share (Rs)	5.83	5.54	2.33	2.71	3.78
Dividend per share (Rs)	1.30	1.20	0.90	0.80	0.80
Book value per share (Rs)	23.42	18.39	14.04	15.52	13.70

### Notes :

- Figures for the year 1999-2000 include figures for the period from 1.4.1999 to 21.4.1999.
- Effective 8th December 2003, the par value of the shares of the company was split from Rs.10/- per share to Re.1/- per share. Previous year figures were recast to conform to current year figures.

## Notice to the Shareholders

NOTICE is hereby given that the twelfth annual general meeting of the company will be held at 'The Music Academy', New No.168 (Old No.306), TTK Road, Chennai 600 014 on Friday, the 10<sup>th</sup> September 2004, at 10.15 A.M to transact the following business:

### ORDINARY BUSINESS

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

RESOLVED THAT the audited balance sheet as at 31<sup>st</sup> March 2004 and the profit and loss account of the company for the year ended on that date, together with the directors' report and the auditors' report thereon as presented to the meeting, be and the same are hereby, approved and adopted.

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

RESOLVED THAT the interim dividend of Rs.6/- per share declared by the board of directors of the company on 17<sup>th</sup> October 2003 on 2,31,00,070 equity shares of Rs.10/- each fully paid, and the second interim dividend of Re.0.70 per share declared on 21<sup>st</sup> April 2004 on 23,75,43,557 equity shares of Re.1/- each fully paid, absorbing a total sum of Rs.30.49 crores in the aggregate and paid to the shareholders on 5<sup>th</sup> November 2003 and 7<sup>th</sup> May 2004, respectively, be and are hereby approved as final dividend for the year ended 31<sup>st</sup> March 2004.

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

RESOLVED THAT Mr. N. Ganga Ram, 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. C. R. Dua, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.

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

RESOLVED THAT Mr. T. Kannan, 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 an ordinary resolution:**

RESOLVED THAT in supersession of the ordinary resolution passed by the shareholders in the extraordinary general meeting of the company held on 30<sup>th</sup> June 1999, the consent of the company be and is hereby accorded to the board of directors under Section 293(1) (d) of the Companies Act, 1956 to borrow any sum or sums of moneys from time to time notwithstanding that the money or moneys to be borrowed, together with the moneys already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however, the total amount so borrowed and outstanding at any one time shall not exceed Rs. 750 crores (Rupees seven hundred and fifty crores only) or the aggregate of the paid-up capital and free reserves of the company, whichever is higher.

RESOLVED FURTHER THAT the board of directors be and are hereby authorised to do all such acts, deeds, matters and things and to execute all such documents or writings as they may consider necessary, usual, requisite or proper for the purpose of giving effect to this resolution.

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

RESOLVED THAT approval be and is hereby accorded to the board of directors in terms of Section 163 and other applicable provisions of the Companies Act, 1956 (the Act) to keep the register of members, the index of members and register and index of debentureholders, if any, and copies of all annual returns prepared under Section 159 of the Act together with the certificates and documents required to be annexed thereto under Sections 159 and 161 of the Act at the office of Sundaram-Clayton Limited (SCL), Share Transfer Agents of the company at No.31, Railway Colony, III Street, Mehta Nagar, Chennai 600 029, or such other place within the city limits of Chennai where SCL decides to carry on the share registry work instead of keeping at the registered office of the company from such date as may be decided by the board of directors or a committee of the directors by giving not less than 30 days notice to the shareholders / debentureholders.

By order of the board

Chennai  
June 28, 2004

T. S. RAJAGOPALAN  
*Secretary*

Registered Office:  
"Jayalakshmi Estates",  
24 (Old No.8), 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 explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business as set out in the notice is annexed hereto.
3. The register of members and the share transfer register will remain closed for a period of 10 days from 1<sup>st</sup> September 2004 to 10<sup>th</sup> September 2004 (both days inclusive).
4. In terms of Section 205A read with Section 205C of the Companies Act, 1956, the dividends declared by the company which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government on the due dates. The particulars of due dates for transfer of such unclaimed dividends to IEPF are furnished in the report on corporate governance forming part of the annual report.  
Members who have not encashed their dividend warrants are requested to make their claim by surrendering the 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 the proxy form and hand over the slip at the entrance of the meeting hall.
9. In terms of clause 49 of the listing agreement with stock exchanges, a brief resume of directors who are proposed to be re-appointed at this meeting is given below:

**I Mr. N. Ganga Ram**

Born on 22<sup>nd</sup> September 1934, Mr. N. Ganga Ram holds a Master of Arts degree in Economics from the University of Madras. He is a Certified Associate of the Indian Institute of Banking & Finance and Fellow of the Economic

Development Institute, World Bank, Washington. Having served for over 8 years with United Bank of India as an executive, Mr. Ganga Ram joined Industrial Development Bank of India (IDBI) and worked with IDBI for 27 years and retired as executive director in September 1992. He was co-opted as a director of the company on 28<sup>th</sup> March 2001.

Mr. Ganga Ram has done overseas consultancy assignments for the World Bank, Washington and the Asian Development Bank, Manila. He has wide experience in appraisal and post-sanction supervision of industrial projects. He has served on the boards of Larsen & Toubro Limited and other reputed companies and State Level Development Financial Institutions as a nominee director of IDBI. Mr. Ganga Ram is presently member of 4 committees of National Stock Exchange of India Limited (NSE).

He is the Chairman of the audit committee and investors' grievance committee of the company. Details of his other directorship / membership of committees are given below:

Name of the company	Position held	Committee membership
Enpac (India) Private Limited	Director	
India Cements Capital & Finance Limited	Director	Audit Committee Credit Committee
OTCEI Securities Limited	Director	
Sundaram Home Finance Limited	Director	Audit Committee Chairman
Juniper Hotels Private Limited (Grand Hyatt)	Director	Audit Committee

**II Mr. C. R. Dua**

Born on 3<sup>rd</sup> November 1951, Mr. C. R. Dua is a senior partner in the firm Dua Associates. Prior to establishing Dua Associates, Mr. Dua has been in private practice since 1976. He has been practising in the areas of corporate and commercial law, corporate finance, securities law, taxation, land acquisition, power projects, foreign investments, collaborations, disinvestments and privatisation of public sector undertakings, mergers and acquisitions and exchange control regulations. Mr. Dua obtained honours degree in Economics from St. Stephen's College, University of Delhi followed by a masters degree in Economics from the Delhi School of Economics and subsequently a degree in law. He sits on the boards of many major multinational corporations in India primarily representing the interests of the foreign collaborators and investors. He was co-opted as a director of the company on 27<sup>th</sup> December 2001.

He is the chairman of CNO India, a society. He is also a trustee of Norbulinga Institute for Tibetan Culture and he has controlling interest in Dua Consulting (P) Limited. Recently, he was elected as a member of National Executive Board of AMCHAM India for the year 2004-2005 and also designated as Hony. Secretary and treasurer.

Details of his other directorship / membership of committees are given below:

Name of the company	Position held	Committee membership
Cabot India Limited	Director	Audit Committee
Gillete India Limited	Director	Remuneration Committee
Inapex Limited	Director	
India Satcom Limited	Director	
Pearl Engineering Polymers Limited	Director	Remuneration Committee
Result Services Limited	Director	
Timex watches Limited	Director	
Wimco Limited	Director	Audit Committee
Amit Investments (P) Limited	Director	
Adidas India (P) Limited	Alternate director	
Adidas India Marketing (P) Limited	Alternate director	
Baxter India (P) Limited	Director	
Becton Dickinson India (P) Limited	Director	
Dua Consulting (P) Limited	Director	
ELCA Cosmetics (P) Limited	Director	
Fila Sports India (P) Limited	Director	
Linde Process Technologies India (P) Limited	Director	
McCann Erickson India (P) Limited	Alternate director	
McDonald's India (P) Limited	Director	
Polaroid India (P) Limited	Director	
ST Microelectronics (P) Limited	Director	
TMX India (P) Limited	Director	
Tupperware India (P) Limited	Director	
UL India (P) Limited	Director	
Westinghouse Electric (P) Limited	Director	

**III Mr. T. Kannan**

Born on 9<sup>th</sup> May 1953, Mr. T. Kannan is a graduate in business administration from the Madurai University. He is connected with a number of organisations related to industry, education and charity. He is a member of Tamil Nadu State Council for Higher Education and Apex Level Standing Committee on Industrial Development constituted by the Government of Tamil Nadu. He was co-opted as a director of the company on 27<sup>th</sup> January 2000.

He has a wide range of experience in textile industry. He is the executive committee member of The Indian Cotton Mills Federation Limited, Mumbai and The Tamil Nadu Chamber of Commerce and Industry and was the Chairman of The Cotton Textile Export Promotion Council, Mumbai.

He was also the Chairman of CII (SR) during 2001-02.

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

He is a member of the audit committee and investors' grievance committee of the company. Details of his other directorship / membership of committees are given below:

Name of the company	Position held	Committee membership
Thiagarajar Mills Limited	Managing director	
Virudhunagar Textile Mills Limited	Chairman	Share Transfer, Demat and Shareholder Grievance Committee
Sundaram Textiles Limited	Director	
Colour Yarns Limited	Director	
Sundaram Brake Linings Limited	Director	Audit Committee

## Annexure to notice

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

The following explanatory statement sets out all the material facts relating to the special business mentioned in the accompanying notice dated 28<sup>th</sup> June 2004 and shall be taken as forming part of the notice.

#### Item no. 7

In terms of Section 293(1)(d) of the Companies Act, 1956 (the Act), the board of directors shall not borrow moneys where the moneys to be borrowed together with moneys already borrowed (other than the temporary loans obtained from the company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital and free reserves of the company except with the consent of the shareholders obtained in a general meeting.

The shareholders of the company, at the extraordinary general meeting held on 30<sup>th</sup> June 1999, have accorded their consent to the board to borrow moneys in excess of the paid up capital and free reserves, provided, the aggregate of such borrowings together with moneys already borrowed and outstanding at any one time, shall not exceed Rs.250 crores.

Considering the growth of the company since 1999 and the proposed expansion projects of the company and its proposal to enter into overseas market, the board of directors have considered it desirable to enhance the borrowing powers from Rs.250 crores to Rs.750 crores. Accordingly, the resolution is placed before the shareholders for their approval.

None of the directors is in anyway concerned / interested in the resolution.

The directors recommend the resolution to be adopted as an ordinary resolution by the shareholders.

#### Item no. 8

In terms of Section 163 of the Companies Act, 1956, (the Act), the register of members, index of members and register and index of debentureholders, and copies of all annual returns of the company prepared under Section 159 of the Act together with copies of certificates and documents which are required to be annexed thereto are required to be kept at the registered office of the company.

At present, the company is handling the share transfer work in-house in respect of shares held in physical form. In respect of shares held in electronic form in the depositories, the electronic

connectivity is being provided by the depository registrars, M/s.Integrated Enterprises (India) Limited, Chennai.

Securities Exchange Board of India (SEBI) vide its circular No. D & CC / FITTC/ Cir-15 dated 27<sup>th</sup> December 2002 has insisted that the company shall have a common agency for handling the share registry work for both physical and electronic transfers ie., either in-house by the company or by a SEBI registered Registrar and Transfer Agent (RTA).

The board of directors have appointed Sundaram-Clayton Limited (SCL) as share transfer agents to carry on the registry work pertaining to transfer of shares in physical form and to provide connectivity with the depositories for handling the transactions taking place through depositories in electronic form. Consequently, the records as detailed in the resolution will have to be shifted to the share registry office of SCL. In terms of Section 163 of the Companies Act, 1956, approval of the shareholders is sought by a special resolution for keeping the register and index of members and other records as set out in the resolution to be kept outside the registered office of the company.

Individual notices will be sent to the shareholders 30 days in advance of the date on and from which the appointment of SCL as share transfer agent will take effect.

A copy of the proposed special resolution is being delivered to the Registrar of Companies, Tamil Nadu.

Mr. Venu Srinivasan, chairman and managing director, Mr. Gopal Srinivasan and Mr. T. K. Balaji, directors, being directors of Sundaram-Clayton Limited are deemed to be interested in the resolution.

The directors recommend the resolution for the approval of the shareholders as a special resolution.

By order of the board

Chennai  
June 28, 2004

T. S. RAJAGOPALAN  
*Secretary*

Registered Office:  
"Jayalakshmi Estates"  
24 (Old No.8), Haddows Road,  
Chennai 600 006.

## Directors' report to the shareholders

The directors present the 12<sup>th</sup> annual report and the audited accounts for the year ended 31<sup>st</sup> March 2004.

### 1. FINANCIAL HIGHLIGHTS

Details	Year ended 31-03-2004	Year ended 31-03-2003	% of growth
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#### QUANTITATIVE :

Sales:	(Numbers in lakhs)		
Motorcycles	7.07	7.18	-1.5
Mopeds	2.51	2.48	1.2
Scooters	1.89	1.53	23.5
<b>Total vehicles sold</b>	<b>11.47</b>	<b>11.19</b>	<b>2.5</b>

FINANCIAL	(Rupees in crores)		
Sales (net of excise duty) and other income	2856.42	2725.40	4.8
EBITDA	295.63	283.88	4.1
Interest (net)	1.21	2.83	-57.2
Depreciation	79.89	79.91	—
Profit before tax	214.53	201.14	6.6
Provision for tax	76.04	73.19	3.9
Profit for the year (after tax)	138.49	127.95	8.2
Surplus brought forward	32.63	23.17	
Tax relating to earlier years	(0.74)	1.40	
Transfer from debenture redemption reserve	9.90	9.90	
Investment allowance reserve withdrawn	3.04	—	
Profit & loss account balance of Lakshmi Auto Components Limited up to 1st April 2003	6.77	—	
Profit available for appropriation	190.09	162.42	
<b>APPROPRIATIONS:</b>			
Interim dividend	31.41	27.72	
Tax on dividend	4.25	2.07	
Transfer to general reserves	120.00	100.00	
Surplus carried forward	34.43	32.63	

The figures for the financial year under review include the operations of engine components division of Lakshmi Auto Components Limited for the period 02.04.2003 to 31.03.2004, which has since been merged with the company.

### 2. DIVIDEND

During the year, the board of directors declared two interim dividends viz., 60% on 17<sup>th</sup> October 2003 and 70% on 21<sup>st</sup> April 2004, making a total of 130% absorbing a sum of Rs. 30.49 crores. The directors have recommended no further dividend for the year ended 31<sup>st</sup> March 2004.

### 3. APPROPRIATIONS

The company proposes to transfer Rs.120 crores to the general reserve. An amount of Rs. 34.43 crores is proposed to be retained in the profit and loss account.

### 4. SHARE SPLIT

In order to enhance shareholders' value, by increasing substantially the number of shares available for trading in the market, the board of directors decided to split the equity shares of the company of Rs.10/- each into 10 equity shares of Re.1/- each.

The proposal was approved by the shareholders by resolution passed by them at the extraordinary general meeting held on 8<sup>th</sup> December 2003. The new share certificates of Re.1/- each were issued to the shareholders in the month of April 2004 in respect of those who were holding shares in physical form and were credited to the beneficiary accounts of those holding shares in electronic form on 20<sup>th</sup> May 2004.

### 5. AMALGAMATION OF LAKSHMI AUTO COMPONENTS WITH THE COMPANY

On 17<sup>th</sup> October 2003, the board of directors of the company approved a scheme of arrangement between the company viz. TVS Motor Company Limited (TVSM), Lakshmi Auto Components Limited (LAC) and Sundaram Auto Components Limited (SACL). Under the scheme, the assets and liabilities of the rubber and plastic businesses of LAC were transferred to SACL on slump sale basis on 1<sup>st</sup> April 2003 for a consideration of Rs.12.25 crores.

In terms of the scheme which was approved by the Hon'ble High Court of Madras vide its order dated 23<sup>rd</sup> March 2004, SACL issued and allotted to LAC 24,50,000 equity shares of Rs.10/- each at a premium of Rs.40/- per share as on 1<sup>st</sup> April 2003 (the appointed date). The remaining business of LAC viz., engine components division together with its investments in other bodies corporate including the shares allotted by SACL to LAC in terms of the scheme were transferred to and vested in the company with effect from 2<sup>nd</sup> April 2003 (the appointed date for this purpose).

In consideration of the amalgamation of engine components division together with remaining business of LAC with the company, the company allotted to the public shareholders of LAC, 65,42,857 equity shares of Re.1/- each credited as fully paid up (new shares). Consequently, the paid up capital of the company has increased from Rs.23,10,00,700/- to Rs.23,75,43,557/-. 89,20,000 equity shares of Rs.10/- each held by the company in LAC were cancelled.

The new shares were listed in all the three stock exchanges where the company's shares are presently listed viz., The Stock Exchange, Mumbai (BSE), National Stock Exchange of India Limited (NSE) and Madras Stock Exchange Limited (MSE). The shares were admitted for trading with effect from 24<sup>th</sup> May 2004 in MSE and BSE, and from 31<sup>st</sup> May 2004 in NSE.

The new shares allotted in terms of the scheme of arrangement rank pari passu with the existing equity shares of the company from the effective date viz., 1<sup>st</sup> April 2004, the date on which the order of the Hon'ble High Court approving the scheme was filed with the Registrar of Companies, Chennai and accordingly were entitled for the second interim dividend of Re.0.70 per share declared by the board of directors at its meeting held on 21<sup>st</sup> April 2004.

### 6. SUBSIDIARY

In terms of the scheme of amalgamation, the investment made by LAC in SACL was vested in the company with effect from 2<sup>nd</sup> April 2003 which comprises of 27,00,000 equity shares of Rs.10/- each and consequently SACL has become a wholly owned subsidiary of the company. SACL remains as an unlisted company.

A statement relating to the subsidiary, M/s Sundaram Auto Components Limited, Chennai, and a copy of its annual



accounts for the year ended 31<sup>st</sup> March 2004 are attached to the balance sheet pursuant to Section 212 of the Companies Act, 1956. A consolidated financial statement of accounts of our company and Sundaram Auto Components Limited, (subsidiary) is annexed to this report as required by Accounting Standard 21 (AS 21) prescribed by The Institute of Chartered Accountants of India (ICAI).

#### 7. EXPANSION ACTIVITIES

The company proposes to commence its three-wheeler project in its present facility at Mysore and the proto-type development work is in progress. The company is exploring the possibilities of setting up manufacturing facilities in South East Asian countries.

#### 8. DIRECTORS

There was no change in the constitution of the board of directors of the company since the last annual general meeting. Mr. T. Kannan, Mr. N. Ganga Ram and Mr. C. R. Dua retire at the ensuing annual general meeting of the company and being eligible, offer themselves for re-appointment.

#### 9. AUDITORS

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

#### 10. CORPORATE GOVERNANCE

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

#### 11. STATUTORY STATEMENTS

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

The particulars required pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 as amended by Companies (Particulars of employees) Rules, 2002 are given in Annexure II to this report.

As required under Section 217(2AA) of the Companies Act, 1956, the directors' responsibility statement is given in Annexure III to this report.

#### 12. ACKNOWLEDGEMENT

The directors gratefully acknowledge the continued support and co-operation received from the holding company i.e. Sundaram-Clayton Limited, Chennai. The directors wish to thank the debentureholders, bankers, financial institutions, investing institutions, customers, dealers, vendors and sub-contractors for their valuable support and assistance.

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

The directors specially thank the shareholders for their continued faith in the company.

For and on behalf of the board

Chennai  
June 28, 2004

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) TNEB Maximum Demand of 3650 KVA has been surrendered to reduce demand charges;
- (ii) Waste Heat Recovery from the HT DG exhaust system has been implemented resulting in fuel savings;
- (iii) 132 Tons Vapour Absorption air conditioning system has been installed which runs on waste heat recovery from the DG high temperature water circulation;
- (iv) Centralised air conditioning for 'alpha shop' is operated through waste heat recovery from exhaust gases of DG set.

The above measures have resulted in a savings of approximately Rs. 1.37 crores.

#### 2. Proposed measures

- (i) Extending heat recovery hot water system to paint plants, fuel heating at CPP to achieve fuel savings and reduce station power consumption at CPP.
- (ii) Achieving energy savings in air conditioning system at QAD block through Hot water heat recovery by installing additional 132 ton VAM AC system.
- (iii) Implementation of waste heat recovery system in the new 3 MW HT DG High temperature cooling water system and providing hot water to OMT paint plant to eliminate running of boiler.
- (iv) Implementation of cost effective energy saving proposals on hand in both the plants viz. Hosur and Mysore.

The above measures are expected to yield an annual savings of approximately Rs. 2.00 crores.

### B TECHNOLOGY ABSORPTION

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

- a) Design and development of 100cc 4 stroke engine for motorcycle application;
- b) Development of VT-i technology for reduction of friction, combustion improvement and fuel saving; and
- c) Design work for improving NVH, ride-comfort, vehicle handling and road safety.

#### 2. Future plan of action:

- a) Development of technology for reducing emission and improving fuel economy in 4 stroke engines; and

- b) Development of new products for new market segments with improved features and safety.

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

Rs. in crores

Capital expenditure	16.04
Revenue expenditure	59.59
Total	75.63

Total expenditure as a percentage of turnover 2.65 %

#### 4. Data relating to imported technology:

Technology imported	Manufacture of 2 stroke 100 cc motor cycles	Manufacture of 4 stroke 150 cc motor cycles	Manufacture of front forks for motor cycles
a. Year of import (commercial production)	1984	1999	1987
b. Has technology been absorbed ?	Yes	Yes	Yes
c. If not absorbed, area where this has not taken place, reasons therefore and future plans of action	Not applicable	Not applicable	Not applicable

### C. FOREIGN EXCHANGE EARNINGS AND OUTFLOW

#### 1. Export activities

During the year, the thrust on exports continued and the export turnover grew by more than 175%. Export coverage has been increased to more than 20 countries. Steps are being taken to improve the sales in Asian, African and Latin American countries.

