

# **TVS MOTOR COMPANY LIMITED**

**Thirteenth Annual Report 2004-2005**

### Board of Directors

VENU SRINIVASAN  
*Chairman & Managing Director*

GOPAL SRINIVASAN

T. K. BALAJI

H. LAKSHMANAN

T. KANNAN

N. GANGA RAM

C. R. DUA

K. S. BAJPAI

T. R. PRASAD

### Audit Committee

T. R. PRASAD  
*Chairman*

N. GANGA RAM

T. K. BALAJI

T. KANNAN

### Investors' Grievance Committee

N. GANGA RAM  
*Chairman*

VENU SRINIVASAN

T. KANNAN

### President

C. P. RAMAN

### Sr. Vice President - Finance

S.G. MURALI

### Secretary

T. S. RAJAGOPALAN

### Auditors

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

### Listing of shares with

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

### Bankers

STATE BANK OF INDIA  
Corporate Accounts Group Branch,  
Greens 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	2004--2005	2003-2004	2002-2003	2001-2002	2000-2001
Sales and other income	2955	2856	2726	1944	1841
Profit before interest, depn., and tax	291	296	284	144	148
Profit before tax	200	215	201	83	82
Profit after tax	138	138	128	54	63
Net fixed assets	770	704	533	440	436
Share capital	24	24	23	23	23
Reserves and surplus	655	551	400	300	334
Networth	609	562	423	323	357
Total borrowings	187	119	122	167	234
Earnings per share (Rs)	5.79	5.83	5.54	2.33	2.71
Dividend per share (Rs)	1.30	1.30	1.20	0.90	0.80
Book value per share (Rs)	25.38	23.42	18.39	14.04	15.52

Note:

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 the split in the par value of the shares.

## Notice to the Shareholders

NOTICE is hereby given that the thirteenth 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 Wednesday, the 17<sup>th</sup> August 2005, 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 2005 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 first interim dividend of Re.0.70 per share declared by the board of directors of the company on 25<sup>th</sup> October 2004 on 23,75,43,557 equity shares of Re.1/- each fully paid and the second interim dividend of Re.0.60 per share declared by the board of directors of the company on 30<sup>th</sup> May 2005 on 23,75,43,557 equity shares of Re.1/- each fully paid, absorbing a sum of Rs. 30.89 crores in the aggregate paid to the shareholders on 8<sup>th</sup> November 2004 and 13<sup>th</sup> June 2005 respectively be and are hereby approved as final dividend for the year ended 31<sup>st</sup> March 2005.

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

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

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

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

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

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

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 subject to the provisions of Sections 198, 269, 309 and 316(2) read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act), the re-appointment of Mr. Venu Srinivasan, as chairman and managing director of the company for a further period of five years from 24<sup>th</sup> April 2005 and the remuneration payable upon such re-appointment by way of commission of a sum

not exceeding 2% of the net profits of the company computed in accordance with the provisions of Sections 349 and 350 of the Act as determined by the board of directors or of a committee thereof for each financial year notwithstanding his holding the office of managing director in M/s. Sundaram-Clayton Limited (SCL), drawing remuneration therefrom be and are hereby approved.

RESOLVED FURTHER THAT Mr.Venu Srinivasan as chairman and managing director be subject to the superintendence, control and direction of the board and shall have all such powers and duties as may be vested in him from time to time, by the board.

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

RESOLVED THAT Mr.T.R Prasad be and is hereby appointed as a director of the company, liable to retire by rotation.

By order of the board

Chennai  
May 30, 2005

T.S. RAJAGOPALAN  
*Secretary*

Registered Office:  
"Jayalakshmi Estates"  
24, 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. 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.
4. Members holding shares in physical form, in their own interest, are requested to dematerialise the shares to avail the benefits of electronic holding / trading.
5. 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.
6. 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.
7. 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.

8. In terms of clause 49 of the listing agreement with stock exchanges, a brief resume of directors who are proposed to be appointed at this meeting is given below:

I Mr. Gopal Srinivasan

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

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

He is a member of the administrative committee of the company. Details of his other directorships and membership of committees are given below:

S. No	Name of the company	Position held	Committee membership/ chairmanship
1	Harita Infoserve Limited	Chairman	—
2	ICICI Venture Funds Management Co. Limited	Director	—
3	Lucas TVS Limited	Director	—
4	Sundaram Industries Limited	Director	—
5	Sundaram Investment Limited	Director	—
6	Sundaram-Clayton Limited	Joint managing director	—
7	T V Sundram Iyengar & Sons Limited	Director	—
8	TVS Finance and Services Limited	Chairman	Shareholders'/Investors' grievance committee - Member
9	TVS Investments Limited	Chairman	—
10	TVS Electronics Limited	Whole time director	Shareholders'/Investors' grievance committee - Member
11	Harita Infoserve Inc., USA	Director	—
12	India Japan Lighting (P) Limited	Director	—
13	Harita Electronics (P) Limited	Director	—

II. Mr. T. K Balaji

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

Mr. Balaji is a member of Development Council for Automobiles & Allied Industries, Government of India. He is the past president of Automotive Component Manufacturers Association of India (ACMA) and was conferred a Special Award by the FIE Foundation of Maharashtra in March 1995 in recognition of his contribution

to the development of automotive component industry. Currently he is a Member of CII National Council.

He is a member of the audit committee of the company. Details of his other directorships and membership/chairmanship of committees are given below:

S. No	Name of the company	Position held	Committee membership/ chairmanship
1	India Nippon Electricals Limited	Chairman	Investors' grievance committee - Chairman
2	Lucas TVS Limited	Managing Director	—
3	Delphi-TVS Diesel Systems Limited	Managing Director	—
4	Lucas Indian Service Limited	Director	—
5	Sundaram-Clayton Limited	Director	Audit committee - Chairman Investors' grievance committee - Member
6	TVS Electronics Limited	Director	Shareholders'/Investors' grievance committee - Member
7	T V Sundram Iyengar & Sons Limited	Director	—
8	Titan Industries Limited	Director	Remuneration committee - Chairman Audit committee - Member
9	TVS Lean Logistics Limited	Director	—
10	Apollo Hospitals Enterprise Limited	Director	—
11	Premier Instruments & Controls Limited	Director	—
12	India Japan Lighting (P) Limited	Chairman	—
13	Harita Electronics (P) Limited	Director	—
14	Hasstham Swasthi (P) Limited	Director	—
15	Punarvasu Swasthi (P) Limited	Director	—

III. Mr. H. Lakshmanan

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

He is a member of the administrative committee of the company. Details of his other directorships and membership/chairmanship of committees are given below:

S. No	Name of the company	Position held	Committee membership/ chairmanship
1	Harita Seating Systems Limited	Director	Investors' grievance committee - Chairman Audit committee - Chairman
2	Harita NTI Limited	Director	—
3	Anusha Investments Limited	Whole time Director	Audit committee - Member

S. No	Name of the company	Position held	Committee membership / chairmanship
4	Harita Stocks Limited	Director	—
5	Sundaram Auto Components Limited	Director	—
6	Auto (India) Engineering Limited	Director	—
7	Sundaram Investment Limited	Director	—
8	TVS Electronics Limited	Director	Audit committee – Member
9	TVS Finance and Services Limited	Director	Shareholders'/Investors' grievance committee-Member Audit committee – Member
10	TVS Investments Limited	Director	Audit committee – Chairman
11	Harita Infoserve Inc., USA	Director	—
12	Harita Infoserve Limited	Director	Audit committee – Chairman
13	Sundaram-Clayton Senior Officers' Welfare Foundation (P) Limited	Director	—
14	Harita Engineering Services (P) Limited	Director	—

IV. Mr. Venu Srinivasan

Born on 11<sup>th</sup> December 1952, Mr. Venu Srinivasan is a Bachelor of Engineering from Madras University and holds M.S degree in management from Purdue University, U S A. Mr. Venu Srinivasan is the managing director of Sundaram-Clayton Limited since May 1979. He has been the chairman of the Confederation of Indian Industry (CII) (southern region) and has been associated with CII for nearly 18 years in various capacities. He was the past president of Automotive Research Association of India, Pune and the society of Indian Automobile Manufacturers. At present, he is a Honorary Consul General of Republic of Korea, Chennai. He is a member of Prime Minister's Council on Trade and Industry. He is a member of National Manufacturing Competitiveness Council, Government of India, headed by Dr. V. Krishnamurthy. He is also a part-time member of Securities and Exchange Board of India.

Mr. Venu Srinivasan has been honoured with various awards, including the HSBC Indo-British Achievement Award, presented in recognition of his active contribution to Indo-British commercial relations. He was also the recipient of "Star of Asia" award of Business Week International. He had been conferred the honorary doctorate degree in science by the University of Warwick, UK for his excellence in manufacturing and contribution in the field of technology and research and development. He is the first Indian industrialist to be honoured by Warwick University. During the year 2004, he was conferred the Qimpro Platinum Standard Award, Jamshedji Tata Life Time Achievement Award by the Indian Society for Quality and J R D Tata Corporate Leadership award by All India Management Association.

He is a member of investors' grievance committee and chairman of administrative committee of the company. Details of his other directorships and membership/chairmanship of committees are given below:

S. No	Name of the company	Position held	Committee membership/ chairmanship
1	Sundaram-Clayton Limited	Managing Director	Investors' grievance committee – Member Administrative committee – Chairman

S. No	Name of the company	Position held	Committee membership/ chairmanship
2	Auto (India) Engineering Limited	Director	—
3	Harita-NTI Limited	Chairman	—
4	TVS Electronics Limited	Chairman	Shareholders' / Investors' grievance committee – Chairman
5	TVS Finance and Services Limited	Director	Shareholders' / Investors' grievance committee – Chairman
6	Lucas TVS Limited	Director	—
7	T V Sundram Iyengar & Sons Limited	Director	—
8	Southern Roadways Limited	Director	—
9	Sundram Textiles Limited	Director	—
10	Sundram Fasteners Limited	Director	—
11	Sundaram Non-conventional Energy Systems Limited	Director	—
12	Cummins India Limited	Director	Compensation and Management Development committee – Chairman Operations committee – Member
13	TVS Lanka Private Limited	Director	—

V. Mr. T.R. Prasad

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

Mr. Prasad's earlier assignments include his positions as Principal Secretary, Industry and Commerce / Urban Development / Revenue, Government of Andhra Pradesh, Chairman, Vizag Port Trust, Special Officer, Municipal Corporation of Hyderabad, Managing Director of Andhra Pradesh State Financial Corporation/ Andhra Pradesh State Civil Supplies Corporation, Development Commissioner and Ex-Officio Secretary to Chief Minister, Secretary, Irrigation and Command Area Development, and Secretary, Planning, Government of Andhra Pradesh.

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

He was a director on the board of IDBI, ICICI, EXIM Bank, VIZAG Steel Plant, Hindustan Shipyard, Nagarjuna Chemicals and Fertilizers and Dredging Corporation of India.