#### 2. Total foreign exchange used and earned

	Rs. in crores
Foreign exchange used	112.75
Foreign exchange earned	69.48

For and on behalf of the board

Chennai  
June 28, 2004

VENU SRINIVASAN  
Chairman

## Annexure II to directors' report to the shareholders

Particulars of employees as per section 217(2A) of the Companies Act, 1956

Sl. No.	Name	Age (Yrs.)	Designation	Date of employment	Remuneration (Gross) Rs.	Qualification	Experience (Yrs.)	Previous employment
<b>EMPLOYED THROUGHOUT THE YEAR</b>								
1	Arvind Pangaonkar	59	General Manager - R&D	01.09.1987	24,17,444	D.M.E., A.M.I.E.	40	Member - R & D, Sundaram - Clayton Limited.
2	Cecil Kanagaraj Dewars	55	Vice President - Corporate Communication	28.02.2001	26,22,440	B.A.	32	General Manager, Coca-Cola India Limited.
3	Chandramouli R.	45	Vice President - Sales and marketing	19.12.1988	40,87,657	B.E.(Agri.), P.G.D.B.M.	20	Asst. Manager - Sales, Escorts Limited.
4	Devarajan S.	46	Vice President - Production Engineering	03.11.1997	41,76,261	B.E.(Mech.), P.G.D.B.A., M.B.A., M.S.(Engg.) Warwick	23	P.E. Incharge, Delphi Automotive Systems
5	Goindi H.S.	46	Vice President - International Business	29.01.2001	33,30,653	B.E., P.G.D.M.	21	General Manager - Sales and Marketing, Mahindra Holiday Resorts.
6	Harme Vinay Chandrakant	45	Vice President - R & D	01.09.1987	46,47,251	B.E.(Mech.), M.Tech.	21	Member - R & D, Sundaram - Clayton Limited.
7	Dr. Jabez Dhinagar S.	40	Vice President - A.E.G.	17.06.2002	26,74,166	M.E. (Automobile Engg.) Ph.D. (Mech. Engg.)	12	Lead Designer, GE Transportation Systems Engineering Design and Development Centre.
8	Kovaichelvan V.	47	Vice President - HR & TQC	21.05.1984	41,22,486	B.E.	24	Engineer, Kunal Engineering Limited.
9	Kulkarni P.V.	44	General Manager - Motorcycles	01.09.1987	24,68,287	B.E. M.Tech.	20	Executive - Product Planning, Sundaram - Clayton Limited.
10	Mathew P.C.	53	Executive Vice President	30.08.2001	48,92,954	B.E.(Hons.) - Mechanical	31	Vice President & General Manager, BBA Chemicals division, Bush Boake Allen Inc.
11	Mohammed Basha Sheik	47	General Manager - R&D	01.09.1987	28,10,843	B.Tech. (Mech) M.Des.	21	Member - R&D, Sundaram - Clayton Limited.
12	Murali S.G.	53	Vice President - Finance	15.07.2002	38,21,706	B.Com. A.C.A.	32	General Manager - Commercial, Hindustan Lever Limited.
13	Muthuraj M.	48	Vice President - Operations	01.10.1984	41,09,945	D.M.E., B.Tech., M.S.	27	Asst. Engineer, Hindustan Brown Boveri Limited.
14	Radhakrishnan K.N.	41	Vice President - Business Planning	15.09.2000	41,44,295	M.Tech. (Maint. Engg. and management)	18	General Manager- Business Planning, Sundaram-Clayton Limited.
15	Rajagopalan S.	62	Vice President - Industrial Relations	04.09.1995	33,89,091	B.Com., L.L.B., P.G.D.B.M.	44	Personnel Manager, Coats Viyella (India) Limited.
16	Ramachandra Babu Y.	48	General Manager - R&D	02.11.1984	29,17,066	B.Tech. (Auto), M.S. (Warwick)	24	Development Engineer, Enfield India Limited.
17	Raman C.P.	63	President	01.02.1998	1,19,13,492	B.Tech.	43	Managing Director, Eveready Industries Limited.
18	Simha B.L.P.	41	Vice President - Materials	10.12.1990	40,55,547	B.E., M.S. (Warwick)	20	Member, Manufacturing systems, Sundaram-Clayton Limited.
19	Sundaresan R.	44	Vice President - Quality	01.09.1987	36,59,101	B.Tech.	21	Asst. Superintendent - Quality, Sundaram-Clayton Limited.
20	Venkat Iyer	42	Chief Information Officer	12.04.2001	27,31,398	B.Sc., M.B.A. (Marketing India) M.B.A.(Information Systems U.S.A.)	19	General Manager - Information Technology, Xerox Modicorp Limited.
<b>EMPLOYED FOR A PART OF THE YEAR</b>								
1	Dhandapani T.G.	47	General Manager - Finance	01.11.1996	6,45,418	B.Com., A.C.A.	27	General Manager - Finance, Sundaram - Clayton Limited.
2	Venkat Subramanian B.	41	General Manager - Marketing	19.07.2002	13,57,214	B.E. (Mech.), P.G.D.M	17	General Manager - Exports, Sundaram - Clayton Limited.

## Notes:

- Years of experience also include experience prior to joining the company.
- Remuneration comprises of salary, house rent allowance, contribution to provident fund and superannuation fund, medical reimbursement, medical insurance premium, leave travel assistance and other benefits evaluated under income tax rules.
- Besides, employees are entitled to gratuity as per rules.
- None of the employees is related to any of the directors of the company.
- Terms of employment of all the employees mentioned above are contractual.
- None of the employees either individually or together with spouse or children held more than 2% of the equity shares of the company.

Chennai  
June 28, 2004

For and on behalf of the board  
VENU SRINIVASAN  
Chairman

## Annexure III to directors' report to the shareholders

Directors' Responsibility Statement as required under section 217(2AA) of the Companies Act, 1956.

Pursuant to the requirement 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 31<sup>st</sup> March 2004, 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 31<sup>st</sup> March 2004 on a "going concern basis".

For and on behalf of the board

Chennai  
June 28, 2004

venu srinivasan  
*Chairman*

## Management Discussion and Analysis Report

TVS Motor Company Limited is an active player in all the main product categories of the two-wheeler market viz., motorcycles, scooters and mopeds.

The company for the second consecutive year crossed the one-million-mark, recording sales of 1.15 million two-wheelers with gross revenue of Rs.2856 Cr. and PBT of Rs.214.50 Cr.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

The two-wheeler industry in India has grown at an annual compounded rate of 12% for the last 10 years. This growth has been fuelled by the 27% growth in motorcycles and 25% in the variomatic scooters.

During the year 2003-04, the two-wheeler industry grew by 11.4%. India continues to remain the second largest global two-wheeler market after China, with a market size over 5.6 million units. The share of motorcycles has further increased from 74.3% to 76.7% as a result of 15% growth over the last year. The category share of variomatic scooter has also increased from 10% to 12% with a volume growth of 23% over the last year. The category share of geared scooters and mopeds continued to decline.

### BUSINESS OUTLOOK AND OVERVIEW

The two-wheeler industry is closely linked to the general level of economic activity. The Indian economy is expected to grow around 7% during 2004-05. The indications are that the monsoon will be normal and hence rural economy will grow at a good rate. This will consequently lead to a growth rate of 9% to 10% in the two-wheeler industry during 2004-05.

### COMPANY PERFORMANCE

#### New product launches

During the year 2003-04, the company successfully launched multiple products:

- TVS Centra – 4-stroke 100cc motorcycle in the executive segment with VT-i technology to give excellent mileage
- New Victor GL – an upgrade of TVS Victor incorporating 21 improvements with new look
- Fiero F2 & Fx – upgrades of 4-stroke 150cc Fiero in the premium motorcycle segment
- Scooty Pep – 4-stroke 75cc stylish variomatic scooter

#### Motorcycle

The executive motorcycle segment dominates the motorcycle category with a share of 60%. TVS Victor, one of the leading brands in this segment has sold 9 lakh units since its launch in the third quarter of 2001-02. The recently launched TVS Centra, which is positioned in this segment, crossed 30,000 vehicles in sales within the first 70 days of launch.

In the 4-stroke motorcycles, the range comprising of Centra, Victor and Fiero posted a higher growth of 28% compared to the industry growth of 22% in the 4-stroke motorcycle segment during 2003-04.

In the economy motorcycle segment, the company is currently represented by only 2-stroke motorcycle (Max). During the year the demand for 2-stroke motorcycles declined by 46% which resulted in a 43% decline in 2-stroke volume for the company. Due to this, overall motorcycle market share for the company dropped from 19% to 16.4%.

#### Variomatic scooter

Variomatic scooters constitute about 11.5% of the total two-wheelers and sales grew by 22.8% during 2003-04. The company has recorded a growth of 24% and a market share of 29% in the variomatic scooters during the year. The cumulative sales of TVS Scooty crossed the one million mark in March 2004.

#### Moped

The company's leadership in mopeds was further strengthened with a market share of 73.5%. Though mopeds in general declined by 5.5%, the company posted a growth of over one per cent, which demonstrates the company's continued dominance of the consumer's mind in this category.

#### International business

The company increased exports by 176% to Rs.69 crores from Rs.25 crores during the current year and this will continue to be a focus area for growth. In the year 2003-04, six new countries were added to the company's global presence.

### OPPORTUNITIES & THREATS

New products launched in 2003-04 have found encouraging market response and they are expected to contribute significantly to growth during 2004-05.

In the economy segment of the motorcycles, the company is currently operating only with 2-stroke models, the share of which is dropping drastically due to adverse industry trends. This deficiency will be corrected by launching a 4-stroke bike in the economy segment in the year 2004-05.

Executive and Premium motorcycle segments are expected to see new model launches from competitors. The company will counter this by strengthening presence in these segments with new products and variants.

The heavy variomatic scooter segment accounting for 6% share of the two-wheeler industry is growing and more new products are expected. Currently the company does not have representation in this segment and this will be a focus area for future.

The category share of moped has been continuously declining from 10% in 2001-02 to 6% in 2003-04, thus reducing the scope for further growth.

### RISKS AND CONCERNS

Raw material prices viz. steel, nickel and copper have increased considerably during 2003-04. It is expected that the prices of steel and aluminium may continue to remain firm in the short term. It may not be possible to pass on the cost increases to the customer, leading to pressure on profitability.

Good two-wheeler industry growth in the past has resulted in creation of excess capacity. If growth rate comes down, it will affect the capacity utilisation and would also increase competition and promotion cost. The increased number of new models required to meet customer needs will add to the product development cost and can exert pressure on margin.

The company proposes to meet the challenges through flexible manufacturing and Total Productive Maintenance (TPM) to improve asset productivity. The cost reduction initiatives are further intensified with the help of global sourcing and value engineering.

**OPERATIONS REVIEW**

**Quality**

Towards reaching world class levels in quality, the company has formed a special task force comprising more than fifty engineers working on all quality related performance measures leading to improvements in design and processes. The company continues to have the distinction of being the only two-wheeler company in the world to have been bestowed with the prestigious 'Deming Award'.

Significant achievement has been made in improving internal efficiencies in new product development and design by better understanding of customer needs and product usage conditions. Structured customer visit programmes are conducted to capture customer response and expectations. Suppliers and machine tool builders are involved at early stage of product development. Quality proving done in-house and at suppliers end resulted in defect free products and fast ramp up.

The company has continued to achieve 100% participation of employees in TQM. The employees have completed more than 1,468 projects through QC Circles in 2003-04. The average number of suggestions implemented per employee has gone up from 41 to 44.

**Cost management and lean manufacturing**

The company has a rigorous system of cost deployment, which is monitored on a continuous basis and owned across the organisation. The initiatives on "e-buying and global sourcing" have resulted in substantial cost savings.

Progress in JIT and TPM implementation has been significant. Activities are being planned for one of the plant to go for the final audit of the TPM Excellence Award during 2004-05. By implementing TPM, the manufacturing cells could achieve significant cost reduction. Implementation of mixed model production in the manufacturing plant has substantially reduced the inventory while improving the delivery of products.

The company has a full-time supplier development team for improving quality and delivery. TPM and JIT clusters have been formed for implementation of best practices across identified suppliers.

**Research and development**

The Company's R&D team has a strong technical talent pool and modern computer aided labs, capable of developing new and innovative designs. At present more than 400 engineers are working on the development of new products and in other advanced areas of technology. During 2003-04 the company has applied for 17 patents. The company works with leading technological research labs and institutions across USA, UK, Japan, Germany and in India for development and testing of advanced technologies.

The R&D team has developed the revolutionary Variable Timing Intelligent (VT-i) Engines, one of the most innovative technologies developed in the two-wheeler industry. The VT-i engine is

designed to deliver superb performance on fuel efficiency based on three fundamental actions namely variable ignition timing, superior combustion of fuel and reduction of fuel wastage. TVS Centra was the first motorcycle to come out with VT-i Engines.

**Information technology**

Enterprise Resource Planning (ERP) has stabilised in the company. SAP system integrates all processes of manufacturing, materials, finance, sales, quality and plant maintenance across the company's manufacturing plants, area offices and warehouses across India.

As a part of strengthening the data security the company has completed Phase 1 of the Disaster Recovery (DR) setup in 2003-04.

In continuation of CRM initiative, the company has established B2B portal for its dealers, which addresses all daily routine processes and reports between the company and its dealers.

The company has successfully rolled out a Dealer Management System (DMS) at select dealerships. DMS will help us to get all real time customer sales and service information and help in standardising best practices in dealership. During 2004-05, DMS will be extended to cover all major dealerships.

**Safety**

Safety management is integrated with the company's overall Environment, Health and Safety (EHS) management system and "Achievement of Zero Accidents" is taken up as the company's goal. Based on OHSAS18001 guidelines and TPM methodologies, following measures have been taken to achieve the above target.

- Safety inspection and audits by safety professionals and plant safety committees.
- Safety induction training for all employees and specific training programmes in first aid, fire fighting and job related safety topics on a continuous basis.
- Periodical "Mock drills" to test the effectiveness of emergency preparedness plan.

All the above initiatives have helped to significantly reduce the accident levels.

**Financial performance**

The financial performance for the year 2003-04 as compared to the previous year is furnished in the following table:

PARTICULARS	Year 2003-04		Year 2002-03	
	Rs in crores	%	Rs in crores	%
<b>Sales:</b>				
Mopeds	327.88	11.5	318.72	11.7
Motorcycles	1,940.05	67.9	1,952.94	71.7
Scooters	386.19	13.5	292.58	10.7
Spares and accessories	166.09	5.8	140.29	5.1
Other income	36.21	1.3	20.87	0.8
<b>TOTAL INCOME</b>	<b>2,856.42</b>	<b>100.0</b>	<b>2,725.40</b>	<b>100.0</b>

PARTICULARS	Year 2003-04		Year 2002-03	
	Rs in crores	%	Rs in crores	%
Raw materials consumed	1,855.17	64.9	1,858.68	68.2
Staff cost	133.75	4.7	103.96	3.8
Stores and tools consumed	37.52	1.4	22.82	0.9
Power and fuel	29.34	1.0	20.85	0.7
Repairs and maintenance	31.73	1.1	21.61	0.8
Packing & freight charges	70.86	2.5	66.27	2.4
Advertisement & publicity	105.55	3.7	105.94	3.9
Other selling expenses	187.74	6.6	137.03	5.0
Other expenses	109.13	3.8	104.36	3.9
Interest	1.21	—	2.83	0.1
Depreciation	79.89	2.8	79.91	2.9
<b>TOTAL EXPENDITURE</b>	<b>2,641.89</b>	<b>92.5</b>	<b>2,524.26</b>	<b>92.6</b>
<b>PROFIT BEFORE TAX</b>	<b>214.53</b>	<b>7.5</b>	<b>201.14</b>	<b>7.4</b>
Provision for tax (incl. Deferred tax)	76.04	2.6	73.19	2.7
<b>PROFIT AFTER TAX</b>	<b>138.49</b>	<b>4.9</b>	<b>127.95</b>	<b>4.7</b>

The company has declared two interim dividends totalling to 130% for the current financial year i.e. Rs. 1.30 per share on a face value of Re.1/- each.

Some of the key ratios for the current year are furnished in the following table:

DESCRIPTION	UOM	2003-04	2002-03
EBITDA / turnover	%	10.4	10.4
Profit before tax / turnover	%	7.5	7.4
Return on capital employed	%	30.1	34.2
Return on net worth	%	28.1	34.3
Earnings per share (on a face value of Re.1/- per share)	Rs.	5.83	5.54

The company was rated No.1 for being the most investor friendly company by "Business Today" magazine.

**Internal control systems and their adequacy**

The company has a robust internal control system to ensure that all the assets of the company are safeguarded and protected against any loss.

The Enterprise Resource Planning (ERP) is working satisfactorily and all the internal control systems are constantly evaluated and upgraded by an extensive review carried out by the internal audit department. Regular validation is being done through an external auditor in the area of computer information security. We have also strengthened the ERP authorization profile across all functions to ensure data security and confidentiality.

**Human resource development**

The company believes that attracting, developing and retaining the best talent is key to the success of the business. Therefore it focuses on attracting the best talent from all over the country, then developing them through skill enhancement and retaining them. The company enjoys good brand image in business schools

and technical institutes, which enable it to attract and internally groom the best talent.

A systematic orientation / induction programme for entry-level and mid-career recruits is in place. Career development workshops are conducted for entry level recruits for their potential evaluation, based on which their developmental needs are identified. A focussed skill development program has been initiated for all the functions based on skill mapping. Many training modules are being developed internally using "Instructional Design Methodology" with clear objectives to measure training effectiveness.

Employee engagement score through Gallup survey is one of the indicators of morale and commitment to the job. The employee engagement score has improved from 66<sup>th</sup> to 71<sup>st</sup> percentile in the recent Gallup employee morale survey.

Currently we have a young and energetic management team at the helm of affairs. Leadership development is a key focus area for the company. With the help of succession planning, job rotation and leadership development initiatives, we have created a strong cadre of highly effective managers.

As a part of our commitment towards welfare of the employees and their families, several developmental programs like personality development workshop and career guidance workshops have been conducted for the employees' children apart from the functions like Founder's Day and Family Sports Day.

As on 31<sup>st</sup> March 2004, the company had 4,431 employees on its rolls.

**Environment**

The company is committed to protection of the environment through adoption of new processes and elimination of hazardous wastes.

Adoption of "Clean Technology" is given the highest priority in all the manufacturing locations. In line with this policy, new water based painting technology and powder coating system have been introduced, whose pollution loads are far lower than conventional painting process.

A microbiological based treatment system has been commissioned for the paint booth wastewater to reduce the Biological Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) in the treated effluent. A well-equipped in-house environmental laboratory is established at Mysore and all the important effluent parameters including ambient air quality are monitored. Waste heat generated from the power generating set is utilised for process heating of the Cathodic Electro Deposition (CED).

**Community development and social responsibility**

As a corporate citizen, the company believes in its social responsibility and has involved itself in several community development activities by contributing significantly towards improving the standard of living of the people in the 51 adopted villages.

**Economic development**

People below the poverty line in these areas have been enabled to earn their livelihood by extending the activities of the income generation programs and providing earning opportunities to women in the adopted villages. The initiatives have benefited 689 families in these villages to move above poverty line.

**Infrastructure development**

The company is actively involved in the community development of the villages including provision of infrastructure facilities such as housing, sanitation, roads, drains, bus shelter, medical centre and natural resources management.

**Safe drinking water**

The company teamed up with Tamil Nadu Water Supply and Drainage Board to provide clean and potable water to about one lakh Hosur residents. This was made possible by upgrading the Kelavarapalli dam water treatment project.

**Education and literacy**

In addition to providing infrastructure facilities like new buildings for school, the company helped in starting computer education program for school children. Dental care camps, eye camps, health check-up programs and nutrition program for primary

school children were conducted. All these initiatives helped in bringing the enrolment level for primary education to 98% in the adopted villages and approximately 7,500 students have benefited from it. Adult literacy programs helped in educating 4,814 persons to become self sufficient in reading and writing.

**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.

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## Report on Corporate Governance

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

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

### 2. Board of directors

#### (a) Composition and category of directors

The present strength of the board is 9 directors with Mr. Venu Srinivasan as executive chairman & managing director. As against this, six directors viz., M/s. T. K. Balaji, T. Kannan, N. Ganga Ram, C. R. Dua, K. S. Bajpai and C. V. R. Panikar are independent directors. As the company

has an executive chairman, atleast 50% of the members of its board should be independent directors. Thus the board composition is in conformity with clause 49 of the listing agreement.

#### (b) Number of board meetings

During the year 2003-2004, the board met 4 times on 18<sup>th</sup> April 2003, 18<sup>th</sup> July 2003, 17<sup>th</sup> October 2003 and 23<sup>rd</sup> January 2004.

Particulars of attendance of directors at the board meetings and at the last annual general meeting, number of memberships held by the directors in the boards of other companies and memberships / chairmanships held by them across committees of all the companies are furnished in the table given below:

Name M/s.	Category	Attendance particulars		Number of other directorships and committee member / chairmanships		
		Board meetings attended during the year	Last annual general meeting	Other directorships*	Committee memberships**	Committee chairmanships
Venu Srinivasan	E	4	Yes	15	5	3
Gopal Srinivasan	NE	2	Yes	14	2	—
T.K. Balaji	NE-I	4	No	14	7	3
H. Lakshmanan	NE	3	Yes	13	8	3
T. Kannan	NE-I	2	Yes	5	4	—
N. Ganga Ram	NE-I	4	Yes	5	4	2
C.R. Dua	NE-I	3	Yes	22	4	—
K. S. Bajpai	NE-I	1	No	—	—	—
C. V. R. Panikar	NE-I	3	Yes	5	1	1

E : Executive

NE : Non Executive

NE-I : Non Executive - Independent

\*includes private companies

\*\* including committees where the director is also chairman.

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

**3. Audit committee**

- 3.1 The audit committee consists of three independent directors as its members viz., M/s. N. Ganga Ram, T. K. Balaji and T. Kannan. Mr. N. Ganga Ram is the chairman of the committee.
- 3.2 The terms of reference stipulated by the board of directors to the audit committee are, as contained in clause 49 of the listing agreement and Section 292A of the Companies Act, 1956, brief particulars of which are furnished below:
- Overseeing of the company’s financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
  - Recommending the appointment and removal of external auditors, and fixation of audit fees.
  - Reviewing with management the annual and quarterly financial statements before submission to the board.
  - Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
  - Reviewing the internal audit function and discussion with internal auditors any significant findings and follow up thereon.
  - Discussion with external auditors regarding audit plan, as well as post-audit discussion to ascertain any area of concern.
  - Other matters as set out in the listing agreement.

**Meetings and attendance during the year**

Name of the director(M/s.)	Date of the meeting			
	18.04.2003	18.07.2003	17.10.2003	23.01.2004
N. Ganga Ram	Present	Present	Present	Present
T.K. Balaji	Present	Present	Present	Present
T. Kannan	Absent	Present	Present	Absent

**4. Remuneration to directors**

Mr. Venu Srinivasan, chairman and managing director was not paid any remuneration since his appointment on and from 24<sup>th</sup> April 2000 till 31<sup>st</sup> March 2001. However, the board at its meeting held on 26<sup>th</sup> April 2002 decided that Mr. Venu Srinivasan, chairman and managing director, be paid remuneration by way of commission not exceeding 2% of the net profits of the company, calculated in terms of Section 349 of the Companies Act, 1956, effective 1<sup>st</sup> April 2001, as may be determined by the board from time to time.

In terms of Section 309 of the Companies Act, 1956, necessary resolution approving the payment of remuneration by way of commission to Mr. Venu Srinivasan, chairman and managing director of the company effective 1<sup>st</sup> April 2001 was passed at the annual general meeting held on 20<sup>th</sup> September 2002. This payment is subject to the overall limit as prescribed under Section 309 of the Companies Act, 1956 read with Schedule XIII thereto. The company paid sitting fees of Rs.5,000/- to all the non-executive directors for attending each meeting of the board and / or committee thereof till 22<sup>nd</sup> January 2004. The fee was enhanced to Rs.10,000/- per meeting w.e.f 23<sup>rd</sup> January 2004.

Non-executive independent directors are paid remuneration by way of commission not exceeding 1% of the net profit of the company subject to a maximum of Rs.3,60,000/- per annum payable quarterly for a period of five years w.e.f 1<sup>st</sup> April 2003.

**Particulars of sitting fees / remuneration and commission paid to directors during the financial year 2003-2004.**

(excluding fee paid to the directors by Lakshmi Auto Components Limited)

Name of the director (M/s.)	Sitting fees (Rs.)	Commission (Rs.)	Total (Rs.)
Venu Srinivasan*	—	1,06,64,432	1,06,64,432
Gopal Srinivasan*	15,000	—	15,000
T.K. Balaji*	50,000	3,60,000	4,10,000
H. Lakshmanan	25,000	—	25,000
T. Kannan	30,000	3,60,000	3,90,000
N. Ganga Ram	75,000	3,60,000	4,35,000
C.R. Dua	20,000	3,60,000	3,80,000
K.S. Bajpai	10,000	3,60,000	3,70,000
C.V.R. Panikar	15,000	3,60,000	3,75,000

\* 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.

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 Companies Act, 1956. The board has not constituted a remuneration committee as there is no requirement for constitution of such a committee.

**5. Investors' grievance committee**

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.

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

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

Complaints received and redressed during the year 2003-2004:

S.No	Nature of complaint	No. of complaints
1.	Non receipt of share certificates	14
2.	Non receipt of dividend warrants	36
3.	Other complaints	3
	Total	53

All the above complaints were resolved and as on 31<sup>st</sup> March 2004 there were no investor complaints pending.

All requests for dematerialisation of shares were carried out within the stipulated time period and no share certificates were pending for dematerialisation as on 31<sup>st</sup> March 2004.

**6. Secretarial audit report regarding reconciliation of capital**

As required by SEBI, commencing from the quarter ended 31<sup>st</sup> December 2002, a quarterly audit was conducted by a practising company secretary, reconciling the issued and listed capital of the company with the aggregate of the number of shares held by investors in physical form and in the depositories and the said certificates were submitted to the stock exchanges within the prescribed time limit.

As on 31<sup>st</sup> March 2004, there was no difference between the issued and listed capital and the aggregate of shares held by investors in both physical form and in electronic form with the depositories.

**7. Splitting of shares**

At the extraordinary general meeting held on 8<sup>th</sup> December 2003, the proposal to sub-divide the equity shares of the company with face value of Rs.10/- each into equity shares with face value of Re.1/- each was approved by the shareholders and the new equity shares of Re.1/- each were allotted to the shareholders on 27<sup>th</sup> December 2003.

**8. General body meeting / extraordinary general meeting:**

Location and time where the annual general meetings were held during the last three years and the extraordinary general meetings held in last year.

Year	Location	Date	Time
Annual General Meetings			
2000-2001	The Music Academy, 306, T.T.K. Road Chennai 600 014	21.09.2001	10.15 AM
2001-2002	The Music Academy, New No.168, (Old No.306), T.T.K. Road, Chennai 600 014	20.09.2002	10.15 AM
2002-2003	The Music Academy, New No.168, (Old No. 306), T.T.K. Road, Chennai 600 014	12.09.2003	10.15 AM
Extraordinary General Meetings			
2002-2003	The Music Academy, New No.168, (Old No.306), T.T.K. Road, Chennai 600 014	08.12.2003	10.15 AM
2002-2003	The Music Academy, New No.168, (Old No. 306), T.T.K. Road, Chennai 600 014	19.01.2004	3.30 PM

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

**9. Disclosures**

- (a) 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 were in conflict with the interest of the company.

The transactions with the 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.

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

None.

**10. Means of communication:**

- (a) The unaudited quarterly financial results of the company were published in the English newspapers viz., The Hindu, Business Line, Economic Times, Times of India, Navbharat Times, Maharashtra Times and Business Standard and the Tamil version in a Tamil daily viz., Dinamani.
- (b) The company has created a web site addressed as www.tvsmotor.co.in
- (c) As required under clause 51 of the listing agreement pertaining to Electronic Data Information Filing and Retrieval (EDIFAR), the unaudited results and the quarterly distribution schedules as filed with the stock exchanges are uploaded in SEBI-EDIFAR web-site. These details are also published in the company's web site. The company makes use of its web-site for publishing official news

release and presentations made to institutional investors / analysts.

- (d) As required by clause 49 of the listing agreement, the management discussion and analysis report is annexed to the annual report.

**11. General shareholder information:**

**11.1 Annual general meeting**

Date and time : Friday, the 10<sup>th</sup> September 2004 at 10.15 A.M  
 Venue : The Music Academy  
 New No.168 (Old No.306),  
 T T K Road, Chennai 600 014

**11.2 Financial calendar 2004-05 (tentative)**

Annual general meeting (next year) : September 2005  
 Financial reporting for the quarter ending : Date of board meeting  
 30<sup>th</sup> June 2004 : between 15<sup>th</sup> and 31<sup>st</sup> of July 2004  
 30<sup>th</sup> September 2004 : between 15<sup>th</sup> and 31<sup>st</sup> of October 2004  
 31<sup>st</sup> December 2004 : between 15<sup>th</sup> and 31<sup>st</sup> of January 2005  
 31<sup>st</sup> March 2005 : between 15<sup>th</sup> and 30<sup>th</sup> of April 2005

**11.3 Particulars of dividend payment (Interim dividend)**

Particulars	First interim dividend	Second interim dividend
Date of declaration	17 <sup>th</sup> October 2003	21 <sup>st</sup> April 2004
Rate of dividend	60%	70%
Record date	31 <sup>st</sup> October 2003	30 <sup>th</sup> April 2004
Date of payment of dividend	5 <sup>th</sup> November 2003	7 <sup>th</sup> May 2004
Amount of dividend paid	Rs.13.86 crores	Rs.16.63 crores
Share capital	2,31,00,070 equity shares of Rs.10/- each	23,75,43,557 equity shares of Re. 1/- each

11.4 Period of book closure : 1<sup>st</sup> September 2004 to 10<sup>th</sup> September 2004 (both days inclusive).

11.5 Other record dates : 26<sup>th</sup> December 2003 for issue of sub divided shares of Re.1/- each.  
 23<sup>rd</sup> April 2004 for determining the eligible shareholders of erstwhile Lakshmi Auto Components Limited for allotment of 65,42,857 equity shares of Re.1/- each.

**11.6 Listing of shares**

Name of the Stock Exchange	Stock Code
Madras Stock Exchange (MSE)	
The Stock Exchange, Mumbai (BSE)	532343
National Stock Exchange of India Limited (NSE)	TVSMOTOR
ISIN allotted by Depositories (Company ID Number)	Before sub-division INE494B01015 (upto 26.12.2003) After sub-division INE 494B01023 (From 27.12.2003)

(Note : Annual listing fees for the year 2004-2005 were duly paid to the above stock exchanges)

11.7 Stock market data

Month	The Stock Exchange, Mumbai (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 2003	426.00	381.35	425.00	380.00
May 2003	570.00	415.50	554.90	407.05
June 2003	615.00	505.10	612.00	498.00
July 2003	608.90	488.00	615.00	530.00
August 2003	750.00	590.00	740.00	581.80
September 2003	879.00	700.30	870.00	652.00
October 2003	944.00	815.30	940.00	825.00
November 2003	995.00	835.10	995.05	701.30
December 2003* (Upto 17 <sup>th</sup> December 2003 – Face value Rs.10/- per share)	1136.90	890.30	1134.00	901.00
(From 18 <sup>th</sup> December 2003 to 31st December 2003)	133.55	105.75	124.70	106.05
January 2004	124.40	98.00	124.00	99.10
February 2004	119.50	98.55	119.40	99.00
March 2004	105.90	82.10	106.00	84.00

\* Shares were quoted at the face value of Re.1/- at both the exchanges w.e.f 18<sup>th</sup> December 2003.

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

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

Financial year	Percentage change in	
	Company's share price (%)	Sensex (%)
2003-2004	+108.79	+83.38
2002-2003	+7.15	-12.12
2001-2002	+171.08	-3.75

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

Financial year	Percentage change in	
	Company's share price (%)	Nifty (%)
2003-2004	+107.41	+63.36
2002-2003	+14.32	-3.98
2001-2002	+155.91	-1.62

11.9 Share transfer system:

The share transfers are done in-house. The share transfer applications are processed within 15 days from the date of receipt, subject to the documents being found valid in all respects. In the demat segment, M/s. Integrated Enterprises (India) Limited, Chennai are providing the connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The beneficial ownership data (BENPOS) is downloaded periodically and the changes on account of transfers are updated in the system.

Thus all the work relating to share registry in terms of both physical and electronic shares is maintained by the company in-house.

The dematerialisation and rematerialisation processes are carried in-house. As far as electronic transfers are concerned, the company captures BENPOS through Integrated Enterprises (India) Limited.

As per SEBI guidelines, the company is providing the service of transfer-cum-demat with effect from March 2000. Under this system -

- (a) The company, after effecting transfer, sends an option letter to the transferee indicating that the shareholder could receive the shares either in physical or in electronic form;
- (b) If the transferee opts to have shares in electronic form, the shareholder has to approach a depository participant (DP) with the option letter along with dematerialisation request form;
- (c) The DP, based on the option letter, generates a demat request and sends the same to the company alongwith the option letter issued by the company;
- (d) On receipt of demat request, the company dematerialises the shares and credits the same to the demat account of the shareholder with his DP.

In case the transferee does not wish to dematerialise the shares or the DRN is not received within 30 days from the date of option letter, the company despatches the share certificates to the shareholders.

Shareholders are requested to note that as per circular no. SEBI/MRD/cir-10/2004 dated 10<sup>th</sup> February 2004 issued by Securities and Exchange Board of India (SEBI) to the depositories, the facility of transfer-cum-demat has since been withdrawn.

With a view to rendering prompt and efficient service to the investors, the company has decided that the share registry work pertaining to the company will be handled by M/S.Sundaram-Clayton Limited (SCL), holding company. SCL has registered with SEBI as share transfer agents in category II to carry on the share registry work of group as well as associate companies with effect from 21<sup>st</sup> April 2004.

The board of directors have appointed SCL as share transfer agents to carry on the registry work pertaining to transfer of shares in physical form and to provide connectivity with the depositories for handling the transactions taking place through depositories in electronic form. Consequently, the requisite records as detailed in the resolution will have to be shifted to the share registry office of SCL. In terms of Section 163 of the Companies Act, 1956, approval of the shareholders is being sought by a special resolution for keeping the register and index of members and other records at a place other than the registered office of the company.

Individual notices will be sent to the shareholders 30 days in advance of the date on and from which the appointment of SCL as share transfer agent will take effect.

11.10 Shareholding pattern as on 31<sup>st</sup> March 2004

Sl. No.	Particulars	No of shares of Re. 1/- each	% to total
1	Sundaram-Clayton Limited and subsidiaries	13,50,00,000	58.44
2	Persons acting in concert	16,68,690	0.72
3	Foreign Institutional Investors	2,26,63,571	9.81
4	NRI & OCBs	13,40,169	0.57
5	Public financial institutions	2,01,15,865	8.72
6	Mutual funds	67,14,980	2.91
7	Banks	2,15,501	0.09
8	Other companies	1,51,68,003	6.57
9	Public	2,81,13,921	12.17
	<b>Total</b>	<b>23,10,00,700</b>	<b>100.00</b>

11.11 Distribution of shareholding as on 31<sup>st</sup> March 2004

Share holding (Range)	No of shares	%	No of members	%
Upto 5000	53,42,475	2.31	19,622	70.26
5001-10000	38,92,455	1.69	4,051	14.50
10001-20000	40,14,712	1.74	2,367	8.48
20001-50000	45,19,037	1.96	1,301	4.66
50001-100000	24,38,921	1.05	314	1.12
100001 & above	21,07,93,100	91.25	274	0.98
<b>Total</b>	<b>23,10,00,700</b>	<b>100.00</b>	<b>27,929</b>	<b>100.00</b>

11.12 Out of 9,60,00,700 equity shares of Re.1/- each held by persons other than promoters, 8,68,70,279 shares have been dematerialised as on 31<sup>st</sup> March 2004 accounting for 90%.

11.13 Plant Locations

Hosur : TVS Motor Company Limited  
Post Box No.4, Harita  
Hosur 635 109, Tamilnadu.  
Tel : 04344 - 276780  
Fax: 04344 - 276016  
Email: [ts.rajagopalan@tvs motor.co.in](mailto:ts.rajagopalan@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: [g.ramachandran@tvs motor.co.in](mailto:g.ramachandran@tvs motor.co.in)

11.14 Address for investor correspondence

(i) For transfer / dematerialisation of shares, payment of dividend on shares and any other query relating to the shares of the company;

(ii) For any query on annual report

TVS Motor Company Limited  
Share Transfer Department  
"Jayalakshmi Estates"  
24 Haddows Road,  
Chennai 600 006  
Tel : 044 – 2827 2233  
Fax: 044 – 2825 7121  
Email : [psco@scl.co.in](mailto:psco@scl.co.in)

**Note :** Applicable to all the shareholders irrespective of their mode of holding (physical or demat)

12. Non-mandatory disclosure

12.1 Remuneration committee:

The board has not set up a remuneration committee as the need for the same has not arisen.

12.2 Publication of half-yearly results:

The half-yearly results of the company are published in newspapers and in its web site [www.tvs motor.co.in](http://www.tvs motor.co.in). and [www.sebidifar.nic.in](http://www.sebidifar.nic.in) the official web site of SEBI. The results are not sent to the shareholders individually.

12.3 Postal ballot:

There is no subject proposed to be taken up in the ensuing annual general meeting scheduled to be held on 10<sup>th</sup> September 2004, requiring approval of the shareholders through postal ballot.

13. Request to investors:

Investors are requested to note the following procedure:

- If you are holding shares in physical mode, please communicate the change of address, if any, directly to the registered office of the company at the above address.
- As required by SEBI, it is advised that the investors shall furnish details of their bank account number and name and address of the bank for incorporating the same in the warrants. This would avoid wrong credits being obtained by unauthorised persons.
- Investors who have not availed nomination facility are requested to avail the same, by submitting the nomination form. The form will be made available on request.

Investors are requested to kindly note that any dividend which remains unencashed for a period of seven years will get transferred to "Investors Education and Protection Fund" in terms of section 205C of the Companies Act, 1956.

- Members who have not encashed their dividend warrants in respect of dividends declared for the year ended 31<sup>st</sup> March 1997 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 became due for payment shall be transferred to Investor Education and Protection Fund (IEPF) in terms of Section 205C of the Companies Act, 1956. Information in respect of unclaimed dividends due for remittance into IEPF is given below :

Particulars of unclaimed dividend of TVS Motor Company Limited

Financial Year	Date of declaration	Date of transfer to special account	Date of transfer to IEPF
1996-1997	21.08.1997	08.10.1997	08.10.2004
1997-1998	24.08.1998	11.10.1998	11.10.2005
1998-1999	16.09.1999	03.11.1999	03.11.2006
1999-2000 Interim	21.04.2000	08.06.2000	08.06.2007
2000-2001	21.09.2001	27.10.2001	27.10.2008

Financial Year	Date of declaration	Date of transfer to special account	Date of transfer to IEPF
2001-2002 Interim	01.03.2002	06.04.2002	06.04.2009
2002-2003 1 <sup>st</sup> Interim	21.10.2002	26.11.2002	26.11.2009
2002-2003 2 <sup>nd</sup> Interim	09.06.2003	15.07.2003	15.07.2010
2003-2004 1 <sup>st</sup> Interim	17.10.2003	22.11.2003	22.11.2010
2003-2004 2 <sup>nd</sup> Interim	21.04.2004	27.05.2004	27.05.2011

Particulars of unclaimed dividend of erstwhile Lakshmi Auto Components Limited

Financial Year	Date of declaration	Date of transfer to special account	Date of transfer to IEPF
1996-1997	21.08.1997	08.10.1997	08.10.2004
1997-1998	24.08.1998	11.10.1998	11.10.2005
1998-1999	16.09.1999	03.11.1999	03.11.2006
1999-2000 Interim	25.05.2000	12.07.2000	12.07.2007
2000-2001	12.09.2001	18.10.2001	18.10.2008
2001-2002 Interim	01.03.2002	06.04.2002	06.04.2009
2002-2003 Interim	09.06.2003	15.07.2003	15.07.2010
2003-2004 interim	17.10.2003	22.11.2003	22.11.2010

Members are advised by the company well in advance 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.

- 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.

#### 14. Composite scheme of arrangement

Consequent to the scheme of arrangement between the company (TVS Motor Company Limited) (TVSM), Lakshmi Auto Components Limited (LAC) and Sundaram Auto Components Limited (SACL), approved by the Hon'ble High Court of Madras vide its order dated 23<sup>rd</sup> March 2004, the engine components business of LAC together with investments it had in other companies including the shares allotted by SACL to LAC in terms of the scheme were transferred and vested in the company with effect from 2<sup>nd</sup> April 2003.

In terms of the scheme of arrangement:

- LAC was dissolved without the process of winding up w.e.f. 1<sup>st</sup> April 2004.
- the company issued and allotted 10 equity shares of Re.1/- each for every 7 shares of Rs.10/- each held by the public shareholders of LAC aggregating 65,42,857 equity shares of Re.1/- each credited as fully paid up on 24<sup>th</sup> April 2004.
- the paid-up capital of the company has been enhanced to Rs. 23,75,43,557 comprising 23,75,43,557 equity shares of Re.1/- each.
- these new equity shares were listed and admitted for trading in the MSE and BSE on 24<sup>th</sup> May 2004 and in NSE on 31<sup>st</sup> May 2004.
- investment of 27,00,000 equity shares of Rs.10/- each by LAC in SACL was vested in the company. As these shares constitute 100% of SACL's equity share capital, SACL has become a wholly owned subsidiary of the company.

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

To

The shareholders of TVS Motor Company Limited, Chennai

We have examined the compliance of conditions of corporate governance by TVS Motor Company Limited, Chennai for the year ended 31st March 2004, as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchanges.

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

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

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Investors' Grievances Committee.

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

For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2004

M. BALASUBRAMANIAM  
Partner  
Membership No. F7945

## Auditors' report to the shareholders

We have audited the attached Balance Sheet of M/s. TVS Motor Company Limited, Chennai 600 006 as at 31<sup>st</sup> March 2004, 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 from 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 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 such books;
  - (iii) The Balance Sheet and Profit and Loss account and Cash Flow statement referred to in 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 2004 and taken on record by the board of directors, we report that no director 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;
- (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 1 to 24 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 2004;
  - (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

Chennai  
June 28, 2004

## Annexure referred to in our report of even date on the accounts for the year ended 31<sup>st</sup> March 2004.

- (i)
  - (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification at reasonable intervals, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
  - (c) The assets disposed off during the year are not substantial and therefore do not affect the going concern status of the company.
- (ii)
  - (a) The inventory other than in-transit have been physically verified at reasonable intervals during the year by the management. In our opinion the frequency of such verification is adequate. In respect of inventory with third parties which have not been physically verified, there is a process of obtaining confirmation from such parties.
  - (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the company and the nature of its business.
- (iii)
  - (a) 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. During the year the company has granted inter corporate deposits to three companies listed in the register maintained under Section 301 of the Companies Act, 1956 amounting to Rs 25.13 crores. (Balance due as at the year end Rs.18.78 crores).
  - (b) In our opinion, the rate of interest and other terms and conditions of such inter corporate deposits made are not prima facie prejudicial to the interest of the company.
  - (c) In our opinion the payment of principal amount and interest thereon were regular.
  - (d) As on the date of Balance Sheet there was no overdue amount recoverable on the said inter corporate deposits.
- (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.

**Annexure to Auditors' report – (continued)**

- (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, fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control.
- (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 transactions that need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 have been properly entered in the said register.
- (b) In our opinion and according to the information and explanations given to us, the transactions entered in the register maintained under Section 301 and exceeding during the year by Rupees five lakhs in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from the public.
- (vii) The company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the Central Government under Section 209 (1)(d) of the Companies Act, 1956 for maintenance of cost records in respect of automotive two-wheelers and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the records provided to us, the company is regular in depositing undisputed statutory dues including Provident fund, Employees' state insurance, Investor education and protection fund, Income tax, Sales tax, Wealth tax, Customs duty, Excise duty, Cess and other material statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs duty, Excise duty and Cess were in arrears, as at 31<sup>st</sup> March 2004 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the following are the details of the disputed dues, that were not paid to the concerned authorities:

Name of the statute	Nature of dues	Amount (Rs. in crores)	Forum where dispute is pending
Central Excise Act, 1944	Cenvat / Excise duties	(a) 1.08	Central Excise & Service Tax Appellate Tribunal
		(b) 0.42	Commissioner, Appeals (Excise)
Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990	Entry Tax	2.51	High Court of Judicature at Madras

Name of the statute	Nature of dues	Amount (Rs. in crores)	Forum where dispute is pending
Orissa Sales Tax Act, 1947	Surcharge on sales tax	0.56	High Court of Judicature at Bhubaneshwar
Bihar Finance Act 1981	Sales Tax and Entry Tax	0.48	Joint commissioner of Commercial Taxes
Karnataka Electricity (Taxation on Consumption) Act, 1959	Electricity tax	0.15	High Court of Judicature at Bangalore
Income Tax Act, 1961	Income Tax	(a) 4.71	High Court of Judicature at Madras
		(b) 0.08	Income Tax Appellate Tribunal
		(c) 0.24	Commissioner, Appeals

- (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 debenture holders and bank.
- (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 clause (xiii) of the order is not applicable.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments.
- (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) During the year the company has not availed any term loan.
- (xvii) On the basis of our examination, the company has not used funds raised on short term basis for long term investment and vice-versa.
- (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

Chennai  
June 28, 2004



## Balance Sheet as at 31st March 2004

	Schedule number		As at 31-03-2004	Rupees in crores As at 31-03-2003
<b>I SOURCES OF FUNDS</b>				
<b>1 Shareholders' funds</b>				
(a) Capital	I	23.75	23.10	
(b) Reserves and Surplus	II	<u>551.20</u>	<u>399.85</u>	
			574.95	422.95
<b>2 Loan funds</b>				
(a) Secured loans	III	37.50	41.03	
(b) Unsecured loans	IV	<u>81.51</u>	<u>80.86</u>	
			119.01	121.89
<b>3 Deferred tax liability (net of deferred tax asset)</b>				
Total			<u>123.05</u>	<u>82.82</u>
			<u>817.01</u>	<u>627.66</u>
<b>II APPLICATION OF FUNDS</b>				
<b>1 Fixed Assets</b>				
(a) Gross block		1,132.57	806.51	
(b) Less : Depreciation		<u>437.91</u>	<u>302.03</u>	
(c) Net block	V		694.66	504.48
(d) Capital work-in-progress	VI		9.52	28.19
<b>2 Investments</b>				
	VII		128.02	87.92
<b>3 Current assets, loans and advances</b>				
(a) Inventories	VIII	216.66	214.07	
(b) Sundry debtors	IX	51.90	52.21	
(c) Cash and bank balances	X	18.00	82.46	
(d) Other current assets	XI	0.19	—	
(e) Loans and advances	XII	<u>149.28</u>	<u>100.02</u>	
Total (A)		<u>436.03</u>	<u>448.76</u>	
<b>Current liabilities and provisions</b>				
(a) Current liabilities	XIII	421.01	408.62	
(b) Provisions	XIV	<u>43.11</u>	<u>33.07</u>	
Total (B)		<u>464.12</u>	<u>441.69</u>	
Net current assets (A-B)			(28.09)	7.07
<b>4 Miscellaneous expenditure to the extent not written off or adjusted</b>				
	XV		12.90	—
Total			<u>817.01</u>	<u>627.66</u>
<b>5 Notes on accounts</b>				
	XXI			

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Vice President – Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2004

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

## Profit and Loss Account for the year ended 31st March 2004

Rupees in crores

	Schedule number	Year ended 31-03-2004	Year ended 31-03-2003
Gross sales		3,260.01	3,111.28
Less : Excise duty		<u>439.80</u>	<u>406.75</u>
Net sales		2,820.21	2,704.53
Other Income	XVI	36.21	20.87
Raw materials and components consumed	XVII	1,855.17	1,858.68
Salaries and wages, stores consumed and other expenses	XVIII	705.62	582.54
Miscellaneous expenditure	XIX	—	0.30
<b>Profit before interest, depreciation and tax</b>		<b>295.63</b>	<b>283.88</b>
Interest (net)	XX	1.21	2.83
Depreciation		79.89	79.91
<b>Profit before tax</b>		<b>214.53</b>	<b>201.14</b>
Provision for taxation		54.96	66.15
Provision for deferred tax		21.08	7.04
<b>Profit for the year (after tax)</b>		<b>138.49</b>	<b>127.95</b>
Balance profit brought forward		32.63	23.17
Transfer from Debenture redemption reserve		9.90	9.90
Investment allowance reserve withdrawn		3.04	—
Tax relating to earlier years		—	1.40
Profit of transferor company upto 1st April 2003		6.77	—
Profit for the year (after tax)		<u>138.49</u>	<u>127.95</u>
Total		<u>190.83</u>	<u>162.42</u>
Tax relating to earlier years		0.74	—
Interim dividend paid		14.78	11.55
II Interim dividend payable		16.63	16.17
Provision for dividend tax		4.25	2.07
Transfer to general reserves		120.00	100.00
Balance surplus carried forward to Balance Sheet		34.43	32.63
Total		<u>190.83</u>	<u>162.42</u>
Nominal value of each share in rupees		1.00	1.00
Earnings per share in rupees (on 23,75,43,557 shares - last year 23,10,00,700 shares)		5.83	5.54
Diluted earnings per share in rupees		5.83	5.54