Mr. Prasad took over as Cabinet Secretary, Government of India, on 1<sup>st</sup> November 2000 and held this post for a two year tenure after which he joined the Twelfth Finance Commission as a member and served in that capacity till 31<sup>st</sup> December 2004.

He is the Chairman of the audit committee of directors of the company. He does not hold directorship in any other company.

## 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 30<sup>th</sup> May 2005 and shall be taken as forming part of the notice.

#### Item no. 7

The board of directors of the company at their meeting held on 27<sup>th</sup> January 2005 re-appointed Mr. Venu Srinivasan as chairman and managing director of the company for a further period of five years from 24<sup>th</sup> April 2005.

The terms of re-appointment are as follows:

- (i) Duration:  
5 years (24<sup>th</sup> April 2005 to 23<sup>rd</sup> April 2010)
- (ii) Remuneration:  
Commission not exceeding 2% on the net profits of the company calculated in the manner prescribed under Section 349 and 350 of the Companies Act, 1956, as may be decided by the board of directors or of a Committee thereof for each financial year.
- (iii) Other terms:  
Mr. Venu Srinivasan shall, subject to the superintendence, control and direction of the board of directors, manage and conduct the business and affairs of the company. He shall not be paid any sitting fee for attending meetings of board or committee thereof.  
Mr. Venu Srinivasan is also the managing director of Sundaram-Clayton Limited (SCL), the holding company drawing remuneration by way of salary and perquisites as approved by the shareholders of SCL. The aggregate of remuneration payable to Mr. Venu Srinivasan in both the companies shall not exceed the higher maximum limit admissible from any one of the companies, in terms of Schedule XIII of the Companies Act, 1956.  
The abstract of the terms of re-appointment and memorandum of interest was circulated to members on 7<sup>th</sup> February 2005 pursuant to Section 302 of the Companies Act, 1956.

None of the directors of the company is in any way concerned or interested in the above resolution except Mr. Venu Srinivasan, managing director, Mr. Gopal Srinivasan and Mr. T.K. Balaji, directors, being relatives of Mr. Venu Srinivasan.

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

#### Item no. 8

Mr. T.R.Prasad was appointed as an additional director of the company with effect from 27<sup>th</sup> January 2005. In terms of Section 260 of the Companies Act, 1956, he will hold office only upto the date of this annual general meeting.

Notice has been received from a member of the company under Section 257 of the Companies Act, 1956, alongwith a deposit of Rs.500/- signifying his intention to propose the candidature of Mr. T.R Prasad for the office of director and to move the resolution as set out in item no.8 of this notice.

Mr. T.R.Prasad is deemed to be concerned or interested in the resolution.

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

By order of the board

Chennai  
May 30, 2005

T. S. RAJAGOPALAN  
*Secretary*

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

## Directors' report to the shareholders

The directors present the thirteenth annual report and the audited accounts for the year ended 31<sup>st</sup> March 2005.

### 1. FINANCIAL HIGHLIGHTS

Details	Year ended 31-03-2005	Year ended 31-03-2004	% of growth
<b>QUANTITATIVE</b>			
Sales:			
	(Numbers in lakhs)		
Motorcycles	6.79	7.07	-4.0
Mopeds	2.63	2.51	4.8
Scooters	2.25	1.89	19.0
Total vehicles sold	11.67	11.47	1.7
<b>FINANCIAL</b>			
	(Rupees in crores)		
Sales (net of excise duty) and other income	2955.21	2856.42	3.5
EBITDA	290.87	295.63	-1.6
Interest (net)	0.79	1.21	-34.7
Depreciation	89.63	79.89	12.2
Profit before tax	200.45	214.53	-6.6
Provision for tax (including deferred tax)	62.88	76.04	-17.3
Profit for the year (after tax)	137.57	138.49	-0.7
Surplus brought forward	34.43	32.63	
Tax relating to earlier years	1.42	(0.74)	
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 1 <sup>st</sup> April 2003	–	6.77	
Profit available for appropriation	183.32	190.09	
<b>APPROPRIATIONS:</b>			
Interim dividend	30.89	31.41	
Tax on dividend	4.22	4.25	
Transfer to general reserves	110.00	120.00	
Surplus carried forward	38.21	34.43	

### 2. DIVIDEND

For the year 2004-05, the board of directors declared two interim dividends viz., 70% on 25<sup>th</sup> October 2004 and 60% on 30<sup>th</sup> May 2005, making a total of 130% absorbing a sum of Rs.30.89 crores. The directors recommend that the interim dividends paid be considered as the final dividend for the year 2004-2005.

### 3. SUBSIDIARY

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 2005 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).

### 4. EXPANSION ACTIVITIES

As indicated in the last report, the company is in the process of setting up a manufacturing facility for three wheelers in its existing plants with an initial capacity of 1,00,000 vehicles per annum. The estimated cost of the project is Rs.100 crores.

The company is also in the process of establishing a two-wheeler manufacturing facility at Solan District in Himachal Pradesh with an initial annual capacity of 3,00,000 vehicles at an estimated cost of Rs.90 crores.

Besides, the company is planning to set up a manufacturing unit in Indonesia for two wheelers with an initial annual capacity of 1,20,000 vehicles. The investment proposed to be made for this unit is estimated at Rs.225 crores.

All the above investments will be met partly out of internal accruals and partly by external commercial borrowings. The company has already tied up funds to the tune of US \$ 100 million.

All the above projects are expected to commence commercial production by first half of 2006-2007.

### 5. DIRECTORS

Mr. Venu Srinivasan was re-appointed as chairman and managing director of the company by the board of directors in terms of the articles of association of the company for a further period of five years from 24<sup>th</sup> April 2005 on the existing terms and conditions. Necessary resolution is being placed before the shareholders seeking their approval for his re-appointment and remuneration in the ensuing annual general meeting of the company.

Mr. C.V.R. Panikar, director, resigned from the board with effect from 30<sup>th</sup> May 2005. The directors place on record their appreciation of the invaluable guidance and support rendered by Mr. Panikar to the company during his tenure as a director of the company.

Mr. T.R. Prasad, retired Cabinet Secretary, Government of India was appointed as an additional director by the board on 27<sup>th</sup> January 2005. In terms of Section 260 of the Companies Act, 1956, Mr. Prasad will hold office upto the date of ensuing annual general meeting of the company. Notice has been received from a member of the company proposing his candidature for the office of director in terms of Section 257 of the Companies Act, 1956.

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

### 6. AUDITORS

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



#### 7. 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.

#### 8. 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, 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.

#### 9. ACKNOWLEDGEMENT

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

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

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

For and on behalf of the board

Chennai  
May 30, 2005

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) Heat recovery hot water system has been extended to two plastic paint plants resulting in fuel savings. Both the plastic paint plants have been declared as "Zero Fuel" paint plants.
  - (ii) The Heat recovery at CPP DGs has been implemented at Mysore plant and heat recovery hot water has been supplied for the paint plants pre-treatment process resulted in fuel savings.
  - (iii) The electrical heaters power consumption has been minimised by heating the fuel and oil with waste heat recovery hot water at CPP Mysore.
  - (iv) Central Air Conditioning of "QAD block" and "Seminar hall" has been done with waste heat driven 132 TR VAM AC.

The above measures have resulted in a savings of approximately Rs. 2.30 crores.

2. Proposed measures
  - (i) Implementation of waste heat recovery hot water system to Plant-I paint plant process application and elimination of running of LDO fired boiler.
  - (ii) Implementation of waste heat driven 250 TR VAM AC and supply chilled water for the chiller application at the Mysore paint plants.
  - (iii) Reduction of power consumption in electrical heaters of CPP by installing waste heat hot water heaters for fuel and oil heating at Hosur plant.
  - (iv) Reduction of compressor power consumption by installing optimum air control system.
  - (v) Implementation of other 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. 3.00 crores.

### B TECHNOLOGY ABSORPTION

1. Specific areas in which R&D is carried out by the company:
  - (i) Design and development of 100cc 4-stroke low cost motorcycle for rural application.
  - (ii) Design and development of 125cc 4-stroke motorcycle for executive segment.
  - (iii) Design and development of 2-stroke and 4-stroke engines meeting 2005 emission norms.

2. Future plan of action:
  - (i) Development of new version of scooterette.
  - (ii) Development of new products with improved ride comfort and road safety.
  - (iii) Development of motorcycles for export to ASEAN countries.

3. Expenditure on R & D:	Rs. in crores
Capital expenditure	20.71
Revenue expenditure	51.03
Total	71.74
Total expenditure as a percentage of turnover	2.43%

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

(a) Technology imported	:	Manufacture of 4-stroke 150cc motor cycles
(b) Year of import	:	1999
(c) Has the technology been fully absorbed?	:	Yes
(d) If not fully absorbed, area where this has not taken place, reasons thereof and future plan of action	:	Not applicable

### C. FOREIGN EXCHANGE EARNINGS AND OUTFLOW

1. Export activities
 

The thrust on international business continues. International business has shown a growth of 78% over last year.

The coverage has been widened and the company now exports to more than 30 countries in the world.

The objective is to continue expanding international business and make it a significant proportion of the company's turnover.