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Vice President – Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2004

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

Schedules

		Rupees in crores	
		As at 31-03-2004	As at 31-03-2003
<b>I CAPITAL</b>			
Authorised			
25,00,00,000 (Last year 2,50,00,000) Equity shares of Re. 1/- each (last year Rs. 10/- each)		25.00	25.00
		<u>25.00</u>	<u>25.00</u>
Issued, subscribed and paid-up			
(a) 23,10,00,700 (Last year 2,31,00,070) Equity shares of Re. 1/- each (last year Rs. 10/- each)		23.10	23.10
Out of the above 23,10,00,000 (last year 2,31,00,000 equity shares of Re. 1/- each (last year Rs. 10/- each) were allotted for consideration other than cash.			
(b) 65,42,857 Equity shares of Re.1/- each are to be allotted to the shareholders of erstwhile transferor company on the basis of 10 equity shares of Re.1/- each in the company for every 7 equity shares of Rs.10/- each held by them in the transferor company viz. Lakshmi Auto Components Ltd, Chennai for consideration other than cash i.e. the shares are to be allotted on consideration for transfer and vesting of the assets and liabilities of the said transferor company in terms of the scheme of amalgamation approved by the Hon'ble High Court of Judicature at Madras. These shares have since been allotted on 24th April 2004.		0.65	—
		<u>23.75</u>	<u>23.10</u>
<b>II RESERVES AND SURPLUS</b>			
(a) Capital reserves			
(i) On shares forfeited			
As per last Balance Sheet (Rs. 20,700/-)		—	
Add: Transfer on amalgamation (Rs. 34,500/-)		—	
Total (Rs. 55,200/- Last year Rs. 20,700/-)		<u>—</u>	—
(ii) On surplus arising out of amalgamation of Lakshmi Auto Components Ltd, Chennai			
		6.43	—
(b) Investment allowance (utilised) reserve			
As per last Balance Sheet		1.78	
Add: Trasfer on amalgamation		1.26	
		<u>3.04</u>	
Less: Withdrawn during the year		3.04	
		<u>—</u>	1.78
(c) Debenture redemption reserve			
As per last Balance Sheet		19.80	
Less : Withdrawn during the year		9.90	
		<u>9.90</u>	19.80
(d) General Reserve			
As per last Balance Sheet		345.64	
Add: Transfer on amalgamation		34.80	
Add : Transfer from Profit and Loss Account		120.00	
		<u>500.44</u>	345.64
(e) Surplus			
Balance in Profit and Loss Account		34.43	32.63
		<u>551.20</u>	<u>399.85</u>
<b>III SECURED LOANS</b>			
(a) 15.5% Secured Non-Convertible Debentures			
Secured on pari passu basis by hypothecation of movable properties except book debts and by deposit of title deeds in respect of immovable properties		19.80	39.60
(b) From bank			
Secured by a first charge on the fixed assets of a division of the company		12.30	—
(c) From banks			
Secured by hypothecation of present and future inventories and receivables		5.40	1.43
		<u>37.50</u>	<u>41.03</u>
<b>IV UNSECURED LOANS</b>			
(a) From banks		0.02	14.70
(b) From others		72.43	57.68
(c) Other deposits		9.06	8.48
		<u>81.51</u>	<u>80.86</u>

Schedules – (continued)

V FIXED ASSETS

Description	Land	Buildings	Plant & machinery, tools, dies and jigs	Furniture & fixtures, equipments	Vehicles	Other fixed assets @	Rupees in crores	
							Total As at 31-03-2004	Total As at 31-03-2003
<b>Cost of assets</b>								
As at 01-04-2003	39.83	96.64	627.07	34.22	8.75	—	806.51	672.16
Transfer on amalgamation	4.45	5.78	151.66	0.86	0.41	—	163.16	—
Additions	0.02	14.52	139.16	6.48	1.91	4.12	166.21	160.67
Sales/deletion	—	—	3.04	0.08	0.19	—	3.31	26.32
<b>Total</b>	<b>44.30</b>	<b>116.94</b>	<b>914.85</b>	<b>41.48</b>	<b>10.88</b>	<b>4.12</b>	<b>1,132.57</b>	<b>806.51</b>
<b>Depreciation</b>								
Upto 31-03-2003	—	14.72	264.44	20.45	2.42	—	302.03	244.54
Transfer on amalgamation	—	1.50	55.52	0.55	0.11	—	57.68	—
For the year	—	3.77	67.08	5.25	1.73	2.06	79.89	79.91
Withdrawn on assets sold/deleted	—	—	1.53	0.07	0.09	—	1.69	22.42
<b>Total</b>	<b>—</b>	<b>19.99</b>	<b>385.51</b>	<b>26.18</b>	<b>4.17</b>	<b>2.06</b>	<b>437.91</b>	<b>302.03</b>
<b>Written down value</b>								
As at 31-03-2004	44.30	96.95	529.34	15.30	6.71	2.06	694.66	
As at 31-03-2003	39.83	81.92	362.63	13.77	6.33	—		504.48

@ Vide note no. 1(s)

VI CAPITAL WORK-IN-PROGRESS

	Rupees in crores	
	As at 31-03-2004	As at 31-03-2003
(a) Building under construction	2.26	1.33
(b) Machinery in transit/installation	7.26	26.86
	<u>9.52</u>	<u>28.19</u>

VII INVESTMENTS (AT COST)

(a) Trade - quoted		
(i) 89,20,000 Equity shares of Rs. 10/- each fully paid up in Lakshmi Auto Components Limited, Chennai-Subsidiary company	—	13.92
(ii) 2,89,200 (Last year 50,000) Equity shares of Rs. 5/- each (last year Rs.10/- each) fully paid up in Suprajit Engineering Company Limited, Bangalore	0.08	0.01
(iii) 45,880 Equity shares of Rs. 10/- each fully paid up in Ucal Fuel Systems Limited, Chennai	0.25	0.25
(iv) 1,64,52,192 (Last year 1,58,44,592) Equity shares of Rs. 10/- each fully paid up in TVS Finance and Services Limited, Chennai	16.61	15.85
(b) Non-trade - quoted		
(i) Kotak Mahindra Asset Management Company Limited, Mumbai	10.00	5.00
(ii) Sundaram Asset Management Company Limited, Chennai - Sundaram Money Fund	18.37	5.00
(iii) Sundaram Asset Management Company Limited, Chennai - Sundaram Bond Saver	—	7.58
(iv) Sundaram Asset Management Company Limited, Chennai - Sundaram Monthly Income Plan	10.00	—
(v) Templeton Asset Management (India) Private Limited, Mumbai	—	10.00
(vi) 8,45,553 6.75% tax free bonds of Unit Trust of India, Mumbai	8.87	—
(vii) HSBC Asset Management India Private Limited, Mumbai	5.00	—
(viii) Tata TD Asset Management Private Limited, Mumbai	3.00	—
(ix) Prudential ICICI Asset Management Company Limited, Mumbai	3.00	—
(x) Reliance Capital Asset Management Limited, Ahmedabad	10.02	—
(xi) 800 Equity shares of Rs .10/- each fully paid up in Industrial Development Bank of India, Mumbai	0.01	—
Total quoted investments (A)	<u>85.21</u>	<u>57.61</u>
(c) Trade - unquoted		
(i) 27,00,000 Equity shares of Rs.10/- each fully paid up in Sundaram Auto Components Limited, Chennai-subsiary company	12.50	—
(ii) 3,03,10,000 9% Non-cumulative non-convertible re-deemable preference shares of Rs .10/- each fully paid up in TVS Finance and Services Limited, Chennai	30.31	30.31

Schedules – (continued)

	Rupees in crores	
	As at 31-03-2004	As at 31-03-2003
<b>VII INVESTMENTS (AT COST) – (continued)</b>		
(d) Non-trade-unquoted		
(i) National savings certificates (deposited with sales tax authorities Rs.37,100/-)	—	—
(ii) Indra Vikas Patra (Rs. 600/- last year Rs. 700/-)	—	—
Total unquoted investments	(B) <u>42.81</u>	<u>30.31</u>
Total Investments	(A + B) <u>128.02</u>	<u>87.92</u>
Short term investments	68.26	27.58
Long term investments	<u>59.76</u>	<u>60.34</u>
Total investments	<u>128.02</u>	<u>87.92</u>
<b>VIII INVENTORIES</b>		
* Raw materials and components	42.90	41.71
* Work-in-process	15.52	16.94
* Finished goods	101.63	107.98
* Stock of dies, moulds and tools	42.29	37.40
* Stores	14.07	6.92
Goods-in-transit	0.25	3.12
	<u>216.66</u>	<u>214.07</u>
*(as certified by chairman and managing director)		
<b>IX SUNDRY DEBTORS - UNSECURED CONSIDERED GOOD</b>		
(a) Debts outstanding for a period exceeding six months	3.30	8.10
(b) Other debts	<u>48.60</u>	<u>44.11</u>
	<u>51.90</u>	<u>52.21</u>
<b>X CASH AND BANK BALANCES</b>		
(a) Cash and cheques on hand	0.15	0.09
(b) With scheduled banks		
(i) in current accounts	3.28	38.52
(ii) in cash credit accounts	8.52	19.60
(iii) in term deposit accounts	6.05	24.25
	<u>18.00</u>	<u>82.46</u>
<b>XI OTHER CURRENT ASSETS</b>		
Interest accrued on non-trade quoted investments	<u>0.19</u>	—
	<u>0.19</u>	—
<b>XII LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD</b>		
(a) Advances recoverable in cash or in kind or for value to be received	117.33	83.59
(b) Inter corporate deposits	18.78	15.30
(c) Other deposits	1.72	1.10
(d) Advance payment of income tax less provisions	11.45	0.03
	<u>149.28</u>	<u>100.02</u>
<b>XIII CURRENT LIABILITIES</b>		
Sundry creditors	<u>421.01</u>	<u>408.62</u>
	<u>421.01</u>	<u>408.62</u>
<b>XIV PROVISIONS</b>		
(a) Provision for pension fund	21.41	13.29
(b) Provision for leave salary	2.94	1.54
(c) Interim dividend payable	16.63	16.17
(d) Provision for dividend tax	2.13	2.07
	<u>43.11</u>	<u>33.07</u>
<b>XV MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off or adjusted)		
(a) Expenditure pending allocation	2.19	—
(b) New product launch expenses	<u>10.71</u>	—
	<u>12.90</u>	—

Schedules — (continued)

	Rupees in crores	
	Year ended 31-03-2004	Year ended 31-03-2003
<b>XVI OTHER INCOME</b>		
(a) Miscellaneous income	26.03	12.96
(b) Dividend from subsidiary company	3.12	—
(c) Dividend from others	6.00	0.03
(d) Profit on sale of fixed assets	0.11	0.22
(e) Profit on sale of investments	0.95	7.66
	36.21	20.87
<b>XVII RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening stock:		
Raw materials	41.71	36.76
Work-in-process	16.94	17.07
Finished goods	107.98	68.03
	166.63	121.86
Purchase of raw materials and components	1,848.59	1,903.45
Total (A)	2,015.22	2,025.31
Closing stock:		
Raw materials	42.90	41.71
Work-in-process	15.52	16.94
Finished goods	101.63	107.98
Total (B)	160.05	166.63
(A - B)	1,855.17	1,858.68
<b>XVIII SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES</b>		
* (a) Salaries, wages and allowances (includes commission to managing director Rs. 1.07 crores (last year Rs. 2.29 crores) vide computation annexed)	99.28	75.76
* (b) Workmen and staff welfare expenses	16.31	14.08
* (c) Contribution to provident and other funds	18.16	14.12
* (d) Stores and tools consumed	37.52	22.82
* (e) Power and fuel	29.34	20.85
* (f) Rent	5.87	5.24
(g) Rates and taxes	29.96	29.02
* (h) Repairs and maintenance:		
(i) buildings	4.84	3.55
(ii) machinery	24.42	16.47
(iii) other assets	2.47	1.59
(i) Insurance	2.66	2.25
(j) Directors' sitting fees	0.03	0.02
(k) Commission to independent directors	0.22	0.09
(l) Audit fees	0.23	0.12
* (m) Travel and conveyance	15.81	11.52
* (n) Packing and freight charges	70.86	66.27
* (o) Advertisement and publicity	105.55	105.94
* (p) Other marketing expenses	151.78	95.70
* (q) Other expenses	81.37	80.78
(r) Royalty	—	2.88
(s) Commission to selling agents	0.72	0.39
(t) Cash discount	7.90	10.46
(u) Loss on sale / scrapping of fixed assets	0.32	2.62
	705.62	582.54

\* net of recoveries

Schedules – (continued)

	Rupees in crores	
	Year ended 31-03-2004	Year ended 31-03-2003
<b>XIX MISCELLANEOUS EXPENDITURE WRITTEN OFF</b>		
Debenture issue expenses	—	0.30
	<u>—</u>	<u>0.30</u>
<b>XX INTEREST</b>		
(a) On debentures	3.79	6.86
(b) On fixed loans	1.45	0.94
(c) Others	5.06	3.44
Total (A)	<u>10.30</u>	<u>11.24</u>
Less: Interest income		
(a) On non-trade investments (gross)	0.36	—
(b) On advances and deposits (gross)	8.73	8.41
Total (B)	<u>9.09</u>	<u>8.41</u>
(A-B)	<u>1.21</u>	<u>2.83</u>

	Rupees in crores	
	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003

**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 – 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) Raw materials and components consumed

0.19                      0.40

(ii) Technical consultancy

0.78                      —

(iii) Other expenses

—                              0.08

(e) 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 last year in respect of tools and dies meant for the manufacture of two-wheelers which were discontinued, depreciation has been provided at 99% of the original cost and the additional depreciation provided on these tools and dies amounted to Rs. 17.90 crores.

Depreciation in respect of assets acquired during the year whose actual cost does not exceed Rs. 5000/- has been provided at 100%.

(f) AS – 9 Revenue recognition

The income of the company is derived from sale of automotive vehicles and parts thereof, net of trade discount and include realised exchange fluctuations on exports. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
Dividend from investments in shares is recognised when the company in which they are held declares the dividend and when the right to receive the same is established.		
The revenue and expenditure are accounted on a going concern basis.		
(g) AS – 10 Accounting for fixed assets		
All the fixed assets are valued at cost including expenditure incurred in bringing them to usable condition less depreciation.		
Land includes land acquired under 20 years lease from Karnataka Industrial Area Development Board (KIADB) at a cost of Rs. 3.86 crores.		
Buildings include building constructed on leasehold land	1.33	—
Cost of vehicles include vehicles acquired under finance lease	0.62	0.62
(h) AS – 11 Accounting for effects in foreign exchange rates		
Purchase of imported raw materials, components, spare parts and capital goods are accounted based on retirement memos from banks. In respect of liabilities on import of raw materials, components, spare parts and capital goods which are in transit and where invoices / bills are not received, the liability is accounted based on the market exchange rates prevailing on the date of the balance sheet.		
Sales include realised exchange fluctuation on exports.		
Net exchange difference credited to		
(i) Profit and Loss Account	1.27	0.63
(ii) Carrying amount of fixed assets	0.24	—
(i) AS – 13 Accounting for investments		
Investments are valued at cost. Provision for diminution in the carrying cost of long term investments is made if such diminution is other than temporary in nature in the opinion of the management.		
(i) Investments made / transfer in on amalgamation during the year:		
DSP Merrill Lynch Investment Managers Ltd, Mumbai	25.00	5.00
Deutsche Asset Management India Private Limited, Mumbai	45.00	—
Birla Sunlife Asset Management Company Limited, Mumbai	6.00	—
Standard Chartered Mutual Fund of Standard Chartered Bank, Mumbai	236.50	19.00
JM Mutual Capital Management Private Limited, Mumbai	20.00	—
Reliance Capital Asset Management Limited, Ahmedabad	20.00	—
SBI Mutual Fund of State Bank of India, Mumbai	10.00	120.00
IL&FS Asset Management Company Limited, Mumbai	83.00	5.00
Sundaram Asset Management Company Limited, Chennai	194.31	650.00
Tata TD Asset Management Private Limited, Mumbai	3.00	—
Prudential ICICI Asset Management Company Limited, Mumbai	380.50	5.00
Kotak Mahindra Asset Management Company Limited, Mumbai	58.00	30.00
Templeton Asset Management (India) Private Limited, Mumbai	69.50	20.00
HSBC Asset Management (India) Private Limited, Mumbai	55.00	—
HDFC Asset Management Company Limited, Mumbai	48.00	10.00
Sundaram Auto Components Limited, Chennai	12.50	—
Suprajit Engineering Company Limited, Bangalore (Transfer on amalgamation)	0.07	—
TVS Finance and Services Limited, Chennai	0.76	46.16
(Investments in 2003-04 is owing to transfer on amalgamation)		
6.75% Tax free bonds in Unit Trust of India, Mumbai	8.87	—
Industrial Development Bank of India, Mumbai (Transfer on amalgamation)	0.01	—
Total	<u>1,276.02</u>	<u>910.16</u>



Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
(ii) Investments realised / cancelled on amalgamation during the year:		
DSP Merrill Lynch Investment Managers Limited, Mumbai	25.00	5.00
Deutsche Asset Management India Private Limited, Mumbai	45.00	—
Birla Sunlife Asset Management Company Limited, Mumbai	6.00	—
Standard Chartered Mutual Fund of Standard Chartered Bank, Mumbai	236.50	19.00
JM Mutual Capital Management Private Limited, Mumbai	20.00	—
Reliance Capital Asset Management Limited, Ahmedabad	9.98	—
SBI Mutual Fund of State Bank of India, Mumbai	10.00	120.00
IL&FS Asset Management Company Limited, Mumbai	83.00	5.00
Sundaram Asset Management Company Limited, Chennai	178.52	637.42
Prudential ICICI Asset Management Company Limited, Mumbai	377.50	5.00
Kotak Mahindra Asset Management Company Limited, Mumbai	53.00	25.00
Templeton Asset Management (India) Private Limited, Mumbai	79.50	10.00
HSBC Asset Management (India) Private Limited, Mumbai	50.00	—
HDFC Asset Management Company, Mumbai	48.00	10.00
Lakshmi Auto Components Limited, Chennai (Shares cancelled on amalgamation)	13.92	—
Patheja Forging and Auto Parts Manufacturing Limited, Pune	—	0.21
<b>Total</b>	<u>1,235.92</u>	<u>836.63</u>
The amounts of Rs.1,276.02 crores (last year Rs.910.16 crores) and Rs.1,235.92 crores (last year Rs.836.63 crores) are cumulative figures.		
Cost of investments held as at balance sheet date	128.02	87.92
Cost of investments which are not transferable till 8th August 2005	13.50	13.50
(j) AS - 14 Accounting for amalgamation		
With effect from 2nd April 2003, the business of Lakshmi Auto Components Limited, Chennai was transferred to and vested in the company. Accounting for such amalgamation is done by "pooling of interests" method as prescribed in the Accounting Standard as the separate businesses of the amalgamating companies are continued by the transferee company. Under this method, the assets, liabilities and reserves of the transferor company are recorded at their existing carrying amounts as on 2nd April 2003.		
The gain arising out of the net result of the amalgamation amounting to Rs.6.43 crores is credited to capital reserves.		
(k) AS-15 Accounting for retirement benefits		
(i) Contributions to provident fund are made to a recognised trust.		
(ii) Provision for leave salary to employees is made on the basis of actuarial valuation.		
(iii) Provision for pension for senior managers is made on actuarial valuation basis for current and past services.		
(iv) Contributions to gratuity and superannuation fund are made to Life Insurance Corporation of India in accordance with the scheme framed by the corporation.		
(l) 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. During the year, there were no borrowings attributable to qualifying assets and hence no borrowing costs were capitalised.		
(m) AS – 17 Segment reporting		
The company operates in only one segment viz., automotive vehicles. Hence the Accounting Standard on Segment reporting (AS – 17) is not applicable.		
(n) AS – 18 Related party disclosure		
Disclosure is made as per the requirements of the standard and the same is annexed.		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
(o)	AS – 19 Leases		
(i)	Asset acquired under finance lease - vehicles - original cost	0.62	0.62
(ii)	The net carrying amount as on 31st March	0.28	0.40
(iii)	Minimum lease payments		
	– not later than one year-not discounted	0.18	0.18
	– later than one year but not later than five years - not discounted	0.35	0.53
	– later than five years - not discounted	—	—
(iv)	Present value of minimum lease payments		
	– not later than one year - discounted	0.10	0.11
	– later than one year but not later than five years - discounted	0.09	0.19
	– 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-	
(p)	AS – 20 Earnings per share		
	During the year the company sub-divided the face value of the shares from Rs. 10/- each to Re. 1/- each. Pursuant to the requirements of the Accounting Standard, the earnings per share for the last year is also worked out on the basis of the sub-division.		
(q)	AS – 21 Consolidated financial statements		
	Consolidated financial statements of the company and its subsidiary are enclosed.		
(r)	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. Deferred tax liability and asset are recognised based on timing difference.		
(i)	Deferred tax liability consists of :		
	– tax on depreciation	93.38	63.35
	– tax on R & D capital expenditure	22.11	15.31
	– tax on amortisation of dies and moulds	13.32	9.38
	– tax on expenses admissible on payment basis under Income-tax Act, 1961	4.72	0.68
	(A)	<u>133.53</u>	<u>88.72</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	10.48	5.90
	(B)	<u>10.48</u>	<u>5.90</u>
	Deferred tax liability (net of deferred tax asset) (A)-(B) refer Balance Sheet	123.05	82.82
(s)	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		
	– Useful life of the asset	2 years	—
	– Amortisation rates used	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	—	—
	– Additions during the year	4.12	—
	Total	<u>4.12</u>	<u>—</u>
	Amortised during the year as depreciation	2.06	—
	Closing balance	<u>2.06</u>	<u>—</u>

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
(ii) Expenditure pending allocation on new products		
– Useful life of the asset	10 years	—
– Amortisation rates used	Not amortised as asset not put to use	—
– Gross carrying amounts at the beginning and at the end of the period together with additions and deletions during the year		
– Opening balance	—	—
– Additions during the year	2.19	—
Total	<u>2.19</u>	<u>—</u>
Amortised / capitalised during the year	—	—
Closing balance	<u>2.19</u>	<u>—</u>
Commitments for the acquisition of the asset	1.05	—
2. Previous year's figures are not comparable with those of the current year as the company has acquired M/s. Lakshmi Auto Components Limited, Chennai with effect from 2nd April 2003. The carrying amounts of the assets and liabilities of M/s. Lakshmi Auto Components Limited, Chennai were accounted by the company pursuant to the order of the Hon'ble High Court of Judicature at Madras.		
3. Share capital		
M/s. Sundaram-Clayton Limited, Chennai holds 2,10,00,000 equity shares of Re. 1/- each (last year 21,00,000 equity shares of Rs. 10/- each) while its wholly owned subsidiary M/s Anusha Investments Limited, Chennai holds 11,40,00,000 equity shares of Re. 1/- each (last year 1,14,00,000 equity shares of Rs. 10/- each). This aggregates to 56.8% (last year 58.5%) of the share capital of the company.		
4. Debentures		
The 1,00,00,000 15.5% secured redeemable non-convertible debentures issued during the year 1997-98 for Rs. 100 crores are redeemable at par in equal instalments at the end of 4th, 5th, 6th and 7th year.		
Amount of debentures redeemed	19.80	19.80
5. Amount of loan payable within one year:		
(a) Secured - from banks	4.00	—
(b) Unsecured - from banks	0.02	14.70
6. Land		
Title deed in respect of lands acquired near Ahmedabad at a cost of Rs. 0.01 crore is yet to be received from the registration authorities.		
7. Bank balance includes amount in respect of		
(a) Unclaimed dividends	0.81	0.61
(b) Unclaimed share application money (Rs. 17,200/-)	—	—
8. Loans and advances include:		
(a) Due from an officer of the company	0.05	0.06
(b) Maximum amount due from an officer of the company at any time during the year	0.06	0.06
9. Deposits include:		
(a) Deposit with post office (Rs. 21,500/-)	—	—
(b) Deposit with central excise	0.13	0.14
(c) Deposit with sales tax	0.78	0.72
10. Sundry creditors include :		
(a) Investor Education and Protection fund		
Unclaimed dividend	0.81	0.61
Unclaimed share application money ( Rs.17,200/-)	—	—
(b) Amount due to Small Scale Industrial units	18.44	16.73
(c) Amount due to other industrial units	267.25	241.80