2. Total foreign exchange used and earned	Rs. in crores
Foreign exchange used	143.55
Foreign exchange earned	122.20

For and on behalf of the board

Chennai  
May 30, 2005

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
EMPLOYED THROUGHOUT THE YEAR								
1	Arvind Pangaonkar	60	General Manager - R & D	01.09.1987	27,44,782	D.M.E., A.M.I.E.	41	Member - R & D, Sundaram - Clayton Limited
2	Cecil Kanagaraj Dewars	56	Vice President - Corporate Communication	28.02.2001	30,98,958	B.A.	33	General Manager, Coca-Cola India Limited
3	Chandramouli R.	46	Sr. Vice President - Sales and Service	19.12.1988	42,84,698	B.E.(Agri.), P.G.D.B.M.	21	Asst. Manager - Sales, Escorts Limited
4	Devarajan S.	47	Sr. Vice President- Production Engineering	03.11.1997	45,10,404	B.E.(Mech.), P.G.D.B.A., M.B.A.	24	P.E.(Incharge), Delphi Automotive Systems
5	Dilip R.	41	General Manager - Sales	17.04.2002	25,65,009	B.A.	18	Sales Manager, Bhawan Automotive Centre, Muscat.
6	Gointhi H.S.	47	Sr. Vice President - International Business	29.01.2001	37,85,402	B.E., P.G.D.M.	22	General Manager (Sales and Marketing), Mahindra Holiday Resorts
7	Hame Vinay Chandrakant	46	Sr. Vice President - R & D	01.09.1987	47,57,482	B.E.(Mech.), M.Tech.	22	Member - R & D, Sundaram Clayton Limited
8	Dr. Jabez Dhinagar S.	41	Vice President -A.E.G.	17.06.2002	30,19,364	M.E.(Automobile Engg.) Ph.D.(Mech. Engg.)	13	Lead Designer, GE Transportation Systems Engineering Design and Development Centre
9	Capt. Jagadish S.C.	46	General Manager - Civil	25.10.1996	29,87,143	B.E.(Civil)	23	Asst. Manager - Civil, Motor Industries Company Limited
10	Jayaram N.	45	General Manager - R & D	05.11.1994	25,91,743	M.E., B.Tech.	20	Manager - Design, Hindustan Aeronautics Limited
11	Kovaichelvan V.	48	Sr. Vice President- HR & TQC	21.05.1984	45,22,164	B.E.	25	Engineer, Kunal Engineering Limited
12	Kulkarni P.V.	45	Vice President - Program	01.09.1987	34,31,841	B.E., M.Tech.	21	Executive - Product Planning, Sundaram - Clayton Limited
13	Mohammed Basha Sheik	48	General Manager - R & D	01.09.1987	30,66,980	B.Tech.(Mech.), M.Des.	22	Member - R & D, Sundaram - Clayton Limited
14	Murali S.G.	54	Sr. Vice President - Finance	15.07.2002	44,39,633	B.Com., A.C.A.	33	General Manager - Commercial, Hindustan Lever Limited
15	Muthuraj M.	49	Sr. Vice President- Operations	01.10.1984	44,60,042	D.M.E., B.Tech., M.S.	28	Asst. Engineer, Hindustan Brown Boveri Limited
16	Radhakrishnan K.N.	42	Executive Vice President	15.09.2000	47,11,146	M.Tech. (Maint. Engg. and management)	19	General Manager (Business Planning), Sundaram - Clayton Limited
17	Rajagopalan S.	63	Vice President - Industrial Relations	04.09.1995	37,05,867	B.Com., L.L.B., P.G.D.B.M.	45	Personnel Manager, Coats Viyella (India) Limited
18	Rajagopalan T.S.	46	Secretary	05.02.1991	31,47,897	B.Com., A.C.A., A.I.C.W.A., A.C.S., C.F.A., C.M.A.	21	Asst. Secretary, Lakshmi Auto Components Limited
19	Rajaraman N.	59	General Manager- Production Engineering	01.10.1986	24,12,808	A.M.I.E., M.S.(Engg.)	38	Manager-Production, Productivity Elements Pvt. Limited
20	Ramachandra Babu Y.	49	General Manager - R & D	02.11.1984	31,03,507	B.Tech.(Auto), M.S.(Warwick)	25	Development Engineer, Enfield India Limited
21	Raman C.P.	64	President	01.02.1998	1,03,00,958	B.Tech.	44	Managing Director, Eveready Industries Limited
22	Simha B.L.P.	42	Sr. Vice President - ASEAN	10.12.1990	43,19,911	B.E., M.S.(Warwick)	21	Member, Manufacturing Systems, Sundaram - Clayton Limited
23	Sreedhar B.V.	50	General Manager - Service	08.02.1988	24,68,679	B.Sc., A.M.I.M.I.	26	Sales & Service Controller, Brooke Bond India Limited
24	Stinath B.K.	50	General Manager - Operations	01.08.1990	24,28,286	B.E.(Mech.)	26	Sr. Engineer - Planning, Motor Industries Company Limited
25	Varadarajan M.N.	46	Vice President - Materials	26.10.1983	32,58,581	B.Com., M.B.A., A.C.A., A.I.C.W.A., A.C.S.,	22	Accounts Officer, Dr. Lubrich Consultants Pvt. Limited

## Annexure II to directors' report to the shareholders – (continued)

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
EMPLOYED THROUGHOUT THE YEAR - (continued)								
26	Venkat Iyer	43	Chief Information Officer	12.04.2001	28,53,355	B.Sc., M.B.A.(Marketing India), M.B.A.(Information Systems U.S.A.)	20	General Manager - Information Technology, Xerox Modicorp Limited
27	Venkatesan R.	46	General Manager- R & D	11.11.1988	24,46,823	B.Sc., B.Tech.	22	Asst. Manager - R & D, Majestic Auto Limited
28	Vijayakumar K.	34	General Manager- Sales & Marketing	06.10.1997	27,11,047	B.A., P.G.D.S.M	13	Area Sales Manager, Bajaj Auto Limited
EMPLOYED FOR A PART OF THE YEAR								
1	Harish Krishnamachar	41	Vice President - Marketing	14.06.2001	9,23,732	B.Com., P.G.D.B.M.(XLRI)	18	Sr. Product Manager, Tabman Paints, Sydney
2	Mathew P.C.	54	Executive Vice President	30.08.2001	6,50,880	B.E.(Hons.) - Mechanical	32	Vice President & General Manager, BBA Chemicals Division, Bush Boake Allen Inc.
3	Prasad Narasimhan	38	Vice President- Marketing	10.08.2004	23,14,969	B.E., P.G.D.M.(IIM-A)	15	Marketing Manager, Hindustan Lever Limited
4	Sundaresan R.	45	Vice President - Quality	01.09.1987	31,65,534	B.Tech.	22	Asst. Superintendent- Quality, Sundaram - Clayton Limited
5	Vairavan S.	62	General Manager-Central Utility	01.04.2004	10,33,227	B.E.(Mech.)	38	Manager, Lakshmi Auto Components 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  
May 30, 2005

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:

- that in the preparation of annual accounts for the financial year ended 31<sup>st</sup> March 2005, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- 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;
- 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
- that the directors had prepared the accounts for the financial year ended 31<sup>st</sup> March 2005 on a "going concern basis".

For and on behalf of the board

Chennai  
May 30, 2005

VENU SRINIVASAN  
Chairman

## Management Discussion and Analysis Report

In the year 2004-05 under review, TVS Motor Company Limited reached the landmark of cumulative sales of 10 million two-wheelers and also one million mark for three consecutive years.

During the year, the company recorded a total revenue of Rs.2955 crores and PBT of Rs.200 crores.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

The two-wheeler industry has grown at a robust rate of 17% with a market size of 6.6 million units during the year 2004-05.

Table 1.1

Industry Structure	2003-04			2004-05		
	Sales in mn	Growth in %	Category share %	Sales in mn	Growth in %	Category share %
Motorcycles	4.3	15	77	5.2	21	79
Ungeared scooters	0.7	23	12	0.8	15	12
Geared scooters	0.3	-15	5	0.2	-17	4
Mopeds	0.3	-6	6	0.4	3	5
Total two wheelers	5.6	11	100	6.6	17	100

This sales growth was driven by motorcycle category recording a growth of 21% over the previous year, with the share of the motorcycles in the two-wheeler industry rising further from 77% in the previous year to 79% during the year (Table 1.1).

The economy segment of motorcycles has grown rapidly at 43%, on account of new product launches. In the executive segment, the main action has been in 125cc motorcycles. All major players have launched new products in this segment and the volumes are growing at a fast pace. The premium segment has declined marginally by 2% during the year.

The category share of ungeared scooters has declined marginally from 11.6% to 11.3%. However, the volume has grown by 15% over the last year.

Mopeds grew by 3%, while geared scooters continued to decline.

### BUSINESS OUTLOOK AND OVERVIEW

The Indian economy is expected to grow around 7% during 2005-06. The monsoon is likely to be normal and hence the rural economy should remain buoyant. This would result in a growth rate of 12% in the two-wheeler industry during 2005-06. The motorcycle segment is likely to increase its dominance with a share of 81%.

### COMPANY PERFORMANCE

#### New product launches

During the year 2004-05, the company successfully launched multiple products:

- TVS Star – 4-stroke 100cc motorcycle in the economy segment with rugged performance and good mileage.
- New Victor GLX – 4-stroke 125cc motorcycle in the executive segment with superior style and power.
- New Victor GX – 4-stroke 110cc refresh of Victor with 'Duralife' engine and new looks.
- Scooty Pep "Splash" series – 4-stroke 75cc stylish ungeared scooter with new innovative colours to suit the youth image. Scooty Pep has received the prestigious NID Award for the best style in 2004-05.

#### Motorcycle

In the economy segment, the recently launched TVS Star has already crossed 100,000 sales. During the year, the demand for 2-stroke motorcycles declined by 57%, resulting in the fall of 4% in the motorcycle volumes of the company.

In the 4-stroke motorcycles, the range consisting of Victor, Centra and Fiero posted a growth of 13% for the company as compared to the industry growth of 25% during 2004-05.

In the executive segment, the company is represented by the brands Victor and Centra. The Victor brand has already crossed one million mark and is being strengthened further.

Table 1.2

Company Performance Sales In '000s	TVS MOTOR		
	2003-04	2004-05	Growth
2 S Motorcycles	170	72	-58%
4 S Motorcycles	537	607	13%
Total motorcycles	707	679	-4%
Ungeared Scooters	189	225	19%
Mopeds	251	263	5%
Total two wheelers	1147	1167	2%

#### Ungeared scooter

Ungeared scooters constitute 11.3% of the total two-wheelers and sales grew by 15% during 2004-05. The company recorded a higher growth of 19% with a market share of 30% in the ungeared scooters during the year. The cumulative sales of TVS Scooty have already crossed the one million mark.

#### Moped

The leadership of the company in mopeds was further strengthened with a market share of 74%, which demonstrates its continued dominance in the consumers' mind in this category. The moped category grew by 3% mainly driven by 5% growth of TVS-M mopeds.

#### International business

Exports grew by 78% to Rs.123 crores in 2004-05 from Rs.69 crores during the previous year and this would continue to be a focus area for growth. In the year 2004-05, five new countries were added to the company's global presence.

### OPPORTUNITIES AND THREATS

The two-wheeler industry in India has grown at an annual compounded rate of 11% in the last 10 years. This growth has been fuelled by the 26% (CAGR) growth in motorcycles and 21% (CAGR) in the ungeared scooters.

With increasing per capita GDP, the two-wheeler penetration is expected to grow further, leading to good demand in future.

New products launched in 2004-05 have found encouraging market response and they are expected to contribute significantly to growth during 2005-06. In the economy segment of motorcycles, the company's presence has been strengthened with the launch of TVS Star. The market response to Star has been excellent and it is expected to help in regaining the lost volumes of Max (two stroke) in the economy segment in 2005-06. The executive and premium motorcycle segments are expected to see new model launches from competition.

The heavy ungeared scooter segment accounting for 7% share of the two-wheeler industry is growing due to multi use in the family and more new products are expected. Currently, the company does not have presence in this segment and this will be a focus area for the future. The entry of new competition in the ungeared scooter segment poses a threat in terms of fall in market share.

The company will rise up to these opportunities and challenges by strengthening its presence in the respective segments with new products and variants.

The category share of moped has declined from 10% in 2001-02 to 5.4% in 2004-05, thus reducing the scope for further growth and a sharp decline can affect the overall growth prospects.