**Amount payable to Small Scale Industrial units - due more than 30 days (the company's payment terms is 45 days)** Aar Pee Industries; Accurate Engineering Company; Acma Tools; Addon Engineering Private Limited; Amman Power Printing Press; Anu Industries Limited; Asec Solutions; Ashok Industries; Auto Shell Moulders Limited; Bhuvaneshwari Electricals; Bismi Tools & Service; Burgmann India Private Limited; Classic Welding Products Limited; CNC India; Concept Engineering; Concept Engineers; Deeyem CNC Machining Private Limited; Diotech India; Dimo Castings Private Limited; Duracon Automation; Electrolink Products Private Limited; Electropneumatics & Hydraulics (India) Limited; Elemec Industries; Elheat Engineering Private Limited; Elmech Engineers; Essae Digitronics Private Limited; Essae Excel Private Limited; Federn Fabrik; Fiem Auto Private Limited; Finearc Systems Private Limited; G.I. Auto Private Limited; Gee Vee Fab; Gem Precision Tool Private Limited; Gorgy Industries; Gramos Chemicals India Private Limited; Haresh Machine Tools Company; Hindustan Moulds & Dies; Hitech Rolling Balls Private Limited; Hosur Metal Finishers;

## Schedules – (continued)

## XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores

	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
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Hydromech Enterprises; IEC Air Tools Private Limited; Industrial Hygienic Systems; Integrated Engineering & Exports (Private) Limited; Inteltek Automation Private Limited; J.S. Inc; J.S. Super Pack; Jason Tools; Jaycee Industries; Jitesh Enterprises; K.K. Fasteners; Kark Design Tech; Klipco Private Limited; Kohinoor Printers Private Limited; Kumaran Printers and Binders; Kurkute Brothers Private Limited; Lakhota Beltings Private Limited; M.D. Fab; M.N. Rama Rao & Co.; Madras Cupprum Metals Private Limited; Magod Laser Machining Private Limited; Mahem Engineering Private Limited; Mars Print Pack Private Limited; Marvel Gloves Industries; Mechatronics; Mech-Enn; Mehta Engineers Limited; Meru Precision Industries; Mhitraa Engineering Equipment Private Limited; Micro Toolings Systems; Microtex Tool Room Private Limited; Mipalloy; Morey Metal Finishers; Multitech; Metal Impregnations; N R Industries; Nu-Tech Rubber Products; Orbital Systems (Bombay) Private Limited; PKN Caps & Polymers Private Limited; Plant Engineering Services; Polyrub Extrusions India; Power Tech; Pollution Control Private Limited; Precision Compaid Mouldings Private Limited; Precitec; Premier Plastics; Premier Sealing Products; Press Fab; Precision Components; Presscom Products; R.M. Industries; Raha Associates; Ramesh & Co; Ramsays Corporation; Ratnalekshmi Precision Tools Private Limited; Sakthi Engineering; Sankar Sealing Systems Limited; Sansera Engineering Private Limited; Schevaran Laboratories Private Limited; Serwewel Industries; Shalibhadra Intermediates Private Limited; Shet-Dass Engineers Private Limited; Shivkson Engineering; Spark Tools; Spear Precision Engineers; Sri Ganesh Industries; Sri Parvathi Enterprises; Srivari Metal Works Private Limited; SRV Automations; Stand Parts; Standard Insulations; Suma Springs Private Limited; Sun Engineering Works; Superheat Furnaces Private Limited; Switch International Limited; Synchron Machine Tools Private Limited; Syscon Instruments Private Limited; Taurus Private Limited; Techno Controls; Thayyil Enterprises; Tool Mac; Ucal Auto Private Limited; Ultraseal India (Private) Limited; Uma Engineering Works; V.K Printing and Packaging; V.V. Printers; Velkalyan Products; Vikman Steel Ball Industries; Vir Rubber Products Private Limited; Visvanatham & Company; Wellwin Industry Limited; Yess Dee Enterprises; Zawar Guages & Tools Private Limited.

11	Miscellaneous expenditure not written off:		
	(a) Expenditure pending allocation represents expenditure on designs and development of proto types on new product.		
	(b) 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.		
12	Contingent liability not provided for:		
	(a) On counter guarantee given to banks	2.73	1.69
	(b) On letters of credit	29.12	21.71
	(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	20.19	4.61
	(e) Capital commitments not provided for	20.43	23.47
	(f) On obligation arising out of agreements facilitating credit to an associate company	75.00	75.00
13	Liability contested and not provided for:		
	(a) Excise	1.50	0.19
	(b) Sales tax	3.55	3.16
	(c) Electricity tax	0.15	—
	(d) Income-tax	5.03	5.52
	(e) Employee settlement claims	0.05	0.05
14	Tax deducted at source:		
	(a) On interest income	1.15	1.18
	(b) On sub-contract income	2.65	—
15	Contribution to provident and other funds include:		
	(a) Contribution towards gratuity as per scheme framed by Life Insurance Corporation of India	3.25	2.86
	(b) Contribution towards pension fund	7.72	5.81
16	Repairs include:		
	(a) Wages	3.29	2.65
	(b) Stores consumed	17.65	13.05
17	Audit fees comprise:		
	(a) As auditors	0.15	0.08
	(b) Taxation matters	0.03	0.02
	(c) Certification matters	0.04	0.01
	(d) Cost audit fees	0.01	0.01
	Total	<u>0.23</u>	<u>0.12</u>
18	General		
	(a) Expenses in excess of 1% of total revenue		
	i) Carriage outwards included in packing and freight charges	55.76	53.62
	ii) Sales promotion expenses included in other marketing expenses	76.76	41.10
	(b) Other expenses include travel and stay expenses of auditors	0.07	0.06
	(c) Loss on sale of investments netted against profit on sale of investments	5.64	0.66
19	Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores

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

	Particulars	Name of the company	Amount outstanding as on 31-03-2004	Amount outstanding as on 31-03-2003
(a)	Loans and advances			
(i)	Loans and advances in the nature of loans made to subsidiary company	Sundaram Auto Components Limited, Chennai(Last year Lakshmi Auto Components Limited, Chennai) Maximum amount due at any time during the year	8.47 9.09	10.30 12.00
(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	— 5.50	— 42.65
(iii)	Loans and advances in the nature of loans made to firms/companies in which directors of the company are interested	Nil Maximum amount due at any time during the year	— —	— —
(b)	Investments by the company			
(i)	In subsidiary companies	Sundaram Auto Components Limited, Chennai (27,00,000 Equity shares of Rs 10/- each fully paid up)	12.50	—
		Lakshmi Auto Components Limited, Chennai (89,20,000 Equity shares of Rs 10/- each fully paid up) Maximum amount held at any time during the year	— 12.50	13.92 13.92
(ii)	In associate company	TVS Finance and Services Limited Chennai (1,64,52,192 (Last year 1,58,44,592) Equity shares of Rs.10/- each fully paid up and 3,03,10,000 9% non-cumulative non-convertible redeemable preference shares of Rs 10/- each fully paid up) Maximum amount held at any time during the year	46.76 46.76	46.16 46.16
(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 - last year 1,35,00,000 Equity shares of Rs. 10/- each fully paid) Maximum amount held at any time during the year	13.50 13.50	13.50 13.50

Notes:

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

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores

21	Determination of net profit as per sections 349 and 350 of the Companies Act, 1956	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
	Profit as per Profit and Loss Account	215.60	203.43
	Add: Depreciation as per Profit and Loss Account	<u>79.89</u>	<u>79.91</u>
		295.49	283.34
	Less : Depreciation as per section 350 read with schedule XIV	<u>82.20</u>	<u>54.11</u>
	Profit as per section 349	<u>213.29</u>	<u>229.23</u>
(a)	Commission payable to managing director at 2% thereof as approved by the shareholders	4.27	4.58
	Actual commission provided at 0.5% (last year 1%)	<u>1.07</u>	<u>2.29</u>
(b)	Commission to independent directors at 1% of the profit as stated above subject to a ceiling of Rs. 3.60 lakhs (last year Rs. 2 lakhs) per director per annum	0.22	0.09

22	Related party disclosure List of related parties Reporting entity Subsidiary company	TVS Motor Company Limited, Chennai Sundaram Auto Components Limited, Chennai (Last year Lakshmi Auto Components Limited, Chennai)
	Holding company Fellow subsidiaries	Sundaram-Clayton Limited, Chennai (a) Anusha Investments Limited, Chennai (b) TVS Electronics Limited, Chennai (c) Harita Stocks Limited, Chennai (d) TVS Investments Limited, Chennai
	Associate company  Key management personnel  Relative of key management personnel	TVS Finance and Services Limited, Chennai (a subsidiary of TVS Investments Limited, Chennai)  Mr. Venu Srinivasan  Mr. Gopal Srinivasan

Schedules – (continued)

XX NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
23	Particulars of transactions with related parties		
(a)	Purchase of goods		
	– holding company	35.06	29.24
	– subsidiary company (TVS Electronics Limited, Chennai)	45.22	42.38
	– fellow subsidiary	0.47	—
(b)	Purchase of fixed assets		
	– subsidiary company	—	25.70
	– fellow subsidiary (TVS Electronics Limited, Chennai)	0.33	—
(c)	Sale of fixed assets		
	– holding company	0.18	0.07
	– subsidiary company	—	0.03
(d)	Rendering of services (including interest and sub-contract charges received)		
	– subsidiary company	0.47	3.42
	– fellow subsidiary (Anusha Investments Limited, Chennai)	0.18	0.18
	– associate company	0.11	0.86
(e)	Receiving of services (including sub-contract charges paid)		
	– holding company	42.39	38.78
	– subsidiary company	0.32	131.99
	– fellow subsidiaries	2.49	1.65
	– associate company	11.58	0.79
(f)	Trade advances made during the year		
	– subsidiary company	6.63	15.60
	– fellow subsidiary (Anusha Investments Limited, Chennai)	5.00	5.00
	– associate company	13.50	—
(g)	Trade advances received back during the year		
	– subsidiary company	1.47	5.30
	– fellow subsidiary (Anusha Investments Limited, Chennai)	10.00	—
	– associate company	13.50	—
(h)	Amount outstanding as at Balance Sheet date:		
(i)	Sundry debtors		
	– subsidiary company	—	1.17
	– fellow subsidiaries	—	0.06
(ii)	Loans and advances receivable		
	– subsidiary company	8.47	15.04
	– fellow subsidiary	0.06	5.00
(iii)	Sundry creditors		
	– holding company	12.33	12.58
	– subsidiary company	2.83	0.54
	– fellow subsidiary	0.01	—
	– associate company	0.77	0.29

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
23	Particulars of transactions with related parties — (continued)		
(i)	Investments made during the year		
	– subsidiary company (consideration other than cash)	12.50	—
	– associate company	—	46.16
(j)	Investments sold / cancelled during the year		
	– subsidiary company	13.92	—
	– fellow subsidiaries	—	0.05
(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 and his relative	1.07	2.30

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2004

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner



Schedules – (continued)

XX NOTES ON ACCOUNTS – (continued)

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

	Quantity	Rupees in crores	
		Year ended 31-03-2004 Value	Year ended 31-03-2003 Value
I RAW MATERIALS CONSUMED			
1 (a) Basic raw materials			
Steel sheets, coils, strips and bars	Kgs. 69,65,198	25.67	24.84
Steel tubes	Mtrs. 3,42,829	3.72	2.59
Aluminium alloys and ingots	Kgs. 72,56,770	57.56	53.21
(b) Intermediates and components (which individually do not account for more than 10% of the total value of consumption)		1,760.45	1,817.86
		<u>1,847.40</u>	<u>1,898.50</u>
2 Consumption of raw materials and components			
	% of total consumption		% of total consumption
(a) Imported	3.5	64.20	4.8
(b) Indigenous	96.5	1,783.20	95.2
	<u>100.0</u>	<u>1,847.40</u>	<u>100.0</u>
II CONSUMPTION OF MACHINERY SPARES			
(a) Imported	23.9	1.35	0.98
(b) Indigenous	76.1	4.31	2.44
	<u>100.0</u>	<u>5.66</u>	<u>3.42</u>
III IMPORTS (CIF VALUE)			
(a) Raw materials		6.88	6.89
(b) Spare parts and components		25.81	51.47
(c) Capital goods		51.25	71.32
IV OTHER EXPENDITURE IN FOREIGN CURRENCY			
(a) Travel		2.71	2.51
(b) Royalty		—	2.88
(c) Subscription to books and periodicals		0.07	0.08
(d) Subscription to associations		0.05	0.04
(e) Welfare expenses - training		0.99	0.70
(f) Consultancy		12.58	8.77
(g) Advertisement and publicity		2.96	1.30
(h) Commission on exports		0.72	0.39
(i) Research and development		8.43	5.10
(j) Software expenses		—	0.11
(k) Commission on import of raw materials and components		0.30	0.36
V PAYMENT TO NON-RESIDENTS			
(a) No. of non-resident 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)		68.24	24.43
(b) Others (freight and insurance)		1.24	0.54
		<u>69.48</u>	<u>24.97</u>
VII SALE BY CLASS OF GOODS			
	Quantity nos.		Quantity nos.
(a) Mopeds	2,51,065	327.88	2,48,190
(b) Motorcycles	7,06,558	1,940.05	7,18,447
(c) Scooters	1,89,238	386.19	1,52,472
(d) Spares and accessories		166.09	140.29
Total		<u>2,820.21</u>	<u>2,704.53</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		Quantity nos.		Qty. nos.		Value	
	As at 01-04-2003	As at 01-04-2002	Year ended 31-03-2004	Year ended 31-03-2003	As at 31-03-2004	As at 31-03-2003				
(a) Mopeds	3,199	3.89	8,093	8.53	2,51,417	2,43,306	3,497	3.92	3,199	3.89
(b) Motorcycles	34,352	81.86	12,974	33.74	7,03,724	7,40,030	30,909	75.98	34,352	81.86
(c) Scooters	7,877	13.95	9,263	16.01	1,88,196	1,51,201	6,589	11.71	7,877	13.95
(d) Components which do not individually account for 10% or more of the total value of stock		8.28		9.75				10.02		8.28
Total		107.98		68.03				101.63		107.98

Note: During the year 54 mopeds, 609 motorcycles and 246 scooters (last year 10 mopeds, 205 motorcycles and 115 scooters) were captively used.

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2004

T. S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

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

1	Name of the subsidiary	:	Sundaram Auto Components Limited, Chennai
2	Financial year of the subsidiary	:	1st April 2003 to 31st March 2004
3	Shares of the subsidiary held by the company on the above date		
	(a) Number and face value	:	27,00,000 Equity shares of Rs. 10/- each fully paid
	(b) Extent of holding	:	100%
4	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	:	Rs. 3.60 crores
	(b) for the previous financial years since it became a subsidiary	:	—
5	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	:	—
	(b) for the previous financial years since it became a subsidiary	:	—

---

VENU SRINIVASAN  
*Chairman & Managing Director*

H. LAKSHMANAN  
*Director*

S.G. MURALI  
*Vice President – Finance*

Chennai  
June 28, 2004

T.S. RAJAGOPALAN  
*Secretary*

Cash Flow Statement

		Rupees in crores	
		Year ended 31-03-2004	Year ended 31-03-2003
<b>A. Cash flow from operating activities :</b>			
Net Profit before tax and extraordinary items		214.53	201.14
Add :			
Depreciation for the year	79.89	79.91	
Depreciation – transfer on amalgamation	57.68	—	
Depreciation on sale/scraping of assets	(1.69)	(22.42)	
Miscellaneous expenditure written off	—	0.30	
Income tax relating to earlier years	(0.74)	1.40	
Dividend income	(9.12)	(0.03)	
Interest income	(9.09)	(8.41)	
Interest expenditure	10.30	11.24	
		<u>127.23</u>	<u>61.99</u>
Operating profit before working capital changes		341.76	263.13
Adjustments for :			
Trade receivables	0.31	34.31	
Inventories	(2.59)	(65.28)	
Other current assets	(0.19)	—	
Loans and advances	(37.84)	(2.22)	
Trade payables	12.39	117.21	
Provisions	9.52	5.84	
		<u>(18.40)</u>	<u>89.86</u>
Cash generated from operations		323.36	352.99
Direct taxes paid		(66.38)	(61.02)
Net cash from operating activities	(A)	256.98	291.97
<b>B. Cash flow from investing activities :</b>			
Purchase of fixed assets	(166.21)	(160.67)	
Transfer on amalgamation	(163.16)	—	
Sale of fixed assets	3.31	26.32	
Capital work-in-progress	18.67	(16.50)	
Purchase of investments	(1,276.02)	(910.16)	
Sale of investments	1,235.92	836.63	
Miscellaneous expenditure not written off	(12.90)	—	
Interest received	9.09	8.41	
Dividends received	9.12	0.03	
		<u>(342.18)</u>	<u>(215.94)</u>
Net cash used in investing activities	(B)	(342.18)	(215.94)
<b>C. Cash flow from financing activities :</b>			
Transfer on amalgamation:			
General reserves	34.80	—	
Capital reserve	6.43	—	
Profit and Loss Account	6.77	—	
Investment allowance reserve	1.26	—	
Deferred tax	19.15	—	
Shares issued to shareholders of Lakshmi Auto Components Ltd.	0.65	—	
Long term borrowings:			
Repayment made	(19.80)	(38.55)	
Transfer on amalgamation	12.30	—	
Repayment of unsecured loans	(14.10)	(6.39)	
Sales tax deferral loan availed	14.75	12.99	
Sales tax deferral loan repaid	—	(1.57)	
Interest paid	(10.30)	(11.24)	
Dividend and dividend tax paid	(35.14)	(11.55)	
		<u>16.77</u>	<u>(56.31)</u>
Net cash used in financing activities	(C)	16.77	(56.31)
<b>D. Net increase in cash and cash equivalents</b>	(A+B+C)	(68.43)	19.72
Cash and cash equivalents at the beginning of the year		81.03	61.31
Cash and cash equivalents at the end of the year		12.60	81.03

Notes:

- 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.
- Cash and cash equivalents represent cash and bank balances.

VENU SRINIVASAN Chairman & Managing Director	H. LAKSHMANAN Director	S.G. MURALI Vice President – Finance	As per our report annexed For Sundaram & Srinivasan Chartered Accountants
Chennai June 28, 2004		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 

1	8
---	---

Balance sheet date 

3	1
---	---

0	3
---	---

2	0	0	4
---	---	---	---

Date      Month      Year

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

Public issue 

Nil
-----

 Rights issue 

Nil
-----

Bonus issue 

Nil
-----

 Private placement 

Nil
-----

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

Total liabilities 

8	1	7	0	1	0	0
---	---	---	---	---	---	---

 Total assets 

8	1	7	0	1	0	0
---	---	---	---	---	---	---

**Sources of Funds**

Paid up capital 

	2	3	7	5	0	0
--	---	---	---	---	---	---

 Reserves and surplus 

5	5	1	2	0	0	0
---	---	---	---	---	---	---

Secured loans 

	3	7	5	0	0	0
--	---	---	---	---	---	---

 Unsecured loans 

	8	1	5	1	0	0
--	---	---	---	---	---	---

Deferred tax liability 

1	2	3	0	5	0	0
---	---	---	---	---	---	---

**Application of Funds**

Net fixed assets 

6	9	4	6	6	0	0
---	---	---	---	---	---	---

 Capital work-in-progress 

		9	5	2	0	0
--	--	---	---	---	---	---

Investments 

1	2	8	0	2	0	0
---	---	---	---	---	---	---

 Net current assets 

-	2	8	0	9	0	0
---	---	---	---	---	---	---

Misc. expenditure 

	1	2	9	0	0	0
--	---	---	---	---	---	---

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

Turnover 

2	8	2	0	2	1	0	0
---	---	---	---	---	---	---	---

 Total expenditure 

2	6	0	5	6	8	0	0
---	---	---	---	---	---	---	---

Profit before tax 

	2	1	4	5	3	0	0
--	---	---	---	---	---	---	---

 Profit after tax 

	1	3	8	4	9	0	0
--	---	---	---	---	---	---	---

Earnings per share (Rs) 

				5	.	8	3
--	--	--	--	---	---	---	---

 Dividend rate (%) 

1	3	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	<table border="1" style="display: inline-table;"><tr><td>8</td><td>7</td><td>1</td><td>1</td><td>.</td><td>0</td><td>0</td></tr></table>	8	7	1	1	.	0	0
8	7	1	1	.	0	0		
Parts for the above	<table border="1" style="display: inline-table;"><tr><td>8</td><td>7</td><td>1</td><td>4</td><td>.</td><td>0</td><td>0</td></tr></table>	8	7	1	4	.	0	0
8	7	1	4	.	0	0		
IC Engines for the above	<table border="1" style="display: inline-table;"><tr><td>8</td><td>4</td><td>0</td><td>7</td><td>.</td><td>0</td><td>0</td></tr></table>	8	4	0	7	.	0	0
8	4	0	7	.	0	0		

# SUNDARAM AUTO COMPONENTS LIMITED

## Board of Directors

H. LAKSHMANAN  
C. NARASIMHAN  
V. N. VENKATANATHAN

## Secretary

R. MADHAVAN

## Auditors

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

## Bankers

STATE BANK OF MYSORE  
Hosur Branch,  
Hosur 635 109.

BANK OF BARODA  
Main Branch, K.G. Road,  
Bangalore 560 001.

## Registered office

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

## Factory

Belagondapalli, Hosur 635 114.

## Directors' report to the shareholders of the company

The directors present the 12th annual report together with the audited statement of accounts for the year ended 31st March 2004.

### 2. FINANCIAL HIGHLIGHTS

Details	Rupees in thousands	
	Year ended 31-03-2004	Year ended 31-03-2003
Income from operations	65,84,12	32,46
Profit before tax	5,63,54	4,23
Provision for taxation (including deferred tax)	2,03,00	1,56
Profit after tax	3,60,54	2,67
Add : Surplus brought forward	7,62	4,95
	<u>3,68,16</u>	<u>7,62</u>
Less : Tax relating to earlier years	15	—
Profit available for appropriation	3,68,01	7,62
Proposed dividend at 30%	81,00	—
Tax on dividend	10,38	—
Transfer to general reserves	1,85,00	—
Balance surplus in profit and loss a/c carried forward	91,63	—
Total	<u>3,68,01</u>	<u>7,62</u>

### 3. DIVIDEND

The directors recommend a dividend of 30% for the year ended 31st March 2004. The dividend, if approved, by the shareholders, would absorb a sum of Rs. 81 lakhs and will be paid to the shareholders whose names stand on the register of members on the date of declaration.

### 4. ACQUISITION OF RUBBER AND PLASTIC BUSINESSES OF LAKSHMI AUTO COMPONENTS LIMITED

On 1st April 2003, the entire paid up capital of the company viz., 2,50,000 equity shares of Rs. 10/- each aggregating to Rs. 25 lakhs was acquired by Lakshmi Auto Components Limited (LAC). Consequently, the company became a subsidiary of LAC with effect from 1st April 2003.

On 17th October 2003, the board of directors of the company approved a scheme of arrangement between the company, LAC and TVS Motor Company Limited (TVSM). As per the scheme, the assets and liabilities of rubber and plastic businesses of LAC were transferred to the company on slump sale basis on 1st April 2003 for a consideration of Rs. 12.25 crores. In terms of the scheme which was approved by the Hon'ble High Court of Madras vide its order dated 23rd March 2004, the company issued and allotted to LAC 24,50,000 equity shares of Rs. 10/- each at a premium of Rs. 40 per share as on 1st April 2003.

The remaining business of LAC viz., engine components division together with its investments in other bodies corporate including the shares held by LAC in Sundaram Auto Components Ltd in terms of the scheme of arrangement were transferred and vested in TVSM with effect

from 2nd April 2003. As per the scheme, LAC was liquidated without the process of winding up and consequently the company has become a wholly owned subsidiary of TVSM.

The Company continues to remain as an unlisted company.

### 5. PERFORMANCE DURING THE YEAR

The company has achieved a turnover of Rs. 6584.12 lakhs during the year, which includes export turnover of Rs. 318.39 lakhs.

### 6. BUSINESS OUTLOOK

The two-wheeler industry is expected to grow at 9% to 10% in 2004-05 as compared to the previous year. Hence, the turnover of the company for 2004-05 is expected to have a moderate growth over last year.

The company has obtained order for supply of critical plastic components from a passenger car manufacturer.

Efforts are being made towards exports and other domestic automotive sectors which would contribute for significant growth in the coming years.

### 7. DIRECTORS

Mr. M. N. Muralkrishna and Mr R. Subramanian resigned from the board effective 1st April 2004. The directors wish to place on record their appreciation of the services rendered by Mr M. N. Muralkrishna and Mr R. Subramanian during their tenure as directors of the company.

Mr V. N. Venkatanathan, director is liable to retire by rotation at the ensuing annual general meeting and is eligible for re-appointment.

### 8. DEPOSITS

The company has not accepted any deposits from the public within the meaning of Section 58-A of the Companies Act, 1956 during the year ended 31st March 2004.

### 9. AUDITORS

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

### 10. STATUTORY STATEMENTS

As per the requirements of section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are furnished in annexure I to this report.

The particulars required pursuant to section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended by Companies (Particulars of Employees) Rules, 2002 are furnished in annexure II to this report.

As required under section 217 (2AA) of the Companies Act, 1956, the director's responsibility statement is given in annexure III to this report.

For and on behalf of the board

Chennai  
June 28, 2004

H. LAKSHMANAN  
Director

V. N. VENKATANATHAN  
Director

## SUNDARAM AUTO COMPONENTS LIMITED

### Annexure I to Directors' report for the year ended 31st March 2004. Information as required under Section 217(1)(e) of the Companies Act, 1956.

#### A. CONSERVATION OF ENERGY

##### Measures taken

- (a) Provision of Variable Frequency Drive for Moulding presses.
- (b) Installation of electronically controlled variable displacement hydraulic pump in Injection Moulding Machines.
- (c) Better utilisation by optimisation of process parameters.
- (d) Conversion of steam heated presses into electrically heated presses.
- The above measures have resulted in an annual savings of approximately Rs.13.66 lakhs.

##### Proposed measures

- (a) Providing Variable Frequency Drive for Moulding Presses and Motors.
- (b) Optimising energy consumption by relaying of water and air lines
- (c) Conversion of steam heated presses into electrically heated presses
- The above measures are expected to result in an annual savings of Rs. 15.90 lakhs.

#### B. FOREIGN EXCHANGE EARNINGS AND OUTGO

- (a) Earnings : Rs. 318.39 lakhs
- (b) Outgo : Rs. 746.20 lakhs

For and on behalf of the board

Chennai  
June 28, 2004

H LAKSHMANAN  
Director

V N VENKATANATHAN  
Director

### Annexure II to Directors' report to the shareholders Particulars of employees as per section 217 (2A) of the Companies Act, 1956

Sl. No.	Name	Age (Yrs.)	Designation	Date of employment	Remuneration (Gross) Rs.	Qualification	Experience (Yrs)	Previous employment
<b>Employed throughout the year</b>								
1	Capt. N. S. Mohan Ram	68	Director-Projects	1.04.2000	36,30,070	B.Tech (Hons); MBA; PG in Warship Design (UK)	46	Director-Projects, TVS-Suzuki Ltd.
2.	Dr. Malini Srinivasan	49	VP - Education and Training	21.3.2003	24,12,839	M.A., Phd.	15	GM, Horticultural and Construction Engineers (India)(P) Ltd

##### Notes:

- Years of experience also include experience prior to joining the company.
- Remuneration comprises of salary, performance incentive, house rent allowance, special allowance, conveyance allowance, contribution to provident fund and superannuation fund wherever applicable, medical insurance premium, leave travel assistance and other benefits evaluated under the Income tax rules.
- Besides, employees are entitled to gratuity as per rules.
- None of the above employees is related to any of the directors of the company.
- Terms of employment of all the employees mentioned above are contractual.
- None of the above employees either individually or together with spouse or children held more than 2% of the equity shares of the company.

For and on behalf of the board

Chennai  
June 28, 2004

H. LAKSHMANAN  
Director

V. N. VENKATANATHAN  
Director

### Annexure III to Directors' report for the year ended 31st March 2004 Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956.

The Directors hereby state :

- that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March 2004, the applicable Accounting Standards had been followed and there is no material departure.
- that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> March 2004 and of the profit of the company for the financial year ended on that date.
- 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 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the directors had prepared the annual accounts for the financial year ended 31<sup>st</sup> March 2004 on a "going concern basis".

For and on behalf of the board

Chennai  
June 28, 2004

H. LAKSHMANAN  
Director

V. N. VENKATANATHAN  
Director

**Auditors' report to the shareholders**

We have audited the attached Balance Sheet of M/s.Sundaram Auto Components Limited, Chennai 600 006 as at 31st March 2004, 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 from 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 (Auditors' Report) Order, 2003 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 such books;
  - (iii) The Balance Sheet, Profit and Loss account and Cash Flow statement referred to in 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 2004 and taken on record by the board of directors, we report that no director 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;
  - (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 2004;
    - 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

Chennai  
June 28, 2004

**Annexure referred to in our report of even date on the accounts for the year ended 31st March 2004.**

1. a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification at reasonable intervals, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) The assets disposed off during the year are not substantial and therefore do not affect the going concern status of the company.
2. a) The inventory other than in-transit have been physically verified at reasonable intervals during the year by the management. In our opinion the frequency of such verification is adequate. In respect of inventory with third parties which have not been physically verified, there is a process of obtaining confirmation from such parties.
- b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the company and the nature of its business.
- c) In our opinion, the company has maintained proper records of inventory. The discrepancies between the physical stocks and the book stocks were not material and have been properly dealt with in the books of account.
3. a) During the year, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. During the year the company has taken unsecured

loans and lease finance from two companies listed in the register maintained under Section 301 of the Companies Act, 1956 amounting to Rs.675.09 lakhs. (Balance due as at the year end Rs.857.53 lakhs).

- b) In our opinion the rate of interest and other terms and conditions of such unsecured loans taken are not prima facie prejudicial to the interest of the company.
- c) In our opinion the payment of principal amount and interest thereon were regular.
- d) As on the date of Balance Sheet there was no overdue amount payable on the said unsecured loans.
4. 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, fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control.
5. 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 transactions that need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 have been properly entered in the said register;
- b) In our opinion and according to the information and explanations given to us, the transactions entered in the register maintained under Section 301 and exceeding during the 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;
6. The company has not accepted any deposits from the public.
7. The company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business;
8. 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 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained;
9. a) According to the records provided to us, the company is regular in depositing undisputed statutory dues including Provident fund, Income tax, Sales tax, Wealth tax, Customs duty, Excise duty, Cess and other material statutory dues with the appropriate authorities. The provisions of ESI Act are not applicable to the company.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs duty, Excise duty and Cess were in arrears, as at 31st March 2004 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, the following are the details of the disputed dues, that was not paid to the concerned authorities;

Name of the Statute	Nature of dues	Amount (Rs.in lakhs)	Forum where dispute is pending
Central Excise Act, 1944	Cenvat / Excise duties	8.06	Central Excise & Service Tax Appellate Tribunal

10. 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.
11. 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 banks;
12. 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;
13. The company is not a chit / nidhi / mutual benefit fund / society and clause (xiii) of the order is not applicable;
14. The company is not dealing or trading in shares, securities, debentures and other investments;
15. Based on our examination and according to the information and explanations given by the management, the company has not given any guarantee for loans taken by others from bank or financial institutions.
16. During the year the company has not availed any term loan.
17. On the basis of our examination, the company has not used funds raised on short term basis for long term investment and vice-versa.
18. 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.
19. During the year, the company has not issued any secured debentures;
20. During the year the company has not raised any money by public issue;
21. 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

Chennai  
June 28, 2004



# SUNDARAM AUTO COMPONENTS LIMITED

## Balance Sheet as at 31st March 2004

		Rupees in thousands	
	Schedule Number	As at 31-03-2004	As at 31-03-2003
<b>I SOURCES OF FUNDS</b>			
<b>1 Shareholders' funds</b>			
a) Capital	I	2,70,00.00	25,00.00
b) Reserves and Surplus	II	<u>12,56,67.48</u>	<u>7,62.10</u>
		15,26,67.48	32,62.10
<b>2 Loan funds</b>			
a) Secured loans	III	2,24,14.05	—
b) Unsecured loans	IV	<u>9,35,05.70</u>	<u>89,05.70</u>
		11,59,19.75	89,05.70
<b>3. Deferred tax liability</b> (net of deferred tax assets)			
		<u>88,00.00</u>	<u>—</u>
Total		<u>27,73,87.23</u>	<u>1,21,67.80</u>
<b>II APPLICATION OF FUNDS</b>			
<b>1 Fixed assets</b>			
a) Gross block	V	24,42,49.70	1,09,49.45
b) Less: Depreciation		<u>1,85,15.10</u>	<u>—</u>
c) Net block		22,57,34.60	1,09,49.45
d) Capital work-in-progress	VI	31,97.51	—
<b>2 Investments</b>			
	VII	1,70.00	—
<b>3 Current assets, loans and advances</b>			
a) Inventories	VIII	3,93,17.54	—
b) Sundry debtors	IX	8,13,55.53	7,98.00
c) Cash and bank balances	X	27,28.49	53.86
d) Loans and advances	XI	<u>3,26,80.54</u>	<u>4,89.57</u>
Total	(A)	<u>15,60,82.10</u>	<u>13,41.43</u>
<b>Current liabilities and provisions</b>			
a) Current liabilities	XII	9,56,56.01	1,23.08
b) Provisions	XIII	<u>1,21,40.97</u>	<u>—</u>
Total	(B)	<u>10,77,96.98</u>	<u>1,23.08</u>
<b>Net current assets</b>	(A-B)	<u>4,82,85.12</u>	<u>12,18.35</u>
Total		<u>27,73,87.23</u>	<u>1,21,67.80</u>
<b>4 Notes on accounts</b>			
	XVIII		

## Profit and Loss Account for the year ended 31st March 2004

		Rupees in thousands	
	Schedule Number	Year ended 31-03-2004	Year ended 31-03-2003
Gross Sales		76,05,99.68	—
Sub-contract income		<u>1,16.71</u>	<u>—</u>
Total		76,07,16.39	—
Less : Excise duty		<u>10,85,71.84</u>	<u>—</u>
Net Sales		65,21,44.55	—
Other Income	XIV	62,67.42	32,45.70
Raw materials and components consumed	XV	37,89,86.87	—
Labour charges		1,16,83.83	—
Salaries and wages, stores consumed and other expenses	XVI	18,62,23.66	28,22.85
<b>Profit before interest, depreciation and tax</b>		<b>8,15,17.61</b>	<b>4,22.85</b>
Interest (net)	XVII	66,45.57	—
Depreciation		1,85,18.21	—
<b>Profit before tax</b>		<b>5,63,53.83</b>	<b>4,22.85</b>
Provision for taxation		1,15,00.00	1,56.00
Provision for deferred tax		88,00.00	—
<b>Profit for the year (after tax)</b>		<b>3,60,53.83</b>	<b>2,66.85</b>
Balance profit brought forward		7,62.10	4,95.25
Profit for the year		3,60,53.83	2,66.85
Total		<u>3,68,15.93</u>	<u>7,62.10</u>
Proposed dividend		81,00.00	—
Provision for dividend tax		10,37.81	—
Tax relating to earlier years		14.71	—
Transfer to general reserves		1,85,00.00	—
Balance surplus carried forward to Balance Sheet		91,63.41	7,62.10
Total		<u>3,68,15.93</u>	<u>7,62.10</u>

H. LAKSHMANAN  
Director

V.N. VENKATANATHAN  
Director

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2004

R. MADHAVAN  
Secretary

M. BALASUBRAMANIAM  
Partner

H. LAKSHMANAN  
Director

V.N. VENKATANATHAN  
Director

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Chartered Accountants

Chennai  
June 28, 2004

R. MADHAVAN  
Secretary

M. BALASUBRAMANIAM  
Partner

# SUNDARAM AUTO COMPONENTS LIMITED

## Schedules

	Rupees in thousands		Rupees in thousands	
	As at 31-03-2004	As at 31-03-2003	As at 31-03-2004	As at 31-03-2003
<b>I CAPITAL</b>				
Authorised				
50,00,000 (last year 2,50,000) Equity shares of Rs.10/- each	5,00,00.00	25,00.00		
Issued, subscribed and paid up				
27,00,000 (last year 2,50,000) Equity shares of Rs.10/- each fully paid	2,70,00.00	25,00.00		
Of the above, 24,50,000 equity shares are to be allotted to M/s. Lakshmi Auto Components Limited, Chennai for consideration other than in cash being the slump sale consideration of assets minus liabilities of Rubber and Plastics divisions of M/s. Lakshmi Auto Components Limited, Chennai transferred to and vested in the company in terms of the scheme of arrangement approved by the Hon'ble High Court of Judicature at Madras. These shares have since been allotted to M/s. TVS Motor Company Limited, Chennai on 1st April 2004 consequent to the amalgamation of M/s. Lakshmi Auto Components Limited, with M/s. TVS Motor Company Limited, Chennai on 2nd April 2003.				
	<u>2,70,00.00</u>	<u>25,00.00</u>		
<b>II RESERVES AND SURPLUS</b>				
a) Capital reserve				
Arising on transfer and vesting of Rubber and Plastics divisions of M/s. Lakshmi Auto Components Limited, Chennai			4.07	—
b) Share premium account			9,80,00.00	—
c) General reserves				
Transfer from Profit and Loss account			1,85,00.00	—
d) Surplus				
Balance in Profit and Loss account			91,63.41	7,62.10
			<u>12,56,67.48</u>	<u>7,62.10</u>
<b>III SECURED LOANS</b>				
From banks				
a) Secured by hypothecation of inventory and receivables and equitable charge on movable machineries and land and buildings.			2,24,14.05	—
			<u>2,24,14.05</u>	<u>—</u>
<b>IV UNSECURED LOANS</b>				
a) From ultimate holding company (Long term)			88,55.70	89,05.70
b) From holding company (Long term)			8,46,50.00	—
			<u>9,35,05.70</u>	<u>89,05.70</u>

## V FIXED ASSETS

Description	Rupees in thousands						Rupees in thousands	
	Land	Buildings	Plant & Machinery, Tools, Dies and Jigs	Furniture, Fixtures & Equipments	Vehicles	Total	As at 31-03-2004	As at 31-03-2003
<b>Cost</b>								
As at 01-04-2003	1,09,49.45	—	—	—	—	1,09,49.45	1,09,49.45	
Additions	2,21,34.30	3,43,83.66	17,04,13.75	36,99.65	26,77.35	23,33,08.71	—	
Sales / Deletion	—	—	5.69	—	2.77	8.46	—	
<b>Total</b>	<u>3,30,83.75</u>	<u>3,43,83.66</u>	<u>17,04,08.06</u>	<u>36,99.65</u>	<u>26,74.58</u>	<u>24,42,49.70</u>	<u>1,09,49.45</u>	
<b>Depreciation</b>								
Upto 31-03-2003	—	—	—	—	—	—	—	
For the year	—	11,12.48	1,60,46.00	8,87.40	4,72.33	1,85,18.21	—	
Withdrawn on assets sold / deleted	—	—	0.34	—	2.77	3.11	—	
<b>Total</b>	<u>—</u>	<u>11,12.48</u>	<u>1,60,45.66</u>	<u>8,87.40</u>	<u>4,69.56</u>	<u>1,85,15.10</u>	<u>—</u>	
<b>Written Down value</b>								
As at 31-03-2004	3,30,83.75	3,32,71.18	15,43,62.40	28,12.25	22,05.02	22,57,34.60	—	
As at 31-03-2003	1,09,49.45	—	—	—	—	—	1,09,49.45	

## SUNDARAM AUTO COMPONENTS LIMITED

### Schedules – (continued)

	Rupees in thousands		Rupees in thousands	
	As at 31-03-2004	As at 31-03-2003	Year ended 31-03-2004	Year ended 31-03-2003
<b>VI CAPITAL WORK-IN-PROGRESS</b>				
Machinery in transit / installation	31,97.51	—		
	<u>31,97.51</u>	<u>—</u>		
<b>VII INVESTMENTS (at cost)</b>				
Non-trade-Long Term quoted				
2000 Equity shares of Rs 10/- each fully paid up in Bank of Baroda, Vadodara.	1,70.00	—		
	<u>1,70.00</u>	<u>—</u>		
(Market value of quoted investments Rs. 485.40 thousands)				
<b>VIII INVENTORIES (at cost)</b>				
* a) Raw materials and components	1,29,96.06	—		
* b) Work-in-process	1,10,84.82	—		
* c) Finished goods	23,15.94	—		
* d) Stores	14,49.29	—		
e) Goods-in-transit	1,14,71.43	—		
	<u>3,93,17.54</u>	<u>—</u>		
* (as certified by a director)				
<b>IX SUNDRY DEBTORS - UNSECURED CONSIDERED GOOD</b>				
a) Debts outstanding for a period exceeding six months	7,50.45	—		
b) Other debts	8,06,05.08	7,98.00		
	<u>8,13,55.53</u>	<u>7,98.00</u>		
<b>X CASH AND BANK BALANCES</b>				
a) Cash on hand	59.48	—		
b) With scheduled banks in current accounts	26,24.36	53.86		
c) With scheduled banks in deposit accounts	44.65	—		
	<u>27,28.49</u>	<u>53.86</u>		
<b>XI LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD</b>				
a) Advances recoverable in cash or in kind or for value to be received	2,34,88.55	—		
b) Deposits	34,89.63	—		
c) Advance payment of tax less provisions	57,02.36	4,89.57		
	<u>3,26,80.54</u>	<u>4,89.57</u>		
<b>XII CURRENT LIABILITIES</b>				
Sundry creditors	9,56,56.01	1,23.08		
	<u>9,56,56.01</u>	<u>1,23.08</u>		
<b>XIII PROVISIONS</b>				
a) Proposed dividend	81,00.00	—		
b) Dividend tax	10,37.81	—		
c) Pension fund	22,30.26	—		
d) Leave salary	7,72.90	—		
	<u>1,21,40.97</u>	<u>—</u>		
<b>XIV OTHER INCOME</b>				
a) Sale of scraps and empties			24,48.47	—
b) Dividend			14.00	—
c) Lease income			37.11	—
d) Profit on sale of fixed assets			29.49	—
e) Miscellaneous income			37,38.35	32,45.70
			<u>62,67.42</u>	<u>32,45.70</u>
<b>XV RAW MATERIALS AND COMPONENTS CONSUMED</b>				
Stock acquired from transferor company				
Raw materials			1,05,21.26	—
Work-in-process			76,47.77	—
Finished goods			24,52.02	—
			2,06,21.05	—
Purchase of raw materials and components			38,47,62.64	—
			<u>40,53,83.69</u>	<u>—</u>
Total (A)				
Less: Closing stock				
Raw materials			1,29,96.06	—
Work-in-process			1,10,84.82	—
Finished goods			23,15.94	—
			2,63,96.82	—
Total (B)			<u>2,63,96.82</u>	<u>—</u>
(A-B)			<u>37,89,86.87</u>	<u>—</u>
<b>XVI SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES</b>				
* a) Salaries, wages and allowances			5,33,38.79	24,88.66
* b) Workmen and staff welfare expenses			1,23,30.94	—
* c) Contribution to provident and other funds			80,78.20	2,59.62
* d) Stores and tools consumed			35,68.90	—
* e) Power and fuel			3,29,29.29	—
* f) Rent			9,42.27	—
* g) Rates and taxes			1,29,87.49	5.25
* h) Repairs and maintenance				
i) on buildings			31,61.70	—
ii) on machinery			1,53,94.93	—
iii) on other assets			16,20.22	—
* i) Insurance			28,85.59	—
* j) Audit fees			3,34.80	54.00
* k) Other expenses			3,86,50.54	15.32
			<u>18,62,23.66</u>	<u>28,22.85</u>
* net of recoveries				
<b>XVII INTEREST (NET)</b>				
a) On fixed loans			46,66.76	—
b) Others			20,99.42	—
			67,66.18	—
Less : Interest income on advances and deposits (gross)			1,20.61	—
			<u>66,45.57</u>	<u>—</u>

# SUNDARAM AUTO COMPONENTS LIMITED

## Schedules – (continued)

SCHEDULES	Rupees in thousands		Rupees in thousands	
	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
<b>XVIII NOTES ON ACCOUNTS</b>				
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 – 5 Net profit or loss for the period, prior period items and changes in accounting policies	Nil	Nil		
e) AS – 6 Depreciation accounting: i) 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 the assets added/sold during the year, pro-rata depreciation has been provided at the rates prescribed under schedule XIV of the Companies Act 1956. ii) Depreciation in respect of computers and vehicles has been provided @ 30% and 18% respectively which is higher than the rate prescribed in schedule XIV of the Companies Act, 1956. iii) Depreciation in respect of moulds has been provided based on the quantity of components manufactured. iv) Depreciation in respect of assets acquired during the year whose actual cost does not exceed Rs. 5000/- has been provided at 100%.				
f) AS – 9 Revenue recognition: The income of the company is derived from sale of rubber and plastics components and include realised exchange fluctuations on exports. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. Dividend from investments in shares is recognised when the company in which they are held declares the dividend and when the right to receive the same is established. The revenue and expenditure are accounted on a going concern basis.				
g) AS – 10 Accounting for Fixed assets: All the fixed assets are valued at cost including expenditure incurred in bringing them to usable condition less depreciation.				
			Cost of vehicles include vehicles acquired under finance lease.	11,60.15
			h) AS – 11 Accounting for effects in Foreign exchange rates: Purchase of imported raw materials, components and spares are accounted based on retirement memos from banks. In respect of liabilities on import of raw materials, components and spares for which invoices/bills are not received, the liability is accounted based on the market exchange rates prevailing on the date of the balance sheet. Sales include realised exchange fluctuation on exports. Net exchange difference	
			a) Debited to Profit and Loss Account.	5,58.42
			b) Credited to carrying amount of fixed assets	1,42.87
			i) AS – 13 Accounting for Investments: Investments are valued at cost.	Nil
			j) AS – 15 Accounting for retirement benefits: i) Contributions to provident fund are made to a recognised Trust in respect of excluded employees. In respect of other employees, the contribution is made to Government. ii) Provision for leave salary to employees is made on the basis of actuarial valuation. iii) Provision for pension for senior managers is made on actuarial valuation basis for current and past services. iv) Contributions to gratuity and superannuation fund are made to Life Insurance Corporation of India in accordance with the scheme framed by the corporation.	Nil
			k) AS – 16 Borrowing cost: The borrowing cost has been treated in accordance with Accounting Standard on Borrowing costs (AS 16) issued by The Institute of Chartered Accountants of India. During the year, there were no borrowings attributable to qualifying assets and hence no borrowing costs have been capitalised.	
			l) AS – 17 Segment reporting: The company operates in only one segment viz., Automotive Components. Hence the Accounting Standard (AS 17) - Segment reporting is not applicable.	
			m) AS – 18 Related party disclosures: Disclosure is made as per the requirements of the standard and the same is annexed.	