The northern markets contribute to more than 50% of the industry and are growing. The company is planning to set up a facility in Himachal Pradesh to cater to the increasing demand in Northern India and be closer to the customers, taking advantage of the tax concessions offered by the Government.

The entry into three-wheeler business will be an opportunity for the company to enhance its sales and presence in that segment. In addition, the ASEAN two-wheeler market represents the third biggest opportunity in terms of size. The company will enter the Indonesian market to tap this opportunity. The company has to penetrate into the market where the established players for more than two decades are strong. The company is developing a product to meet the customers' specific requirements in that country to deliver a better value for money.

OPERATIONS REVIEW

Manufacturing

The engine component plant has been awarded TPM first category Award during 2004-05 by Japanese Institute of Plant Maintenance (JIPM). By implementing TPM, the manufacturing cells could achieve significant productivity improvement and Zero defect. Summary of achievements is given below.

Table 1.3

Benefits of TPM	Parameter	Unit of Measurement	Before TPM	After TPM	Improvement
Productivity	Labour Productivity	Sets/man/day	5.1	8.6	68%
Quality	Scrap Cost	Rs/Engine	19.8	1.22	94%
Cost	Cost saving	Rs Million	-	108	
	Manufacturing Cost	Rs Million	218	134	40%
	Inventory	No. of days	12	4	66%
Delivery	OEE	%	63	88	40%
	Breakdowns	Numbers/ Month	449	18	96%
Safety	Major accidents	Numbers		0	Sustained zero for last 3 years
Morale	Suggestions	Suggestions/ Employee per year	6	45	8 times

TPM implementation is being aggressively implemented in all the other manufacturing plants. Implementation of mixed model production in the manufacturing plant has substantially reduced the inventory while improving the delivery of products culminating in the JIT award for best project from JIT Lab, Japan.

The company has continued to achieve 100% participation of employees in TQM. The employees have completed more than 1,347

projects through QC Circles in 2004-05. The average number of suggestions implemented per employee is 45 in 2004-05.

Quality

To improve the customer satisfaction, the company has adopted a four-pronged strategy of enhancing the quality at design, manufacturing, supplier's and service.

Towards reaching world-class levels in quality, the company had formed a special task force, which has led to significant improvements in reliability and durability of products.

Substantial investment has been made in the infrastructure for reliability testing which includes simulation, validation and periodic performance tests.

Cost management

The company has a rigorous system of cost deployment, which helps in controlling the cost elements on a continuous basis across the organisation. Various cross-functional teams have been formed to drive the fixed and variable cost reduction initiatives.

The initiatives on global sourcing have given encouraging results last year and are being substantially geared up to reduce the material cost.

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. The company works with leading technological research institutions across US, UK, Japan, Germany and in India for development and testing of advance technologies. The company has already applied for over 100 patents so far and the company's technical team has published 20 technical papers in international and national seminars.

During the year, R&D team has successfully developed the 100cc 4-stroke motorcycle TVS Star and 125cc 4-stroke motorcycle Victor GLX. The team has also ensured that all the products meet the 2005 emission norms.

Styling has been gaining prominence as one of the factor of choice among the two-wheeler customers. The company is investing in building robust capabilities in this area to meet the contemporary customer requirements.

In addition to the requirements of domestic markets, the company is involved in the development of products for ASEAN market as well as three-wheelers.

Information technology

SAP system integrates all processes of manufacturing, materials, finance, sales, quality, and plant maintenance across the company's manufacturing plants, area offices and warehouses in India. As part of strengthening the data security, the company has completed Phase 2 of the Disaster Recovery (DR) set-up in 2004-05. Also, the migration to SAP 4.7 has been smoothly completed during the year.

Supply chain management

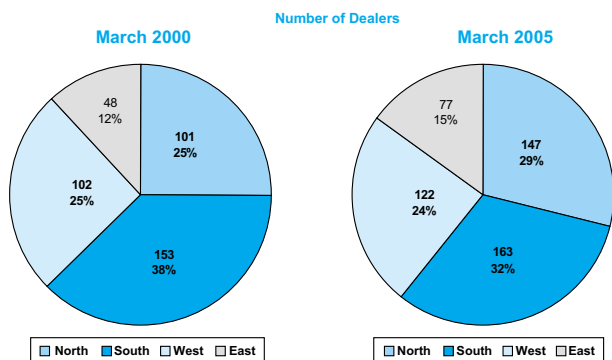
TVS Motor currently has about 180 suppliers, located all over India. They are committed to quality, cost and delivery targets set by TVS Motor. The company helps suppliers to follow the path of continuous improvement and imparts training on TPM and JIT practices. TPM, JIT and Zero defect supplier clusters have resulted in significant improvement in quality, delivery and cost. To sustain quality in the long run, the suppliers have obtained certification of ISO 9000 or QS 9000 or TS16949.

Periodical meetings on sharing of best practices are held so that there is horizontal deployment of improvements. The best suppliers are awarded prizes at the annual suppliers conference. Suppliers are treated as extended enterprises and are an integral part of TVS Motor's journey.

Network and dealer management

TVS Motor Company has an extensive network with over 1500 customer touch points comprising more than 500 dealers and 1000 authorized service centers.

Enhanced all India Distribution network



The showroom and service facilities have been standardized across all the customer touch points. The company also takes active part in imparting training and capability building in all areas including sales, service and business management.

The B2B portal for dealers 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 over 100 dealerships. DMS has started providing all real time data on sales, service, product and inventory at the dealership and has helped the dealer in standardizing the best practices. During the year 2005-06, DMS will be rolled out at the remaining major dealerships.

Financial performance

The financial performance for the year 2004-05 as compared to the previous year is furnished in the following table:

Table 1.4

PARTICULARS	Year 2004-05		Year 2003-04	
	Rs in crores	%	Rs in crores	%
Sales:				
Mopeds	357.30	12.1	327.88	11.5
Motorcycles	1,845.66	62.5	1,940.05	67.9
Scooters	485.56	16.4	386.19	13.5
Spares and accessories	187.39	6.3	166.09	5.8
Other income	79.30	2.7	36.21	1.3
TOTAL INCOME	2,955.21	100.0	2,856.42	100.0
Raw materials consumed	1,981.42	67.0	1,855.17	64.9
Staff cost	140.72	4.8	133.75	4.7
Stores and tools consumed	38.30	1.3	37.52	1.4
Power and fuel	27.41	0.9	29.34	1.0
Repairs and maintenance	26.67	0.9	31.73	1.1
Packing & freight charges	75.95	2.6	70.86	2.5

Table 1.4 (Continued)

PARTICULARS	Year 2004-05		Year 2003-04	
	Rs in crores	%	Rs in crores	%
Advertisement & publicity	88.20	3.0	105.55	3.7
Other selling expenses	206.38	7.0	187.74	6.6
Other expenses	79.29	2.7	109.13	3.8
Interest	0.79	-	1.21	-
Depreciation	89.63	3.0	79.89	2.8
TOTAL EXPENDITURE	2,754.76	93.2	2,641.89	92.5
PROFIT BEFORE TAX	200.45	6.8	214.53	7.5
Provision for tax (incl. Deferred tax)	62.88	2.1	76.04	2.6
PROFIT AFTER TAX	137.57	4.7	138.49	4.9

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:

Table 1.5

DESCRIPTION	UOM	2004-05	2003-04
EBITDA / turnover	%	9.8	10.3
Profit before tax / turnover	%	6.8	7.5
Return on capital employed	%	23.6	30.1
Return on net worth	%	23.2	28.1
Earnings per share (at a face value of Re.1/- per share)	Rs.	5.79	5.83

Substantial reduction in the sales of two stroke motorcycles increased dependence of the company on Victor and Centra leading to higher promotion costs. This together with the higher input costs resulted in lower profits and returns during 2004-05. The enhanced portfolio now available to the company is expected to improve the profitability during 2005-06.

Risks and concerns

Raw material prices viz. steel, nickel, aluminium and copper increased considerably during last two years. Steel prices have gone up by 30%, nickel by 70% and aluminium by 28%. It is expected that the prices of nickel and aluminium may continue to remain firm in the short term. In the current market situation, it is not possible to pass on further cost increases to the customer leading to pressure on margins.

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

The company proposes to meet the cost challenges through flexible manufacturing and Total Productive Maintenance (TPM) to improve asset productivity. The cost reduction initiatives such as global sourcing and value engineering will be further intensified.

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 regular extensive reviews. Regular validation through external experts in the area of computer information security will continue. The

ERP authorization profile across all functions has been strengthened to ensure data security and confidentiality.

#### Human resource development

People are one of the important resources in achieving growth objectives of the company. The company continues its focus on attracting and developing the best talent and enjoys a good brand image across technical and business institutions. The company successfully uses the entry-level recruitment from the best campuses and the mid-career lateral recruitment.

There is a structured orientation and induction processes for assimilation of the new employees into the company's culture and work practices, based on TQM philosophy. There are opportunities for every employee to improve his competencies using internal training programs, continuing education both in best of the educational institutions in India and overseas.

Career development workshops are undertaken to identify the high potential employees and the development programme is prepared to develop them and put them through fast track. The company is undertaking a focused succession planning and leadership development program to create a leadership pipeline to feed long range plans of the company. Career planning, job rotation and cross-functional working in the company support the succession planning process.

As on 31st March 2005, the company had 5,135 employees on its rolls.

#### Environment, Health and Safety

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

Specific EHS measures include:

- Incorporation of sound EHS features in all processes, machinery and equipment at the time of procurement and commissioning.
- Developing the company's own EHS engineering standard and based on "best practices" in all significant processes and activities.
- Encouraging employees through a formal reporting system to report improvement opportunities in the areas of EHS. e.g., near miss reporting, conducting mock drills, Job safety analysis etc.
- Introduction of powder coating and water based painting technologies to achieve a quantum reduction in the paint waste generation.

The company during the year achieved "zero accident level" in three of its plants. The company had received national and state level safety awards for its accident-free performance in the previous years.

#### Community development and social responsibility

The social arm of TVS Motor, Srinivasan Services Trust (SST), is providing holistic and sustainable development to over 10,000 families living in 96 villages spread over Tamilnadu, Karnataka, Maharashtra and Gujarat.

#### Economic development

Efforts of SST have benefited about 6500 rural families through Self Help Groups (SHGs). Vocational training for 330 unemployed youth has been conducted with 100% success rate towards self-employment.

#### Infrastructure development

The company is actively involved in the provision of infrastructure facilities such as housing, sanitation, roads, drains, bus shelter, medical centre and facilities for natural resources management. Under these programs, 18 school buildings and 73 Kms of road have been constructed.

#### Education and literacy

The company helped in providing teachers' training, parent teacher associations and computer training. All these initiatives resulted in bringing the enrolment level for primary education to 98% in the adopted villages. Adult literacy programs contributed to educating people in these villages to become proficient in reading and writing.