# SUNDARAM AUTO COMPONENTS LIMITED

## Schedules – (continued)

### XVIII NOTES ON ACCOUNTS – (continued)

		Rupees in thousands				Rupees in thousands	
		As at / Year ended 31-03-2004	As at / Year ended 31-03-2003	Sl. No.	Particulars of transactions with related parties	As at / Year ended 31-03-2004	As at / Year ended 31-03-2003
n)	AS – 19 Accounting of leases:			1.	Sale of goods		
	i) Asset acquired under finance lease - Vehicle				- holding company	45,61,93.01	—
	- Original cost	11,60.15	—		- ultimate holding company	12,30,88.29	—
	ii) The net carrying amount as on the balance sheet date	9,28.12	—	2.	Rendering of services		
	iii) Minimum lease payments				- holding company	32,00.00	—
	- not later than one year - not discounted	5,03.45	—	3.	Receiving of services		
	- later than one year but not later than five years - not discounted	5,96.46	—		- holding company	86,35.31	—
	- later than five years - not discounted	—	—		- ultimate holding company	10,28.13	—
	iv) Present value of Minimum lease payments				Fellow subsidiaries:		
	- not later than one year - discounted	3,68.94	—		- TVS Electronics Ltd.	11,71.17	—
	- later than one year but not later than five years - discounted	3,67.19	—		- TVS Finance and Services Ltd.	7,45.39	—
	- later than five years - discounted	—	—	4.	Trade advances received during the year		
	v) Contingent rents recognised as income in the statement of profit and loss account	—	—		- holding company	6,63,00.00	—
	vi) The total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases as on 31st March 2004	—	—	5.	Trade advances repaid during the year		
	vi) General description of the leasing arrangements				- holding company	1,47,00.00	—
	- Nature of facility : Finance lease				- ultimate holding company	50.00	—
	- Restriction imposed by lease arrangement - Nil -			6.	Amount outstanding as at Balance Sheet date:		
					Amount payable		
					- holding company	5,63,65.14	—
					Fellow subsidiaries:		
					- TVS Electronics Ltd.	27.66	—
					- TVS Finance and Services Ltd.	11,03.16	—
					Amount receivable		
					- ultimate holding company	13,24.26	—
				2.	Share capital		
					The entire share capital is held by the holding company, M/s. TVS Motor Company Limited, Chennai, which is a subsidiary company of M/s. Sundaram - Clayton Limited, Chennai, the ultimate holding company.		
				3.	Sundry creditors include:		
					a) Amount due to small scale industrial units	1,26,67.19	—
					b) Amount due to other industrial units	5,71,29.92	—
					<b>Amount payable to small scale industrial units - outstanding for more than 30 days (The company's payment terms is 45 days)</b>		
					A.K. Associates, Acma Tools, Aranthatangi Chemicals (P) Ltd., Aravind Auto Spares, Asian Packagings, Auto Comps, Balaji Industrial Components, Bharath Packagings, Buyers Engineers (P) Ltd., Chennai Engineers, G1 Auto (P) Ltd., Glow Impressors, Guardian Anti Corrosives (P) Ltd., Harmen Manufacturing Co. (P) Ltd., Image Labels (P) Ltd., J.C. Engineering Works, Jagadeesan Industries, Jaycee Industries, Kamadhenu Enterprises, Kerbkonus Fasteners (P) Ltd., Lakshmi Designers, Metal Comps (India) (P) Ltd., Micro Tech, Mini Nuts, Numann Industries, Praveen Engg. Industries, Premier Plastics, Raghavendra Fabricators, Siddharth Polymers (P) Ltd., Singh Plasticisers & Resins (I) Pvt. Ltd., Sri Jothi Engg., Sri Lakshmi Packagings, STS Engg. Services, Suma Springs (P) Ltd., Supreme Packages, Suriya Plastics, Synthel Paraffins (India) Ltd., V R Automats, Welmach Engg., Yen Yes Industries.		
m)	Annexure to AS-18 Related Party disclosure						
	Reporting entity	Sundaram Auto Components Limited, Chennai					
	List of related Parties :						
	Holding Company	TVS Motor Company Limited, Chennai					
	Ultimate holding company	Sundaram-Clayton Limited, Chennai					
	Fellow subsidiaries						
	a)	TVS Electronics Limited, Chennai					
	b)	Anusha Investments Limited, Chennai					
	c)	Harita Stocks Limited, Chennai					
	d)	TVS Investments Limited, Chennai					
	e)	TVS Finance and Services Ltd., Chennai					

# SUNDARAM AUTO COMPONENTS LIMITED

## Schedules – (continued)

### XVIII NOTES ON ACCOUNTS – (continued)

		Rupees in thousands			
		As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003		
4	Sundry debtors include:				Rupees in thousands
	Amount due from a company under the same management viz.,				As at/ Year ended 31-03-2004
	M/s. Sundaram-Clayton Limited, Chennai	13,24.26	—		
5	Deposits include:				
	a) Deposits with Central excise	85.11	—		
6	Contingent liability not provided for:				
	a) On counter guarantee given to banks	73,42.13	—		
	b) Capital commitments not provided for	1,61,56.43	—		
7	Liability disputed and not provided for:				
	a) Excise	8,05.92	—		
8	Audit fees comprise:				
	a) As auditors	2,70.00	54.00		
	b) Taxation matters	32.40	—		
	c) Tax representation/certification	32.40	—		
9	Contribution to provident and other funds include:				
	a) Contribution towards gratuity as per scheme framed by Life Insurance Corporation of India	17,48.22	—		
	b) Contribution towards pension fund	22,30.26	—		
10	Tax deducted at source on:				
	a) Interest receipts	11.51	—		
	b) Sub-contract receipts	17.66	—		
	c) Service income	1.15	—		
	d) Professional services rendered	1,71.56	1,68.00		
11	Repairs include:				
	a) Wages	18,67.42	—		
	b) Stores consumed	18,48.94	—		
12	Other expenses include:				
	a) Travel and stay expenses of auditors	19.38	2.00		
13	Previous year's figures are not comparable with those of the current year as the company did not have any manufacturing operations during the previous year. The company acquired the assets and liabilities of businesses of Rubber and Plastics divisions of M/s. Lakshmi Auto Components Limited, Chennai pursuant to the order of the Hon'ble High Court of Judicature at Madras with effect from 1st April 2003.				
H. LAKSHMANAN Director	V.N. VENKATANATHAN Director	As per our report annexed For Sundaram & Srinivasan Chartered Accountants			
Chennai June 28, 2004	R. MADHAVAN Secretary	M. BALASUBRAMANIAM Partner			
				<b>14</b>	<b>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)</b>
					Rupees in thousands
					As at/ Year ended 31-03-2004
				I	RAW MATERIALS CONSUMED
				1 a)	Basic raw materials
					Quantity in kgs.
					Value
					1,24,32.99
					2,06,06.05
					2,07,98.17
					1,88,88.55
					2,18,76.82
					5,14,99.99
					5,72,97.34
					70,53.99
					32,30.74
					4,13,80.81
				b)	Intermediates and components
					Metal Inserts (in nos.)
					14,910,138
					3,37,22.96
					9,34,99.43
					(which do not account for more than 10% of the total value of consumption)
					Total
					38,22,87.84
				2	CONSUMPTION OF RAW MATERIALS AND COMPONENTS
					% of total consumption
					Value
				a)	Indigenous
					82.5
				b)	Imports
					17.5
					Total
					100.0
					31,52,31.88
					6,70,55.96
					38,22,87.84
				II	CONSUMPTION OF MACHINERY SPARES
				a)	Indigenous
					91.7
				b)	Imports
					8.3
					Total
					100.0
					22,08.69
					1,98.84
					24,07.53
				III	IMPORTS (CIF VALUE)
				a)	Raw materials
					6,98,87.30
				b)	Stores and spares
					1,98.89
				c)	Capital goods
					5,76.97
				IV	OTHER EXPENDITURE IN FOREIGN EXCHANGE
				a)	Warehousing and logistics services
					10,66.88
				b)	Welfare - Training
					20,39.17
				c)	Travel
					8,51.44
				V	EARNINGS IN FOREIGN EXCHANGE
				a)	F.O.B. value of Exports
					3,06,04.68
				b)	Freight and insurance
					12,34.95
				VI	SALE BY CLASS OF GOODS
					Quantity in nos.
					Value
				a)	Rubber moulded components
					30,559,564
					16,27,71.13
				b)	Plastic moulded components
					15,079,583
					45,46,10.16
				c)	Air brake hoses (in mtrs.)
					901,714
					2,94,79.55
				d)	Moulds
					28
					51,67.00
					Total
					65,20,27.84
				VII	GROSS INCOME FROM SUB-CONTRACT WORK RENDERED
					1,16.71

# SUNDARAM AUTO COMPONENTS LIMITED

## Schedules – (continued)

### XVIII NOTES ON ACCOUNTS – (continued)

#### VIII OPENING AND CLOSING STOCK OF GOODS PRODUCED DURING THE YEAR

Rupees in thousands

	Year ended 31st March 2004					
	Stock acquired from transferor company as at 01-04-2003		Production meant for sale 01-04-2003 to 31-03-2004		Closing stock As at 31-03-2004	
	Quantity nos.	Value	Quantity nos.	Quantity nos.	Value	
a) Rubber moulded components	96,064	19,22.95	30,534,275	70,775	23,05.50	
b) Plastic moulded components	38,520	5,27.29	15,046,866	5,803	10.15	
c) Air brake hoses (in mtrs.)	10	1.78	901,714	10	0.29	
d) Moulds	—	—	28	—	—	
Total		<u>24,52.02</u>			<u>23,15.94</u>	
H LAKSHMANAN Director	V N VENKATANATHAN Director		R. MADHAVAN Secretary		As per our report annexed For Sundaram & Srinivasan Chartered Accountants	
Chennai June 28, 2004					M. BALASUBRAMANIAM Partner	

#### Cash Flow Statement

	Rupees in thousands		Rupees in thousands	
	Year ended 31-03-2004	Year ended 31-03-2003	Year ended 31-03-2004	Year ended 31-03-2003
<b>A. Cash flow from operating activities</b>				
Profit before current tax, deferred tax and extraordinary items	5,63,53.83	4,22.85		
Depreciation	1,85,18.21	—		
Depreciation on sale/scraping of assets	(3.11)	—		
Tax relating to earlier years	(14.71)	—		
Interest paid-reconsidered under financing activity	67,66.18	—		
Interest received - reconsidered under investing activity	(1,20.61)	—		
Dividend received - reconsidered under investing activity	(14.00)	—		
Lease income - reconsidered under investing activity	(37.11)	—		
	<u>2,50,94.85</u>	<u>—</u>		
Operating profit before working capital changes	8,14,48.68	4,22.85		
Adjustments for				
Inventory	(3,93,17.54)	—		
Trade receivables	(8,05,57.53)	7,09.53		
Loans and advances	(2,65,38.96)	—		
Trade payables	9,53,32.92	61.08		
Provisions	<u>30,03.16</u>	<u>—</u>		
	<u>(4,80,77.95)</u>	<u>7,70.61</u>		
Cash generated from operations	3,33,70.73	11,93.46		
Direct taxes paid	1,69,52.00	2,20.00		
Net cash from operating activities - (A)	<u>1,64,18.73</u>	<u>9,73.46</u>		
<b>(B) Cash flow from investing activities</b>				
Acquisition of fixed assets	(23,33,08.71)	—		
Sale of fixed assets	8.46	—		
Capital work-in-progress	(31,97.51)	—		
Investments of transferor company	(1,70.00)	—		
Interest received	1,20.61	—		
Dividend received	14.00	—		
Lease income	<u>37.11</u>	<u>—</u>		
	<u>(23,64,96.04)</u>	<u>—</u>		
Net cash used in investing activities - (B)	<u>(23,64,96.04)</u>	<u>—</u>		
<b>(C) Cash flow from financing activities</b>				
Issue of share capital	2,45,00.00	—		
Share premium	9,80,00.00	—		
Reserves consequent to amalgamation	4.07	—		
Secured loans of transferor company	2,24,14.05	—		
Unsecured loans of transferor company	3,30,50.00	—		
Unsecured loans availed during the year	6,63,00.00	—		
Repayment of unsecured loans	(1,47,50.00)	(19,50.00)		
Interest paid	<u>(67,66.18)</u>	<u>—</u>		
	<u>22,27,51.94</u>	<u>(19,50.00)</u>		
Net cash from financing activities - (C)	<u>22,27,51.94</u>	<u>(19,50.00)</u>		
<b>(D) Net increase / (decrease) in cash and cash equivalent (A+B+C)</b>	26,74.63	(9,76.54)		
Cash and cash equivalents at the beginning of the year	53.86	10,30.40		
Cash and cash equivalents at the end of the year	27,28.49	53.86		
<b>Notes:</b>				
1. The above statement has been prepared in indirect method except in case of interest, dividend and purchase of investments which have been considered on the basis of actual movement of cash.				
2. Cash and cash equivalent represent cash and bank balances.				

H. LAKSHMANAN  
Director

V. N. VENKATANATHAN  
Director

R. MADHAVAN  
Secretary

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2004

M. BALASUBRAMANIAM  
Partner

Balance Sheet abstract and company's general business profile

I. Registration details:

Registration no.  of  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  Total assets

Sources of Funds

Paid up capital  Reserves and Surplus   
 Secured loans  Unsecured loans   
 Deferred tax liability

Application of Funds

Net fixed assets  Capital work-in-progress   
 Investments  Net current assets   
 Misc. expenditure

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

Turnover (includes other income)  Total Expenditure   
 Profit before tax  Profit after tax   
 Earnings per share (Rs)  Dividend rate (%)

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

Product Description	Item Code No. (ITC Code:)
Airbrake Hoses	<input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="0"/>
Rubber Moulded Components	<input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="."/> <input type="text" value="9"/> <input type="text" value="9"/>
Plastic Moulded Components	<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"/>



Consolidated Balance Sheet as at 31st March 2004

	Schedule number		Rupees in crores	
			As at 31-03-2004	As at 31-03-2003
<b>I SOURCES OF FUNDS</b>				
<b>1 Shareholders' funds</b>				
(a) Capital	I	23.75	23.10	
(b) Reserves and Surplus	II	<u>538.45</u>	<u>421.87</u>	444.97
<b>2 Loan funds</b>				
(a) Secured loans	III	39.74	61.55	
(b) Unsecured loans	IV	<u>82.39</u>	<u>87.19</u>	148.74
<b>3 Deferred tax liability (net of deferred tax asset)</b>				
			123.93	101.95
<b>4 Minority interest</b>				
			—	24.88
Total			<u>808.26</u>	<u>720.54</u>
<b>II APPLICATION OF FUNDS</b>				
<b>1 Fixed Assets</b>				
(a) Gross block		1,156.99	998.76	
(b) Less : Depreciation		<u>439.76</u>	<u>366.48</u>	
(c) Net block	V		717.23	632.28
(d) Capital work-in-progress	VI		9.84	30.66
<b>2 Investments</b>				
	VII		99.22	62.31
<b>3 Current assets, loans and advances</b>				
(a) Inventories	VIII	220.48	220.68	
(b) Sundry debtors	IX	57.33	55.31	
(c) Cash and bank balances	X	18.27	83.06	
(d) Other current assets	XI	0.19	—	
(e) Loans and advances	XII	<u>143.96</u>	<u>92.77</u>	
Total (A)		<u>440.23</u>	<u>451.82</u>	
<b>Current liabilities and provisions</b>				
(a) Current liabilities	XIII	427.75	421.66	
(b) Provisions	XIV	<u>43.41</u>	<u>34.87</u>	
Total (B)		<u>471.16</u>	<u>456.53</u>	
Net current assets (A-B)			(30.93)	(4.71)
<b>4 Miscellaneous expenditure to the extent not written off or adjusted</b>				
	XV		12.90	—
Total			<u>808.26</u>	<u>720.54</u>
<b>5 Notes on accounts</b>				
	XXI			

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2004

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

Consolidated Profit and Loss Account for the year ended 31st March 2004

Rupees in crores

	Schedule number	Year ended 31-03-2004	Year ended 31-03-2003
Gross sales		3,290.45	3,130.63
Less: Excise duty		<u>444.10</u>	<u>409.89</u>
Net sales		2,846.35	2,720.74
Other Income	XVI	36.52	21.04
Raw materials and components consumed	XVII	1,854.51	1,769.13
Labour charges		1.17	2.41
Salaries and wages, stores consumed and other expenses	XVIII	723.52	635.13
Miscellaneous expenditure	XIX	—	0.47
<b>Profit before interest, depreciation and tax</b>		<b>303.67</b>	<b>334.64</b>
Interest (net)	XX	1.88	7.20
Depreciation		81.74	94.46
<b>Profit before tax</b>		<b>220.05</b>	<b>232.98</b>
Provision for taxation		56.11	73.44
Provision for deferred tax		21.96	12.03
Pro-rata share of loss of associate		3.78	8.49
<b>Profit for the year (after tax)</b>		<b>138.20</b>	<b>139.02</b>
Balance profit brought forward		36.68	23.17
Transfer from Debenture redemption reserve		9.90	9.90
Investment allowance reserve withdrawn		3.04	—
Profit of transferor company for 1st April 2003		0.04	—
Tax relating to earlier years		—	1.43
Profit for the year (after tax)		138.20	139.02
Total		<u>187.86</u>	<u>173.52</u>
Tax relating to earlier years		0.74	—
I Interim dividend paid		14.78	11.55
II Interim dividend payable		16.63	16.17
Provision for dividend tax		4.25	2.68
Profit relating to minority shareholders		—	6.44
Transfer to general reserves		121.85	100.00
Balance surplus carried forward to Balance Sheet		29.61	36.68
Total		<u>187.86</u>	<u>173.52</u>
Nominal value of each share in rupees		1.00	1.00
Earnings per share in rupees ( 23,75,43,557 shares - last year 23,10,00,700 shares)		5.83	6.02
Diluted earnings per share in rupees		5.83	6.02

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2004

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

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

### Consolidated Schedules

	Rupees in crores	
	As at 31-03-2004	As at 31-03-2003
<b>I CAPITAL</b>		
Authorised		
25,00,00,000 (Last year 2,50,00,000) Equity shares of Re.1/- each (Last year Rs. 10/- each)	25.00	25.00
	<u>25.00</u>	<u>25.00</u>
Issued, subscribed and paid-up		
(a) 23,10,00,700 (Last year 2,31,00,070) Equity shares of Re.1/- each (last year Rs. 10/- each) fully paid	23.10	23.10
Out of the above, 23,10,00,000 (last year 2,31,00,000) equity shares of Re. 1/-each (last year Rs. 10/- each) were allotted for consideration other than cash.		
(b) 65,42,857 Equity shares of Re. 1/- each are to be allotted to the shareholders of erstwhile transferor company on the basis of 10 equity shares of Re. 1/- each in the company for every 7 equity shares of Rs. 10/- each held by them in the transferor company viz. Lakshmi Auto Components Ltd, Chennai for consideration other than cash i.e. the shares are to be allotted on consideration for transfer and vesting of the assets and liabilities of the said transferor company in terms of the scheme of amalgamation approved by the Hon'ble High Court of Judicature at Madras. These shares have since been allotted on 24th April 2004.	0.65	—
	<u>23.75</u>	<u>23.10</u>
<b>II RESERVES AND SURPLUS</b>		
(a) Capital reserves		
(i) On shares forfeited		
As per last Balance Sheet (Rs. 20,700/-)	—	—
Add : Transfer on amalgamation (Rs. 34,500/-)	—	—
Total (Rs. 55,200/-)	<u>—</u>	<u>—</u>
(ii) On surplus arising out of amalgamation of Lakshmi Auto Components Limited, Chennai.	6.43	—
(iii) On consolidation of subsidiary accounts		
As per last Balance Sheet	22.02	22.02
Less : Pro-rata loss of the associate prior to acquisition of control	<u>4.05</u>	<u>4.05</u>
	17.97	17.97
Add : Share of profit prior to acquisition of control	<u>0.08</u>	<u>—</u>
	18.05	17.97
Less : Cancellation of shares on account of amalgamation	<u>22.02</u>	<u>—</u>
	(3.97)	17.97
(b) Investment allowance (utilised) reserve		
As per last Balance Sheet	1.78	
Add : Transfer on amalgamation	<u>1.26</u>	
	3.04	
Less : Withdrawn during the year	<u>3.04</u>	1.78
(c) Debenture redemption reserve		
As per last Balance Sheet	19.80	
Less : Withdrawn during the year	<u>9.90</u>	
	9.90	19.80
(d) General reserve		
As per last Balance Sheet	345.64	
Add : Transfer on amalgamation	28.99	
Add : Transfer from Profit and Loss Account	<u>121.85</u>	
	496.48	345.64
(e) Surplus		
Balance in Profit and Loss Account	<u>29.61</u>	<u>36.68</u>
	<u>538.45</u>	<u>421.87</u>
<b>III SECURED LOANS</b>		
(a) 15.5% Secured Non-Convertible Debentures		
Secured on pari passu basis by hypothecation of movable properties except book debts and by deposit of title deeds in respect of immovable properties	19.80	39.60
(b) From banks		
(i) Secured by a first charge on the fixed assets of a division of the company	12.30	16.30
(ii) Secured by hypothecation of present and future inventories and receivables and also by a second charge on the fixed assets of a division	—	2.36
(iii) Secured by hypothecation of inventory and receivables and equitable charge on movable machineries and land and buildings of a division	2.24	1.86
(iv) Secured by hypothecation of present and future inventories and receivables	<u>5.40</u>	<u>1.43</u>
	<u>39.74</u>	<u>61.55</u>

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

### Consolidated Schedules - (continued)

							Rupees in crores	
							As at	As at
							31-03-2004	31-03-2003
<b>IV UNSECURED LOANS</b>								
(a) From banks							0.02	21.03
(b) From others							73.31	57.68
(c) Other deposits							9.06	8.48
							<u>82.39</u>	<u>87.19</u>
<b>V FIXED ASSETS</b>								
Description	Land	Buildings	Plant & machinery, tools, dies and jigs	Furniture & fixtures, equipments	Vehicles	Other fixed Assets @	Total As at 31-03-2004	Total As at 31-03-2003
<b>Cost of assets</b>								
As at 01-04-2003	47.58	106.84	800.14	35.95	9.34	—	999.85	823.92
Additions	2.23	17.96	156.20	6.85	2.18	4.12	189.54	204.01
Sales/deletion	2.21	4.42	24.45	0.95	0.37	—	32.40	29.17
Total	47.60	120.38	931.89	41.85	11.15	4.12	1,156.99	998.76
<b>Depreciation</b>								
Upto 31-03-2003	—	16.64	325.76	21.50	2.58	—	366.48	296.77
For the year	—	3.88	68.68	5.34	1.78	2.06	81.74	94.46
Withdrawn on assets sold/deleted	—	0.42	7.33	0.57	0.14	—	8.46	24.75
Total	—	20.10	387.11	26.27	4.22	2.06	439.76	366.48
<b>Written down value</b>								
As at 31-03-2004	47.60	100.28	544.78	15.58	6.93	2.06	717.23	
As at 31-03-2003	46.49	90.20	474.38	14.45	6.76	—		632.28

@ vide note 1(s)

@@ includes Rs 1.09 crores being cost of land held by subsidiary company

							Rupees in crores	
							As at	As at
							31-03-2004	31-03-2003
<b>VI CAPITAL WORK-IN-PROGRESS</b>								
(a) Building under construction							2.26	1.59
(b) Machinery in transit/installation							7.58	29.07
							<u>9.84</u>	<u>30.66</u>
<b>VII INVESTMENTS (AT COST)</b>								
(a) Trade - quoted					4.40			
Less: Pro-rata share in the loss of associate company					<u>3.78</u>	0.62	4.40	
(b) Non-trade - quoted						68.29	27.60	
Total quoted investments					(A)	<u>68.91</u>	<u>32.00</u>	
(Market value of quoted investments - Rs. 88.18 crores - Last year Rs. 44.33 crores)								
(c) Trade - unquoted						30.31	30.31	
(d) Non-trade - unquoted (Rs. 37,700/- last year Rs. 37,800/-)						—	—	
Total unquoted investments					(B)	<u>30.31</u>	<u>30.31</u>	
Total Investments					(A+B)	<u>99.22</u>	<u>62.31</u>	
Short term investments						68.26	27.58	
Long term investments						30.96	34.73	
Total investments						<u>99.22</u>	<u>62.31</u>	

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

### Consolidated Schedules - (continued)

	Rupees in crores	
	As at 31-03-2004	As at 31-03-2003
<b>VIII INVENTORIES</b>		
* Raw materials and components	44.20	42.76
* Work-in-process	16.63	17.70
* Finished goods	101.75	106.95
* Stock of dies, moulds and tools	42.29	37.40
* Stores	14.21	12.09
Goods-in-transit	1.40	3.78
	<u>220.48</u>	<u>220.68</u>
* (as certified by chairman & managing director)		
<b>IX SUNDRY DEBTORS - UNSECURED CONSIDERED GOOD</b>		
(a) Debts outstanding for a period exceeding six months	3.38	8.26
(b) Other debts	53.95	47.05
	<u>57.33</u>	<u>55.31</u>
<b>X CASH AND BANK BALANCES</b>		
(a) Cash and cheques on hand	0.16	0.11
(b) With scheduled banks		
i) in current accounts	3.54	39.01
ii) in cash credit accounts	8.52	19.60
iii) in term deposit accounts	6.05	24.34
	<u>18.27</u>	<u>83.06</u>
<b>XI OTHER CURRENT ASSETS</b>		
Interest accrued on non-trade quoted investments	0.19	—
	<u>0.19</u>	<u>—</u>
<b>XII LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD</b>		
(a) Advances recoverable in cash or in kind or for value to be received	119.56	84.00
(b) Inter corporate deposits	10.31	5.00
(c) Other deposits	2.07	2.05
(d) Advance payment of income tax less provisions	12.02	1.72
	<u>143.96</u>	<u>92.77</u>
<b>XIII CURRENT LIABILITIES</b>		
Sundry creditors	427.75	421.66
	<u>427.75</u>	<u>421.66</u>
<b>XIV PROVISIONS</b>		
(a) Provision for pension fund	21.63	14.38
(b) Provision for leave salary	3.02	1.64
(c) Interim dividend payable	16.63	16.17
(d) Provision for dividend tax	2.13	2.68
	<u>43.41</u>	<u>34.87</u>
<b>XV MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)		
(a) Expenditure pending allocation	2.19	—
(b) New product launch expenses	10.71	—
	<u>12.90</u>	<u>—</u>

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

### Consolidated Schedules - (continued)

	Rupees in crores	
	Year ended 31-03-2004	Year ended 31-03-2003
<b>XVI OTHER INCOME</b>		
(a) Miscellaneous income	26.33	13.11
(b) Dividend Income	9.12	0.04
(c) Profit on sale of fixed assets	0.12	0.23
(d) Profit on sale of investments	0.95	7.66
	<u>36.52</u>	<u>21.04</u>
<b>XVII RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening stock:		
Raw materials	42.76	37.40
Work-in-process	17.70	17.40
Finished goods	106.95	67.57
	<u>167.41</u>	<u>122.37</u>
Purchase of raw materials and components	1,849.68	1,814.17
Total (A)	<u>2,017.09</u>	<u>1,936.54</u>
Closing stock:		
Raw materials	44.20	42.76
Work-in-process	16.63	17.70
Finished goods	101.75	106.95
Total (B)	<u>162.58</u>	<u>167.41</u>
(A - B)	<u>1,854.51</u>	<u>1,769.13</u>
<b>XVIII SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES</b>		
* (a) Salaries, wages and allowances	104.61	87.14
* (b) Workmen and staff welfare expenses	17.54	15.88
* (c) Contribution to provident and other funds	18.97	15.63
* (d) Stores and tools consumed	37.88	32.69
* (e) Power and fuel	32.63	29.96
* (f) Rent	5.96	6.80
(g) Rates and taxes	31.26	30.09
* (h) Repairs and maintenance:		
(i) buildings	5.16	4.82
(ii) machinery	25.96	24.53
(iii) other assets	2.63	1.77
(i) Insurance	2.95	2.86
(j) Directors' sitting fees	0.03	0.03
(k) Commission to independent directors	0.22	0.09
(l) Audit fees	0.26	0.17
* (m) Travel and conveyance	16.53	11.52
* (n) Packing and freight charges	72.23	66.27
* (o) Advertisement and publicity	105.57	105.94
* (p) Other marketing expenses	151.96	95.70
* (q) Other expenses	82.13	86.47
(r) Royalty	—	2.88
(s) Commission to selling agents	0.72	0.39
(t) Cash discount	8.00	10.46
(u) Loss on sale / scrapping of fixed assets	0.32	3.04
	<u>723.52</u>	<u>635.13</u>
* net of recoveries		

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

### Consolidated Schedules – (continued)

	Rupees in crores	
	Year ended 31-03-2004	Year ended 31-03-2003
<b>XIX MISCELLANEOUS EXPENDITURE WRITTEN OFF</b>		
(a) Debenture issue expenses	—	0.30
(b) Rights issue expenses	—	0.17
	—	0.47
<b>XX INTEREST</b>		
(a) On debentures	3.79	6.86
(b) On fixed loans	1.45	4.82
(c) Others	5.27	3.07
Total (A)	10.51	14.75
Less: Interest income		
(a) On non-trade investments (gross)	0.36	—
(b) On advances and deposits (gross)	8.27	7.55
Total (B)	8.63	7.55
(A-B)	1.88	7.20

	Rupees in crores	
	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
<b>XXI NOTES ON ACCOUNTS</b>		

#### 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 – 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) Raw materials and components consumed | 0.19 | 0.40 |
| (ii) Technical consultancy                | 0.78 | —    |
| (iii) Other expenses                      | —    | 0.08 |

#### (e) 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 last year in respect of tools and dies meant for the manufacture of two-wheelers which were discontinued, depreciation has been provided at 99% of the original cost and the additional depreciation provided on these tools and dies amounted to Rs.17.90 crores.

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 SUBSIDIARY

### Consolidated Schedules – (continued)

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

		Rupees in crores	
		As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
(f)	AS – 9 Revenue recognition		
	The income of the company is derived from sale of automotive vehicles and parts thereof, rubber and plastic components net of trade discount and include realised exchange fluctuations on exports.		
	Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.		
	Dividend from investments in shares is recognised when the company in which they are held declare the dividend and when the right to receive the same is established.		
	The revenue and expenditure are accounted on a going concern basis.		
(g)	AS – 10 Accounting for fixed assets		
	All the fixed assets are valued at cost including expenditure incurred in bringing them to usable condition less depreciation.		
	Land includes land acquired under 20 years lease from Karnataka Industrial Area Development Board (KIADB) at a cost of Rs. 3.86 crores.		
	Buildings include building constructed on leasehold land	1.33	1.33
	Cost of vehicles include vehicles acquired under finance lease	0.74	0.67
(h)	AS – 11 Accounting for effects in foreign exchange rates		
	Purchase of imported raw materials, components, spare parts and capital goods are accounted based on retirement memos from banks. In respect of liabilities on import of raw materials, components, spare parts and capital goods which are in transit and where invoices / bills are not received, the liability is accounted based on the market exchange rates prevailing on the date of the balance sheet.		
	Sales include realised exchange fluctuation on exports.		
	Net exchange difference credited to		
	(a) Profit and Loss Account	1.21	0.63
	(b) Carrying amount of fixed assets	0.25	—
(i)	AS – 13 Accounting for investments		
	Investments are valued at cost.		
	Cost of investments which are not transferable till 8th August 2005	13.50	13.50
(j)	AS – 14 Accounting for Amalgamation		
	With effect from 2nd April 2003 the business of Lakshmi Auto Components Limited, Chennai was transferred to and vested in the company. Accounting for such amalgamation is done by "pooling of interests" method as prescribed in the Accounting Standard as the separate businesses of the amalgamating companies are continued by the transferee company. Under this method, the assets, liabilities and reserves of the transferor company are recorded at their existing carrying amounts as on 2nd April 2003.		
	The gain arising out of the net result of the amalgamation amounting to Rs. 6.43 crores is credited to capital reserves.		
(k)	AS – 15 Accounting for retirement benefits		
	(i) Contributions to provident fund are made to a recognised trust in respect of excluded employees. In respect of other employees the contribution is made to the Government.		
	(ii) Provision for leave salary to employees is made on the basis of actuarial valuation.		
	(iii) Provision for pension for senior managers is made on actuarial valuation basis for current and past services.		
	(iv) Contributions to gratuity and superannuation fund are made to Life Insurance Corporation of India in accordance with the scheme framed by the corporation.		
(l)	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. During the year, there were no borrowings attributable to qualifying assets and hence no borrowing costs were capitalised.		



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

### Consolidated Schedules – (continued)

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

Rupees in crores  
As at/  
Year ended  
31-03-2004

#### (m) AS – 17 Segment reporting

Particulars	Business segment		
	Automotive vehicles	Automotive components	Total
Revenue			
External sales - domestic	2,750.73	22.96	2,773.69
- exports	69.48	3.18	72.66
Inter segment sales		39.07	39.07
Total sales	2,820.21	65.21	2,885.42
Less: Inter segment sales		39.07	39.07
Net revenue	2,820.21	26.14	2,846.35
Segmentwise results before interest and tax	215.74	6.19	221.93
Less: Interest			1.88
Profit before tax			220.05
Taxes			78.07
Pro-rata share of loss of associate			3.78
Profit after tax			138.20
Segment assets	1,268.23	38.52	1,306.75
Segment liabilities	583.13	21.46	604.59
Total cost incurred during the year to acquire segment assets	386.61	38.26	424.87
Segment depreciation	79.89	1.85	81.74
Non-cash expenses other than depreciation	—	—	—

#### Notes:

The company and its 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.

Rupees in crores  
As at/  
Year ended  
31-03-2004  
As at/  
Year ended  
31-03-2003

#### (n) AS – 18 Related party disclosure

Disclosure is made as per the requirements of the standard and the same is annexed.

#### (o) AS – 19 Leases

(i) Asset acquired under finance lease - vehicles – original cost	0.74	0.67
(ii) The net carrying amount as on 31st March	0.37	0.43
(iii) Minimum lease payments		
– not later than one year - not discounted	0.23	0.19
– later than one year but not later than five years - not discounted	0.41	0.56
– later than five years - not discounted	—	—
(iv) Present value of minimum lease payments		
– not later than one year - discounted	0.14	0.12
– later than one year but not later than five years - discounted	0.13	0.20
– 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	

Consolidated Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
(p) AS – 20 Earnings per share			
During the year the company sub-divided the face value of the shares from Rs. 10/- each to Re. 1/- each. Pursuant to the requirements of the Accounting Standard the earnings per share for the last year is also worked out on the basis of the sub-division			
(q) AS – 22 Accounting for taxes on income			
(i) Deferred tax liability consists of:			
– tax on depreciation		94.36	82.84
– tax on R & D capital expenditure		22.11	15.31
– tax on amortisation of dies and moulds		13.32	9.38
– tax on debenture issue expenses		4.73	0.04
– tax on expenses admissible on payment basis under Income-tax Act, 1961		<u>—</u>	<u>0.62</u>
	(A)	<u>134.52</u>	<u>108.19</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		<u>10.59</u>	<u>6.24</u>
	(B)	<u>10.59</u>	<u>6.24</u>
Deferred tax liability (net of deferred tax asset) (A)-(B) refer Balance Sheet		123.93	101.95
(r) 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	
(s) 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			
– Useful life of the asset		2 years	—
– Amortisation rates used		50% each year as depreciation	—
– Gross carrying amounts at the beginning and the end of the period together with additions and deletions during the year			
– Opening balance		—	—
– Additions during the year.		<u>4.12</u>	—
Total		4.12	—
Amortised during the year as depreciation		<u>2.06</u>	—
Closing balance		<u>2.06</u>	—

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

### Consolidated Schedules – (continued)

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

	Rupees in crores	
	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
(ii) Expenditure pending allocation on new products		
– Useful life of the asset	10 years	—
– Amortisation rates used	Not amortised as asset not put to use	—
– Gross carrying amounts at the beginning and at the end of the period together with additions and deletions during the year		
– Opening balance	—	—
– Additions during the year	2.19	—
Total	2.19	—
Amortised / capitalised during the year	—	—
Closing balance	2.19	—
Commitments for the acquisition of the asset	1.05	—
2. Previous year's figures are not comparable with those of the current year as the company has acquired M/s. Lakshmi Auto Components Limited, Chennai with effect from 2nd April 2003. The carrying amounts of the assets and liabilities of M/s. Lakshmi Auto Components Limited, Chennai were accounted by the company pursuant to the order of the Hon'ble High Court of Judicature at Madras.		
3. Debentures		
The 1,00,00,000 15.5% secured redeemable non-convertible debentures issued during the year 1997-98 for Rs. 100 crores are redeemable at par in equal instalments at the end of 4th, 5th, 6th and 7th year.		
Amount of debentures redeemed	19.80	19.80
4. Amount of loan payable within one year:		
(a) Secured - from banks	4.00	4.00
(b) Unsecured - from banks	0.02	21.03
(c) Unsecured - from others	—	8.47
5. Land		
Title deed in respect of lands acquired near Ahmedabad at a cost of Rs. 0.01 crore is yet to be received from the registration authorities.		
6. Sundry debtors (other debts) include amount due from company under the same management - M/s. Sundaram-Clayton Limited, Chennai	0.13	0.65
7. Bank balance includes amount in respect of:		
(a) Unclaimed dividends	0.81	0.74
(b) Unclaimed share application money (Rs.17,200/- last year Rs. 19,000/-)	—	—
8. Loans and advances include:		
(a) Due from an officer of the company	0.05	0.14
(b) Maximum amount due from an officer of the company at any time during the year	0.06	0.15
9. Deposits include:		
(a) Deposit with post office (Rs. 21,500/- last year Rs. 47,500/-)	—	—
(b) Deposit with central excise	0.14	0.26
(c) Deposit with sales tax	0.78	0.72
10. Sundry creditors include :		
(a) Investor Education and Protection Fund		
Unclaimed dividend	0.81	0.74
Unclaimed share application money (Rs .17,200/- last year Rs. 19,000/-)	—	—
(b) Amount due to Small Scale Industrial units	19.71	17.70
(c) Amount due to other Industrial units	272.96	251.42

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

### Consolidated Schedules – (continued)

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

	Rupees in crores	
	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
11. Miscellaneous expenditure not written off :		
(a) Expenditure pending allocation represents expenditure on designs and development of proto types on new product.		
(b) 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.		
12. Contingent liability not provided for :		
(a) On counter guarantee given to banks	3.46	2.51
(b) On letters of credit	29.12	23.87
(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	20.19	4.61
(e) Capital commitments not provided for	22.05	23.47
(f) On obligation arising out of agreements facilitating credit to an associate company	75.00	75.00
13. Liability contested and not provided for:		
(a) Excise	1.58	0.27
(b) Sales tax	3.55	3.16
(c) Electricity tax	0.15	—
(d) Income-tax	5.03	5.52
(e) Employee settlement claims	0.05	0.05
14. Tax deducted at source :		
(a) On interest income	1.15	1.18
(b) On sub-contract receipts	2.65	2.91
(c) On professional services rendered	0.02	—
15. Contribution to provident and other funds include:		
(a) Contribution towards gratuity as per scheme framed by Life Insurance Corporation of India	3.42	3.34
(b) Contribution towards pension fund	7.94	6.02
16. Repairs Include:		
(a) Wages	3.48	3.40
(b) Stores consumed	17.83	13.51
17. Audit fees comprise :		
(a) As auditors	0.18	0.11
(b) Taxation matters	0.03	0.03
(c) Certification matters	0.04	0.02
(d) Cost audit fees	0.01	0.01
Total	0.26	0.17
18. General		
(a) Other expenses include travel and stay expenses of auditors	0.07	0.07
(b) Loss on sale of investments netted against profit on sale of investments	5.64	0.66

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

### Consolidated Schedules – (continued)

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

Rupees in crores  
As at/  
Year ended  
31-03-2004      As at/  
Year ended  
31-03-2003

19. Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

20. Related party disclosure

List of related parties

Reporting entity	TVS Motor Company Limited and its subsidiary Sundaram Auto Components Limited, Chennai
Holding company	Sundaram-Clayton Limited, Chennai
Fellow subsidiaries	(a) Anusha Investments Limited, Chennai (b) TVS Electronics Limited, Chennai (c) Harita Stocks Limited, Chennai (d) TVS Investments Limited, Chennai
Associate company	TVS Finance and Services Limited, Chennai (a subsidiary of TVS Investments Limited, Chennai)
Key management personnel	Mr. Venu Srinivasan
Relative of key management personnel	Mr. Gopal Srinivasan

21. Particulars of transactions with related parties

(a) Purchase of goods		
- holding company	35.06	29.24
- fellow subsidiary	0.47	—
(b) Sale of goods		
- holding company	12.31	9.68
(c) Purchase of fixed assets		
- holding company	—	0.07
- fellow subsidiary (TVS Electronics Limited, Chennai)	0.33	—
(d) Sales of fixed assets		
- holding company	0.18	—
(e) Rendering of services (including interest and sub-contract charges received)		
- fellow subsidiary (Anusha Investments Limited, Chennai)	0.18	0.20
- associate company	0.11	0.86
(f) Receiving of services (including sub-contract charges paid)		
- holding company	42.48	38.83
- fellow subsidiaries	2.61	1.78
- associate company	11.65	1.19
(g) Trade advances made during the year		
- fellow subsidiary (Anusha Investments Limited, Chennai)	5.00	5.00
- associate company	13.50	—
(h) Trade advances received back during the year		
- fellow subsidiary (Anusha Investments Limited, Chennai)	10.00	—
- associate company	13.50	—

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

### Consolidated Schedules – (continued)

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

	Rupees in crores	
	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2003
21. Particulars of transactions with Related Parties (continued)		
(i) Amount outstanding as at Balance Sheet date:		
(i) Sundry debtors		
- holding company	—	0.63
- fellow subsidiaries	—	0.20
(ii) Loans and advances receivable		
- fellow subsidiary (TVS Investments Limited, Chennai)	0.06	5.00
(iii) Sundry creditors		
- holding company	12.21	12.58
- fellow subsidiary	0.01	0.01
- associate company	0.88	0.32
(j) Investments made during the year		
- associate company	—	46.16
(k) Investments sold during the year		
- fellow subsidiary	—	0.05
(l) Obligation arising out of agreements facilitating credit to associate company TVS Finance and Services Limited, Chennai.	75.00	75.00
(m) Remuneration to key management personnel and his relative	1.07	2.46

VENU SRINIVASAN  
*Chairman & Managing Director*

H. LAKSHMANAN  
*Director*

S.G. MURALI  
*Vice President - Finance*

As per our report annexed  
For Sundaram & Srinivasan  
*Chartered Accountants*

Chennai  
June 28, 2004

T.S. RAJAGOPALAN  
*Secretary*

M. BALASUBRAMANIAM  
*Partner*

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

### Consolidated Cash Flow Statement

	Rupees in crores	
	Year ended 31-03-2004	Year ended 31-03-2003
<b>A. Cash flow from operating activities :</b>		
Net Profit before tax and extraordinary items	220.05	232.98
Add :		
Depreciation	81.74	94.46
Depreciation on sale / scrapping of assets	(1.69)	(24.75)
Miscellaneous expenditure written off	—	0.47
Income tax relating to earlier years	(0.74)	1.43
Dividend income	(9.12)	(0.04)
Interest income	(8.63)	(7.55)
Interest expenditure	10.51	14.75
	<u>72.07</u>	<u>78.77</u>
Operating profit before working capital changes	292.12	311.75
Adjustments for :		
Trade receivables	(2.02)	30.64
Inventories	0.20	(66.70)
Other current assets	(0.19)	—
Loans and advances	(40.89)	12.39
Trade payables	6.09	120.74
Provisions	8.63	6.05
	<u>(28.18)</u>	<u>103.12</u>
Cash generated from operations	263.94	414.87
Direct taxes paid	(66.41)	(68.46)
Net cash from operating activities	197.53	346.41
<b>B. Cash flow from investing activities :</b>		
Purchase of fixed assets	(189.54)	(204.01)
Transfer out on hiving off of rubber and plastics divisions of subsidiary company		
Cost of assets	28.00	
Accumulated depreciation	<u>6.77</u>	
	21.23	—
Sale of fixed assets	3.31	29.17
Capital work-in-progress	20.82	(12.27)
Purchase of investments	(1,262.69)	(910.16)
Sale / diminution in value of investments	1,222.00	838.28
Miscellaneous expenditure not written off	(12.90)	—
Interest received	8.63	7.55
Dividends received	<u>9.12</u>	<u>0.04</u>
	<u>(180.02)</u>	<u>(251.40)</u>
Net cash used in investing activities	(180.02)	(251.40)

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

### Consolidated Cash Flow Statement – (continued)

	Rupees in crores	
	Year ended 31-03-2004	Year ended 31-03-2003
<b>C. Cash flow from financing activities :</b>		
Transfer on amalgamation :		
General reserves	28.99	—
Capital reserves	6.51	—
Profit and Loss Account	0.04	—
Investment allowance reserve	1.26	—
Deferred tax	0.02	—
Shares issued to shareholders of Lakshmi Auto Components Limited	0.65	—
Dues to minority shareholders cancelled on account of amalgamation	(24.88)	—
Capital reserve cancelled on amalgamation	(22.02)	—
Repayment of long term borrowings	(25.78)	(60.47)
Unsecured loan availed	—	6.33
Repayment of unsecured loans	(20.43)	(6.81)
Sales tax deferral loan availed	15.63	12.99
Sales tax deferral loan repaid	—	(1.57)
Interest paid	(10.51)	(14.75)
Dividend and dividend tax paid	(35.75)	(11.55)
	<u>(86.27)</u>	<u>(75.83)</u>
Net cash used in financing activities	(86.27)	(75.83)
<b>D. Net increase in cash and cash equivalents :</b>		
	(68.76)	19.18
Cash and cash equivalents at the beginning of the year	81.63	62.45
Cash and cash equivalents at the end of the year	12.87	81.63

#### Notes:

- 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.
- Cash and cash equivalents represent cash and bank balances.

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
June 28, 2004

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner



## Auditors' Report on Consolidated Financial Statement

We have audited the attached consolidated Balance Sheet of TVS Motor Company Limited and its subsidiary viz., Sundaram Auto Components Limited as at 31<sup>st</sup> March 2004, and also the related Profit and Loss Account and the Cash Flow statement for the year then ended. 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.

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 amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statement"

read with Accounting Standard 23 "Accounting for Investments in Associate in Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India, on the basis of the individual financial statements of TVS Motor Company Limited, Chennai, its subsidiary viz., Sundaram Auto Components Limited, Chennai and its associate TVS Finance and Services Limited, Chennai (formerly known as Harita Finance Limited) 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 and its subsidiary as at 31<sup>st</sup> March 2004 and of the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles in India.

For Sundaram & Srinivasan  
*Chartered Accountants*

M. BALASUBRAMANIAM  
*Partner*  
Membership No. F7945

Chennai  
June 28, 2004