#### Health and Environment

Dental care camps, eye camps, general health check-up programmes and nutrition program for school children and others are regularly conducted. To provide access to safe drinking water in the villages 23 overhead tanks were constructed. To improve sanitation, SST has helped 2500 families to construct drainage and toilets in their homes. In coordination with the State Forest Department 60,000 hectares land has been reforested.

#### Relief and rehabilitation

Extensive relief and rehabilitation work was carried out in the Tsunami affected areas in India. Adequate food, medicines and clothing were provided to the affected people. 655 temporary shelters in Chennai and Nagapattinam district were constructed.

The company gratefully acknowledges the prestigious Mother Teresa Award for Corporate Citizen given to it by the Loyola Institute of Business Administration during the year 2004-05.

#### Cautionary statement

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



## Report on Corporate Governance

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

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

### 2. Board of directors

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

As the company has an executive chairman viz., Mr. Venu Srinivasan as chairman and managing director, the board has more than 50% of the independent directors consisting of M/s. T. K. Balaji, T. Kannan, N. Ganga Ram, C. R. Dua, K. S. Bajpai, and T. R. Prasad, former cabinet secretary, who was inducted as an additional director on 27th January 2005.

Mr. C. V. R. Panikar, director resigned from the board with effect from 30th May 2005. The directors place on record their appreciation of the invaluable guidance and support rendered

by Mr. Panikar to the company during his tenure as a director of the company.

Thus the board composition of six independent directors out of the present strength of nine directors is in conformity with clause 49 of the listing agreement.

#### (b) Number of board meetings

During the year 2004-2005, the board met 7 times on 1<sup>st</sup> April 2004, 21<sup>st</sup> April 2004, 28<sup>th</sup> June 2004 and 28<sup>th</sup> July 2004, 25<sup>th</sup> October 2004, 27<sup>th</sup> January 2005 and 23<sup>rd</sup> February 2005.

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 of the director M/s.	Category	Attendance particulars		Number of directorships and committee member / chairmanships		
		Board meetings attended during the year	Last annual general meeting	Other directorships*	Committee memberships**	Committee chairmanships
Venu Srinivasan	E	6	Yes	13	4	2
Gopal Srinivasan	NE	5	Yes	13	2	—
T.K. Balaji	NE-I	6	No	15	7	3
H. Lakshmanan	NE	7	Yes	14	8	4
T. Kannan	NE-I	6	Yes	5	4	—
N. Ganga Ram	NE-I	7	Yes	5	5	3
C.R. Dua	NE-I	3	No	25	4	—
K. S. Bajpai	NE-I	2	Yes	—	—	—
C. V. R. Panikar (resigned-effective 30.05.2005)	NE-I	5	No	4	1	1
T. R. Prasad [Inducted on 27.01.2005]	NE-I	1	NA	—	1	1

E : Executive

NE : Non Executive

NE-I : Non Executive - Independent

\*includes private companies.

\*\* includes 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. Remuneration to directors

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

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

The current term of office of Mr. Venu Srinivasan as managing director is upto 23<sup>rd</sup> April 2005 and the board, at its meeting held on 27<sup>th</sup> January 2005, has re-appointed him for a further period of five years from 24<sup>th</sup> April 2005 on the same terms of remuneration. Shareholders' approval for the re-appointment is being sought in the ensuing annual general meeting.

The company paid sitting fees of Rs.10,000/- each to all the non-executive directors for attending each meeting of the board and/ or committee thereof.

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

Particulars of sitting fees / remuneration and commission paid to the directors during the financial year 2004-2005.

Name of the director M/s.	Sitting fees (Rs.)	Commission (Rs.)	Total (Rs.)
Venu Srinivasan*	—	99,24,307	99,24,307
Gopal Srinivasan*	1,20,000	—	1,20,000
T.K. Balaji*	1,00,000	3,60,000	4,60,000
H. Lakshmanan	1,50,000	—	1,50,000
T. Kannan	1,30,000	3,60,000	4,90,000
N. Ganga Ram	1,60,000	3,60,000	5,20,000
C.R. Dua	30,000	3,60,000	3,90,000
K.S. Bajpai	20,000	3,60,000	3,80,000
C.V.R. Panikar	50,000	3,60,000	4,10,000
T.R. Prasad	10,000	90,000	1,00,000

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

### 4. Audit committee

4.1 The audit committee consists of four directors as its members viz., M/s. T.R. Prasad, N. Ganga Ram, T. Kannan and T. K. Balaji. Mr. N. Ganga Ram was the chairman of the committee, during 2004-05. The chairman was present at the annual general meeting held on 10<sup>th</sup> September 2004.

The committee elected Mr. T.R. Prasad as its chairman, in the place of Mr. N. Ganga Ram at its meeting held on 27<sup>th</sup> May 2005.

4.2 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:

- (a) 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.

- (b) Recommending the appointment and removal of external auditors and fixation of audit fees.
- (c) Reviewing with the management the annual and quarterly financial statements before submission to the board.
- (d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- (e) Reviewing the internal audit function and discussion with internal auditors any significant findings and follow up thereon.
- (f) Discussion with external auditors regarding audit plan, as well as post-audit discussion to ascertain any area of concern.
- (g) Other matters as set out in the listing agreement.

#### 4.3 Meetings and attendance during the year

Date of the meeting	Members Present
21.04.2004	M/s. N. Ganga Ram, T.K. Balaji and T. Kannan
28.06.2004	M/s. N. Ganga Ram and T.K. Balaji
28.07.2004	M/s. N. Ganga Ram and T.Kannan
25.10.2004	M/s. N. Ganga Ram, T.K. Balaji and T.Kannan
27.01.2005	M/s. N. Ganga Ram, T.K. Balaji and T.Kannan

### 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 of 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 2004-2005:

S.No	Nature of complaint	No. of complaints
1.	Non receipt of share certificates	16
2.	Non receipt of dividend warrants	30
3.	Other complaints	6
	Total	52

All the above complaints were resolved and as on 31<sup>st</sup> March 2005, no investor complaint was 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 2005.

### 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 2005, 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. General body meeting

(a) Location and time where the annual general meetings were held during the last three years:

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

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

8. 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:

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

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

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

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

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

9. 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.

10. General shareholder information:

10.1 Annual general meeting

Date and time : Wednesday, the 17<sup>th</sup> August 2005 at 10.15 A.M  
 Venue : The Music Academy New No.168 (Old No.306), T T K Road, Chennai 600 014

10.2 Financial calendar 2005-06 (tentative)

Annual general meeting (next year) : September 2006  
 Financial reporting for the quarter ending : Date of board meeting  
 30<sup>th</sup> June 2005 : between 15<sup>th</sup> and 31<sup>st</sup> of July 2005  
 30<sup>th</sup> September 2005 : between 15<sup>th</sup> and 31<sup>st</sup> of October 2005  
 31<sup>st</sup> December 2005 : between 15<sup>th</sup> and 31<sup>st</sup> of January 2006  
 31<sup>st</sup> March 2006 : between 15<sup>th</sup> and 30<sup>th</sup> of April 2006

10.3 Particulars of dividend payment

Particulars	First interim dividend	Second interim dividend
Date of declaration	25 <sup>th</sup> October 2004	30 <sup>th</sup> May 2005
Rate of dividend	70%	60%
Record date / Book closure	1 <sup>st</sup> November 2004	7 <sup>th</sup> June 2005 to 10 <sup>th</sup> June 2005 (both days inclusive)
Date of payment of dividend	8 <sup>th</sup> November 2004	13 <sup>th</sup> June 2005
Amount of dividend paid	Rs.16.63 crores	Rs.14.26 crores
Share capital	23,75,43,557 equity shares of Re.1/- each	23,75,43,557 equity shares of Re. 1/- each

The second interim dividend declared by the board will be paid to all the shareholders whose names appear in the register of members / end of the day report of depositories as on 6<sup>th</sup> June 2005.

10.4 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)	INE 494B01023

(Note : Annual listing fees for the year 2005-2006 were duly paid to the above stock exchanges)

10.5 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 2004	99.25	84.00	99.10	85.00
May 2004	91.50	60.00	93.50	60.00
June 2004	74.00	57.05	73.45	53.15
July 2004	69.25	54.00	69.25	59.80
August 2004	82.00	64.80	79.40	64.50
September 2004	87.40	68.65	87.75	67.45
October 2004	87.50	70.00	87.50	65.50
November 2004	94.50	75.00	94.50	75.05
December 2004	93.35	79.25	93.60	79.70
January 2005	87.60	74.05	87.95	74.00
February 2005	77.80	71.00	78.00	71.00
March 2005	80.70	65.05	79.50	65.00

10.6 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 (%)
2004-2005	-19.57	+16.14
2003-2004	+108.79	+83.38
2002-2003	+7.15	-12.12

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

Financial year	Percentage change in	
	Company's share price (%)	Nifty (%)
2004-2005	-22.48	+14.89
2003-2004	+107.41	+63.36
2002-2003	+14.32	-3.98

10.7 Changes in Demat scenario

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.

Recently, SEBI has issued a circular dated 28<sup>th</sup> January 2005 rationalising the fee structure for dematerialisation of securities as follows:

Effective from February 1, 2005:

- a. No investor shall be required to pay any charge towards opening of a Beneficiary Owner (BO) Account except for statutory charges as may be applicable;
- b. No investor shall be required to pay any charge for credit of securities into his/her BO account; and
- c. No custody charge shall be levied on any investor who would be opening a BO account on or after February 1, 2005.

With effect from April 1, 2005 the issuer companies will bear the custody charges.

The shareholders are requested to make use of this opportunity and dematerialize their physical share certificates, through a depository participant. Shareholders requiring any further clarification / assistance on the subject may contact the company's share transfer agents.

10.8 Share transfer system and RTA:

With a view to rendering prompt and efficient service to the investors, M/s Sundaram-Clayton Limited (SCL), the holding company, which has been registered with SEBI as share transfer agents in category II, has been appointed as the share transfer agent (STA) of the company.

Shareholders have also been advised about this appointment of STA to handle share registry work pertaining to both physical and electronic segment by circular dated 31<sup>st</sup> July 2004.

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

10.9 Shareholding pattern as on 31<sup>st</sup> March 2005

Sl. No.	Particulars	No. of shares of Re. 1/- each	% to total
1	Sundaram-Clayton Limited and its subsidiary	13,50,00,000	56.83
2	Foreign Institutional Investors	2,75,71,004	11.61
3	NRI & OCBs	11,79,663	0.50
4	Public financial institutions	1,04,88,940	4.40
5	Mutual funds	1,52,14,888	6.41
6	Banks	2,60,244	0.11
7	Other companies	1,39,61,070	5.88
8	Public	3,38,67,748	14.26
	Total	23,75,43,557	100.00

10.10 Distribution of shareholding as on 31<sup>st</sup> March 2005

Share holding (Range)	No. of shares	%	No. of members	%
Upto 5000	2,24,45,585	9.45	42,547	98.27
5001-10000	31,63,930	1.33	417	0.96
10001-20000	21,06,433	0.89	145	0.33
20001-50000	33,67,747	1.42	103	0.24
50001-100000	16,57,492	0.70	22	0.05
100001 & above	20,48,02,370	86.21	63	0.15
Total	23,75,43,557	100.00	43,297	100.00

10.11 Out of 10,25,43,557 equity shares of Re. 1/- each held by persons other than promoters, 9,49,69,939 shares have been dematerialised as on 31<sup>st</sup> March 2005 accounting for 93%.

10.12 The company has not issued any Global Depository Receipt / American Depository Receipt / Warrant or any convertible instrument, which is likely to have impact on the company's equity.

10.13 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@tvsmotor.co.in](mailto:ts.rajagopalan@tvsmotor.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@tvsmotor.co.in](mailto:g.ramachandran@tvsmotor.co.in)

10.14 Address for investor correspondence

<p>(i) For transfer / dematerialisation of shares, payment of dividend on shares and any other query relating to the shares of the company;</p> <p>(ii) For any query on annual report</p>	}	<p>Sundaram-Clayton Limited Share transfer agent Unit: TVS Motor Company Limited New No. 22, Old No. 31 Railway Colony, 3rd Street, Mehta Nagar, Chennai-600 029. Tel : 044 – 2374 1889, 2374 2939 Fax: 044 –2374 1889, Email : <a href="mailto:sclshares@vsnl.net">sclshares@vsnl.net</a></p>
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Note : Applicable to all the shareholders irrespective of their mode of holding (physical or demat)

11. Non-mandatory disclosure

11.1 Remuneration committee:

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

11.2 Publication of half-yearly results:

The half-yearly results of the company are published in newspapers and in its web site [www.tvsmotor.co.in](http://www.tvsmotor.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. Request to investors:

Investors are requested to note the following procedure:

- Investors holding shares in physical mode, may communicate change of address, if any, directly to the share transfer agents of the company at the above address.
- As required by SEBI, investors shall furnish details of their bank account number and name and address of the bank for incorporating the same in the warrants. This would avoid wrong credits being obtained by unauthorised persons.
- 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.
- Members who have not encashed their dividend warrants in respect of dividends declared for the year ended 31<sup>st</sup> March 1998 and for any financial year thereafter may contact the share transfer agents 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 Investors' 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
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
2001-2002 Interim	01.03.2002	06.04.2002	06.04.2009
2002-2003 1 <sup>st</sup> Interim	21.10.2002	26.11.2002	26.11.2009
2002-2003 2 <sup>nd</sup> Interim	09.06.2003	15.07.2003	15.07.2010
2003-2004 1 <sup>st</sup> Interim	17.10.2003	22.11.2003	22.11.2010
2003-2004 2 <sup>nd</sup> Interim	21.04.2004	27.05.2004	27.05.2011
2004-2005 1 <sup>st</sup> Interim	25.10.2004	01.12.2004	01.12.2011

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
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.

## 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 2005, 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  
May 30, 2005

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 2005, the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 and amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the annexure referred to above, we state that –
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - (ii) In our opinion, proper books of account, as required by law, have been kept by the company so far as appears from our examination of those books;
  - (iii) The Balance Sheet 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 2005 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 on the said date;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes 1 to 22 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 2005;
  - (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  
May 30, 2005

## Annexure referred to in our report of even date on the accounts for the year ended 31<sup>st</sup> March 2005.

- (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.
- (c) In our opinion, the company has maintained proper records of inventory. The discrepancies between the physical stocks and the book stocks were not material and have been properly dealt with in the books of account.
- (iii) (a) During the year the company has granted inter corporate deposits to three companies covered in the register maintained under Section 301 of the Companies Act, 1956 amounting to Rs 35.56 crores. (Balance due as at the year end Rs. 14.89 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) The receipt of principal amount and interest thereon were regular.
- (d) As on the date of Balance Sheet there was no overdue amount recoverable on the said inter corporate deposits.
- (e) During the year the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

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 and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the contracts or arrangements that need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 have been properly entered in the said register.
- (b) In our opinion and according to the information and explanations given to us, the transactions entered in the register maintained under Section 301 and exceeding during the financial year by Rupees five lakhs in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposit from the public.
- (vii) The company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the Central Government under Section 209 (1)(d) of the Companies Act, 1956 for maintenance of cost records in respect of automotive two-wheelers and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the records provided to us, the company is regular in depositing undisputed statutory dues including Provident fund, Employees' state insurance, Investor education and protection fund, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Wealth tax, Service tax, Sales tax, Customs duty, Excise duty and Cess were in arrears, as at 31<sup>st</sup> March 2005 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the following are the details of the disputed dues, that were not deposited with the concerned authorities:

Name of statute	Nature of dues	Amount (Rs. in crores)	Forum where the dispute is pending
Central Excise Act, 1944	Cenvat / Excise duties	0.97	Central Excise & Service Tax Appellate Tribunal
		1.76	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 statute	Nature of dues	Amount (Rs. in crores)	Forum where the dispute is pending
Orissa Sales Tax Act, 1947	Surcharge on Sales Tax	0.74	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) 6.25	Commissioner Appeals
Indian Stamp Act, 1899	Stamp Duty	3.74	Inspector general of registration

- (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 banks. The debentures outstanding as on the commencement of the accounting year were fully repaid according to the terms of redemption.
- (xii) Based on our examination and according to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit / nidhi / mutual benefit fund / society and as such 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) The term loans availed by the company were utilised for the purpose for which the loans were obtained. Part of these loans which remain unutilised was deployed as interest bearing deposits.
- (xvii) On the basis of our examination, the company has not used funds raised on short term basis for long term investment.
- (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

Chennai  
May 30, 2005

Membership No. F7945



## Balance Sheet as at 31st March 2005

	Schedule number		As at 31-03-2005	Rupees in crores As at 31-03-2004
<b>I SOURCES OF FUNDS</b>				
1 Shareholders' funds				
(a) Capital	I	23.75		23.75
(b) Reserves and Surplus	II	<u>655.08</u>		<u>551.20</u>
			678.83	574.95
2 Loan funds				
(a) Secured loans	III	175.01		37.50
(b) Unsecured loans	IV	<u>11.83</u>		<u>81.51</u>
			186.84	119.01
3 Deferred tax liability (net of deferred tax asset)			148.51	123.05
Total			<u>1,014.18</u>	<u>817.01</u>
<b>II APPLICATION OF FUNDS</b>				
1 Fixed Assets				
(a) Gross block		1,287.22		1,132.57
(b) Less : Depreciation		<u>523.64</u>		<u>437.91</u>
(c) Net block	V		763.58	694.66
(d) Capital work-in-progress	VI		6.90	9.52
2 Investments	VII		175.39	128.02
3 Current assets, loans and advances				
(a) Inventories	VIII	233.23		216.66
(b) Sundry debtors	IX	34.56		51.90
(c) Cash and bank balances	X	73.87		18.00
(d) Other current assets	XI	0.29		0.19
(e) Loans and advances	XII	<u>164.70</u>		<u>149.28</u>
Total (A)		<u>506.65</u>		<u>436.03</u>
Current liabilities and provisions				
(a) Current liabilities	XIII	452.19		421.01
(b) Provisions	XIV	<u>55.61</u>		<u>43.11</u>
Total (B)		<u>507.80</u>		<u>464.12</u>
Net current assets (A-B)			(1.15)	(28.09)
4 Miscellaneous expenditure to the extent not written off or adjusted	XV		69.46	12.90
Total			<u>1,014.18</u>	<u>817.01</u>
Notes on accounts	XXI			

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President – Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
May 30, 2005

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

Profit and Loss Account for the year ended 31st March 2005

		Rupees in crores	
	Schedule number	Year ended 31-03-2005	Year ended 31-03-2004
Gross sales		3,321.25	3,260.01
Less : Excise duty		445.34	439.80
Net sales		2,875.91	2,820.21
Other Income	XVI	79.30	36.21
Raw materials and components consumed	XVII	1,981.42	1,855.17
Salaries and wages, stores consumed and other expenses	XVIII	682.09	705.62
Miscellaneous expenditure	XIX	0.83	—
Profit before interest, depreciation and tax		290.87	295.63
Interest (net)	XX	0.79	1.21
Depreciation		89.63	79.89
Profit before tax		200.45	214.53
Provision for taxation		37.42	54.96
Provision for deferred tax		25.46	21.08
Profit for the year (after tax)		137.57	138.49
Balance profit brought forward		34.43	32.63
Transfer from debenture redemption reserve		9.90	9.90
Investment allowance reserve withdrawn		—	3.04
Tax relating to earlier years		1.42	—
Profit of transferor company upto 1st April 2003		—	6.77
Profit for the year (after tax)		137.57	138.49
Total		<u>183.32</u>	<u>190.83</u>
Tax relating to earlier years		—	0.74
Interim dividend paid		16.63	14.78
II Interim dividend payable		14.26	16.63
Dividend tax paid		2.22	2.12
Provision for dividend tax		2.00	2.13
Transfer to general reserves		110.00	120.00
Balance surplus carried forward to Balance Sheet		38.21	34.43
Total		<u>183.32</u>	<u>190.83</u>
Nominal value of each share in rupees		1.00	1.00
Earnings per share in rupees on 23,75,43,557 shares		5.79	5.83
Diluted earnings per share in rupees		5.79	5.83

VENU SRINIVASAN  
*Chairman & Managing Director*

H. LAKSHMANAN  
*Director*

S.G. MURALI  
*Sr. Vice President – Finance*

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

Chennai  
May 30, 2005

T.S. RAJAGOPALAN  
*Secretary*

M. BALASUBRAMANIAM  
*Partner*

Schedules

	Rupees in crores	
	As at 31-03-2005	As at 31-03-2004
<b>I CAPITAL</b>		
Authorised		
25,00,00,000 Equity shares of Re.1/- each	25.00	25.00
	<u>25.00</u>	<u>25.00</u>
Issued, subscribed and paid-up		
(a) 23,10,00,700 Equity shares of Re.1/- each	23.10	23.10
Out of the above 23,10,00,000 equity shares of Re.1/- each were allotted for consideration other than cash to the shareholders of erstwhile transferor company.		
(b) 65,42,857 Equity shares of Re.1/- each allotted to the shareholders of amalgamated company	0.65	0.65
	<u>23.75</u>	<u>23.75</u>
<b>II RESERVES AND SURPLUS</b>		
(a) Capital reserves		
(i) On shares forfeited		
As per last Balance Sheet (Rs. 55,200/-)	—	—
(ii) On surplus arising out of amalgamation	6.43	6.43
(b) Debenture redemption reserve		
As per last Balance Sheet	9.90	
Less: Transfer to Profit and Loss Account	<u>9.90</u>	
	—	9.90
(c) General Reserve		
As per last Balance Sheet	500.44	
Add : Transfer from Profit and Loss Account	<u>110.00</u>	
	610.44	500.44
(d) Surplus		
Balance in Profit and Loss Account	38.21	34.43
	<u>655.08</u>	<u>551.20</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
(b) From bank		
(i) Secured by a first charge on the fixed assets of a division of the company	—	12.30
(ii) External commercial borrowings secured by a first charge on specified fixed assets on an exclusive basis	175.01	—
(c) From banks		
Secured by hypothecation of present and future inventories and receivables	—	5.40
	<u>175.01</u>	<u>37.50</u>
<b>IV UNSECURED LOANS</b>		
(a) From banks	—	0.02
(b) From others	2.40	72.43
(c) Other deposits	9.43	9.06
	<u>11.83</u>	<u>81.51</u>

Schedules – (continued)

V FIXED ASSETS

Description	Rupees in crores							
	Land	Buildings	Plant & machinery, tools, dies and jigs	Furniture & fixtures, equipments	Vehicles	Other fixed assets @	Total	
							As at 31-03-2005	As at 31-03-2004
Cost of assets								
As at 01-04-2004	44.30	116.94	914.85	41.48	10.88	4.12	1,132.57	806.51
Transfer on amalgamation	—	—	—	—	—	—	—	163.16
Additions	4.40	9.95	144.84	3.27	0.50	0.01	162.97	166.21
Sales/deletion	—	—	1.99	—	6.33	—	8.32	3.31
<b>Total</b>	<b>48.70</b>	<b>126.89</b>	<b>1,057.70</b>	<b>44.75</b>	<b>5.05</b>	<b>4.13</b>	<b>1,287.22</b>	<b>1,132.57</b>
Depreciation								
Upto 31-03-2004	—	19.99	385.51	26.18	4.17	2.06	437.91	302.03
Transfer on amalgamation	—	—	—	—	—	—	—	57.68
For the year	—	3.81	78.15	4.28	1.33	2.06	89.63	79.89
Withdrawn on assets sold/deleted	—	—	1.34	—	2.56	—	3.90	1.69
<b>Total</b>	<b>—</b>	<b>23.80</b>	<b>462.32</b>	<b>30.46</b>	<b>2.94</b>	<b>4.12</b>	<b>523.64</b>	<b>437.91</b>
Written down value								
As at 31-03-2005	48.70	103.09	595.38	14.29	2.11	0.01	763.58	—
As at 31-03-2004	44.30	96.95	529.34	15.30	6.71	2.06	—	694.66

@ Vide note no. 1(t)

Rupees in crores	
As at 31-03-2005	As at 31-03-2004

VI CAPITAL WORK-IN-PROGRESS

(a) Building under construction	0.97	2.26
(b) Machinery in transit/installation	5.93	7.26
	<u>6.90</u>	<u>9.52</u>

VII INVESTMENTS (AT COST)

(A) LONG TERM

(a) Trade - quoted

(i) 2,89,200 Equity shares of Rs.5/- each fully paid up in Suprajit Engineering Company Limited, Bangalore	0.08	0.08
(ii) 45,880 Equity shares of Rs.10/- each fully paid up in Ucal Fuel Systems Limited, Chennai	0.25	0.25
(iii) 1,64,52,192 Equity shares of Rs.10/- each fully paid up in TVS Finance and Services Limited, Chennai	16.61	16.61

(b) Trade - unquoted

(i) 27,00,000 Equity shares of Rs.10/- each fully paid up in Sundaram Auto Components Limited, Chennai-subsiary company	12.50	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
(iii) 4,00,00,000 6% Non-cumulative non-convertible re-deemable preference shares of Rs.10/- each fully paid up in TVS Finance and Services Limited, Chennai	40.00	—

(c) Non-trade - quoted

13,06,644 (Last year 8,45,553) 6.75% Tax free bonds of Unit Trust of India, Mumbai	13.75	8.87
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(d) Non-trade - unquoted

(i) National savings certificates (deposited with sales tax authorities - Rs. 37,100/-)	—	—
(ii) Indira vikas patra (Rs. Nil - Last year Rs. 600/-)	—	—
<b>Total long term investments (A)</b>	<u>113.50</u>	<u>68.62</u>

Schedules – (continued)

VII INVESTMENTS (AT COST) – (continued)

		Rupees in crores	
		As at 31-03-2005	As at 31-03-2004
(B)	SHORT TERM		
(a)	Non-trade quoted		
(i)	Sundaram Asset Management Company Limited, Chennai - Sundaram Money Fund	—	18.37
(ii)	Sundaram Asset Management Company Limited, Chennai - Sundaram Monthly Income Plan	—	10.00
(iii)	Sundaram Asset Management Company Limited, Chennai - Sundaram SMILE Growth Fund	2.00	—
(iv)	HDFC Asset Management Company Limited, Mumbai	8.53	—
(v)	ABN Amro Asset Management (India) Limited, Mumbai	5.10	—
(vi)	HSBC Asset Management India Private Limited, Mumbai - Monthly Income Plan	—	5.00
(vii)	HSBC Asset Management India Private Limited, Mumbai - HSBC Cash Fund	6.00	—
(viii)	Kotak Mahindra Asset Management Company Limited, Mumbai - Kotak Liquid Institutional Premium Plan	—	10.00
(ix)	Kotak Mahindra Asset Management Company Limited, Mumbai - Kotak Midcap Growth Fund	2.00	—
(x)	Tata Asset Management Limited, Mumbai	2.00	3.00
(xi)	Prudential ICICI Asset Management Company Limited, New Delhi - Short Term Plan	4.39	—
(xii)	Prudential ICICI Asset Management Company Limited, New Delhi - Floating Rate Fund	0.75	—
(xiii)	Prudential ICICI Asset Management Company Limited, New Delhi - Very Cautious Plan	—	3.00
(xiv)	SBI Mutual Fund, Mumbai - SBI Magnum Emerging Business Growth Fund	0.12	—
(xv)	SBI Mutual Fund, Mumbai - SBI Magnum Midcap Fund	4.00	—
(xvi)	SBI Mutual Fund, Mumbai - SBI Magnum Institutional Income Fund	2.00	—
(xvii)	Franklin Templeton Asset Management (India) Private Limited, Mumbai - Franklin India Flexicap Fund	6.00	—
(xviii)	Franklin Templeton Asset Management (India) Private Limited, Mumbai - Templeton India Treasury Management Account Fund	6.00	—
(xix)	Deutsche Asset Management India Private Limited, Mumbai	5.00	—
(xx)	J M Financial Asset Management Private Limited, Mumbai	3.00	—
(xxi)	Standard Chartered Asset Management Company Private Limited, Mumbai	1.00	—
(xxii)	Reliance Capital Asset Management Limited, Ahmedabad - Reliance Treasury Plan	—	10.02
(xxiii)	Reliance Capital Asset Management Limited, Ahmedabad - Reliance Equity Opportunities Fund	4.00	—
(xxiv)	800 Equity Shares of Rs 10/- each fully paid up in Industrial Development Bank of India, Mumbai	—	0.01
	Total short term investments (B)	<u>61.89</u>	<u>59.40</u>
	Total investments (A + B)	<u>175.39</u>	<u>128.02</u>
	Market value of quoted investments - Rs 85.91 crores - (last year Rs.88.18 crores)		

Schedules – (continued)

	Rupees in crores	
	As at 31-03-2005	As at 31-03-2004
<b>VIII INVENTORIES</b>		
* Raw materials and components	55.78	42.90
* Work-in-process	19.18	15.52
* Finished goods	101.15	101.63
* Stock of dies, moulds and tools	39.77	42.29
* Stores	15.49	14.07
Goods-in-transit	1.86	0.25
	<u>233.23</u>	<u>216.66</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	4.34	3.30
(b) Other debts	30.22	48.60
	<u>34.56</u>	<u>51.90</u>
<b>X CASH AND BANK BALANCES</b>		
(a) Cash and cheques on hand	0.14	0.15
(b) With scheduled banks		
(i) in current accounts	6.45	3.28
(ii) in cash credit accounts	5.78	8.52
(iii) in term deposit accounts	61.50	6.05
	<u>73.87</u>	<u>18.00</u>
<b>XI OTHER CURRENT ASSETS</b>		
Interest accrued on non-trade quoted investments	0.29	0.19
	<u>0.29</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	122.03	117.33
(b) Inter corporate deposits	32.17	18.78
(c) Other deposits	0.70	1.72
(d) Advance payment of income tax less provisions	9.80	11.45
	<u>164.70</u>	<u>149.28</u>
<b>XIII CURRENT LIABILITIES</b>		
Sundry creditors	452.19	421.01
	<u>452.19</u>	<u>421.01</u>
<b>XIV PROVISIONS</b>		
(a) Pension fund	29.08	21.41
(b) Leave salary	3.10	2.94
(c) Warranty	7.17	—
(d) Interim dividend payable	14.26	16.63
(e) Dividend tax	2.00	2.13
	<u>55.61</u>	<u>43.11</u>
<b>XV MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off or adjusted)		
(a) Expenditure pending allocation	14.77	2.19
(b) New product launch expenses	46.43	10.71
(c) External commercial borrowings upfront fees	8.26	—
	<u>69.46</u>	<u>12.90</u>

Schedules — (continued)

	Rupees in crores	
	Year ended 31-03-2005	Year ended 31-03-2004
<b>XVI OTHER INCOME</b>		
(a) Miscellaneous income	73.55	26.03
(b) Dividend from subsidiary company	0.81	3.12
(c) Dividend from others	1.98	6.00
(d) Profit on sale of fixed assets	0.36	0.11
(e) Profit on sale of investments	2.60	0.95
	<u>79.30</u>	<u>36.21</u>
<b>XVII RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening stock:		
Raw materials	42.90	41.71
Work-in-process	15.52	16.94
Finished goods	<u>101.63</u>	<u>107.98</u>
	160.05	166.63
Purchase of raw materials and components	<u>1,997.48</u>	<u>1,848.59</u>
Total (A)	<u>2,157.53</u>	<u>2,015.22</u>
Closing stock:		
Raw materials	55.78	42.90
Work-in-process	19.18	15.52
Finished goods	<u>101.15</u>	<u>101.63</u>
Total (B)	<u>176.11</u>	<u>160.05</u>
(A - B)	<u>1,981.42</u>	<u>1,855.17</u>
<b>XVIII SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES</b>		
* (a) Salaries, wages and allowances (includes commission to managing director Rs. 0.99 crores (last year Rs. 1.07 crores) vide computation annexed)	104.36	99.28
* (b) Workmen and staff welfare expenses	16.49	16.31
* (c) Contribution to provident and other funds	19.87	18.16
* (d) Stores and tools consumed	38.30	37.52
* (e) Power and fuel	27.41	29.34
* (f) Rent	4.99	5.87
(g) Rates and taxes	21.01	29.96
* (h) Repairs and maintenance:		
(i) buildings	3.55	4.84
(ii) machinery	20.51	24.42
(iii) other assets	2.61	2.47
(i) Insurance	2.87	2.66
(j) Directors' sitting fees	0.08	0.03
(k) Commission to independent directors	0.23	0.22
(l) Audit fees	0.21	0.23
* (m) Travel and conveyance	12.48	15.81
* (n) Packing and freight charges	75.95	70.86
* (o) Advertisement and publicity	88.20	105.55
* (p) Other marketing expenses	168.06	151.78
* (q) Other expenses	59.25	81.37
(r) Commission to selling agents	9.53	0.72
(s) Cash discount	5.75	7.90
(t) Loss on sale / scrapping of fixed assets	0.38	0.32
	<u>682.09</u>	<u>705.62</u>
* net of recoveries		

Schedules – (continued)

		Rupees in crores	
		Year ended 31-03-2005	Year ended 31-03-2004
<b>XIX MISCELLANEOUS EXPENDITURE WRITTEN OFF</b>			
	External commercial borrowings upfront fees written off	0.83	—
		<u>0.83</u>	<u>—</u>
<b>XX INTEREST</b>			
	(a) On debentures	0.72	3.79
	(b) On fixed loans	3.22	1.45
	(c) Others	4.39	5.06
	Total (A)	<u>8.33</u>	<u>10.30</u>
	Less: Interest income		
	(a) On non-trade investments (gross)	0.78	0.36
	(b) On advances and deposits (gross)	6.76	8.73
	Total (B)	<u>7.54</u>	<u>9.09</u>
	(A-B)	<u>0.79</u>	<u>1.21</u>
		As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004
<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 – 4 Contingencies and events occurring after the Balance Sheet date		
	Disclosure of Contingencies as required by the accounting standard is furnished in note no.11.		
(e)	AS – 5 Net profit or loss for the period, prior period items and changes in accounting policies		
	Extraordinary item:		
	During the year based on the approval received from the Government of Karnataka, the company has opted for pre-payment of deferred sales tax liability of Rs 69.18 crores at a discounted value. The resultant reduction in liability of Rs 36.94 crores has been included under miscellaneous income.		
	Details of prior period debits to Profit and Loss Account:		
	(i) Raw materials and components consumed	—	0.19
	(ii) Technical consultancy	0.07	0.78
(f)	AS – 6 Depreciation accounting		
	Depreciation has been provided under the straight line method at the rates prescribed under schedule XIV of the Companies Act, 1956 with the applicable shift allowance.		
	In respect of assets added / assets sold during the year pro-rata depreciation has been provided at the rates prescribed under schedule XIV.		
	Depreciation in respect of Computers and Vehicles has been provided at 30% and 18% respectively which is higher than the rate prescribed under schedule XIV.		
	Depreciation in respect of tools and dies has been provided based on the quantity of components manufactured.		
	Depreciation in respect of assets acquired during the year whose actual cost does not exceed Rs. 5,000/- has been provided at 100%.		
(g)	AS – 9 Revenue recognition		
	The income of the company is derived from sale of automotive vehicles and parts thereof, net of trade discount and include realised exchange fluctuations on exports.		



Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004
	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 the right to receive the same is established.		
	The revenue and expenditure are accounted on a going concern basis.		
(h)	AS – 10 Accounting for fixed assets		
	All the fixed assets are valued at cost including expenditure incurred in bringing them to usable condition less depreciation.		
	Land includes land acquired under 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	0.45	0.62
(i)	AS – 11 Accounting for effects in foreign exchange rates		
	Purchase of imported raw materials, components, spare parts and capital goods are accounted based on retirement memos from banks. In respect of liabilities on import of raw materials, components, spare parts and capital goods which are in transit and where invoices / bills are not received, the liability is accounted based on the market exchange rates prevailing on the date of the Balance Sheet.		
	The foreign currency loans and deposits held outside India in foreign currency were re-stated as on 31st March 2005 as per the requirements of Accounting Standard 11 and the net gain arising out of such re-statement amounting to Rs. 4.41 crores is credited to Profit and Loss Account.		
	Sales include realised exchange fluctuation on exports.		
	Net exchange difference credited to		
	(i) Profit and Loss Account	7.97	1.27
	(ii) Carrying amount of fixed assets	—	0.24
(j)	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 during the year:		
	DSP Merrill Lynch Investment Managers Limited, Mumbai	21.00	25.00
	Deutsche Asset Management India Private Limited, Mumbai	10.00	45.00
	Birla Sunlife Asset Management Company Limited, Mumbai	61.27	6.00
	Standard Chartered Asset Management Company Limited, Mumbai	130.31	236.50
	JM Financial Asset Management Private Limited, Mumbai	3.00	20.00
	Reliance Capital Asset Management Limited, Ahmedabad	10.50	20.00
	SBI Mutual Fund of State Bank of India, Mumbai	61.37	10.00
	IL&FS Asset Management Company Limited, Mumbai	—	83.00
	Sundaram Asset Management Company Limited, Chennai	108.28	194.31
	Tata Asset Management Limited, Mumbai	5.00	3.00
	Prudential ICICI Asset Management Company Limited, New Delhi	231.70	380.50
	Kotak Mahindra Asset Management Company Limited, Mumbai	2.00	58.00
	Franklin Templeton Asset Management (India) Private Limited, Mumbai	79.00	69.50
	HSBC Asset Management (India) Private Limited, Mumbai	63.00	55.00
	HDFC Asset Management Company Limited, Mumbai	57.03	48.00
	ING Vysya Asset Management Company Limited, Mumbai	7.00	—
	Principal Asset Management Company Private Limited, Chennai	13.00	—

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004
(i) Investments made during the year - (continued)		
ABN Amro Asset Management (India) Limited, Mumbai	24.10	—
Cholomandalam Asset Management Co Limited, Mumbai	5.00	—
Sundaram Auto Components Limited, Chennai	—	12.50
Suprajit Engineering Company Limited, Bangalore (Transfer on amalgamation)	—	0.07
TVS Finance and Services Limited, Chennai	40.00	0.76
(Investments in 2003-04 is owing to transfer on amalgamation)		
6.75% Tax free bonds in Unit Trust of India, Mumbai	4.88	8.87
Industrial Development Bank of India, Mumbai (Transfer on amalgamation)	—	0.01
Total	<u>937.44</u>	<u>1,276.02</u>
(ii) Investments realised during the year:		
DSP Merrill Lynch Investment Managers Limited, Mumbai	21.00	25.00
Deutsche Asset Management India Private Limited, Mumbai	5.00	45.00
Birla Sunlife Asset Management Company Limited, Mumbai	61.27	6.00
Standard Chartered Asset Management Company Limited, Mumbai	129.31	236.50
JM Financial Asset Management Private Limited, Mumbai	—	20.00
Reliance Capital Asset Management Limited, Ahmedabad	16.52	9.98
SBI Mutual Fund of State Bank of India, Mumbai	55.25	10.00
IL&FS Asset Management Company Limited, Mumbai	—	83.00
Sundaram Asset Management Company Limited, Chennai	134.65	178.52
Prudential ICICI Asset Management Company Limited, New Delhi	229.56	377.50
Tata Asset Management Limited, Mumbai	6.00	—
Kotak Mahindra Asset Management Company Limited, Mumbai	10.00	53.00
Franklin Templeton Asset Management (India) Private Limited, Mumbai	67.00	79.50
HSBC Asset Management (India) Private Limited, Mumbai	62.00	50.00
HDFC Asset Management Company Limited, Mumbai	48.50	48.00
Lakshmi Auto Components Limited, Chennai (Shares cancelled on amalgamation)	—	13.92
Industrial Development Bank of India, Mumbai	0.01	—
ING Vysya Asset Management Company Limited, Mumbai	7.00	—
Principal Asset Management Company Private Limited, Chennai	13.00	—
ABN Amro Asset Management (India) Limited, Mumbai	19.00	—
Cholomandalam Asset Management Co Limited, Mumbai	5.00	—
Total	<u>890.07</u>	<u>1,235.92</u>
The amounts of Rs.937.44 crores (last year Rs.1,276.02 crores) and Rs.890.07 crores (last year Rs.1,235.92 crores) are cumulative figures.		
Cost of investments held as at Balance Sheet date	175.39	128.02
Cost of investments which are not transferable till 8th August 2005	13.50	13.50
(k) AS - 14 Accounting for amalgamation		
During the year there was no amalgamation		
(l) AS -15 Accounting for retirement benefits		
(i) Contributions to provident fund are made to a recognised trust.		
(ii) Provision for leave salary to employees is made on the basis of actuarial valuation.		
(iii) Provision for pension for senior managers is made on actuarial valuation basis for current and past services.		
(iv) Contributions to gratuity and superannuation fund are made to Life Insurance Corporation of India in accordance with the scheme framed by the corporation.		

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004
(m) AS – 16 Borrowing cost		
The borrowing costs have been treated in accordance with Accounting Standard on Borrowing Cost (AS – 16) issued by The Institute of Chartered Accountants of India. During the year, there were no borrowings attributable to qualifying assets and hence no borrowing costs were capitalised.		
(n) AS – 17 Segment reporting		
The company operates in only one segment viz., automotive vehicles. Hence the Accounting Standard on segment reporting (AS – 17) is not applicable.		
(o) AS – 18 Related party disclosure		
Disclosure is made as per the requirements of the standard and the same is annexed.		
(p) AS – 19 Leases		
(i) Asset acquired under finance lease - vehicles - original cost	0.45	0.62
(ii) The net carrying amount as on 31st March	0.11	0.28
(iii) Minimum lease payments		
– not later than one year-not discounted	0.13	0.18
– later than one year but not later than five years - not discounted	0.13	0.35
– later than five years - not discounted	—	—
(iv) Present value of minimum lease payments		
– not later than one year - discounted	0.06	0.10
– later than one year but not later than five years - discounted	0.04	0.09
– later than five years - discounted	—	—
(v) Contingent rents recognised as income in the statement of Profit and Loss Account	—	—
(vi) The total of future minimum sub-lease payment expected to be received under non-cancellable sub-leases as on 31st March	—	—
(vii) General description of the leasing arrangements		
– Nature of facility :	Finance lease	
– Restriction imposed by lease arrangement	-Nil-	
(q) AS – 20 Earnings per share		
Disclosure is made in the Profit and loss Account as per the requirements of the standard.		
(r) AS – 21 Consolidated financial statements		
Consolidated financial statements of the company and its subsidiary are enclosed.		
(s) AS – 22 Accounting for taxes on income		
Current tax is determined as the amount of tax payable in respect of taxable income for the period.		
Deferred tax liability and asset are recognised based on timing difference using the tax rates substantively enacted on the Balance Sheet date.		
(i) Deferred tax liability consists of :		
– tax on depreciation	100.03	93.38
– tax on R & D capital expenditure	31.56	22.11
– tax on amortisation of dies and moulds	14.00	13.32
– tax on expenses admissible on payment basis under Income-tax Act, 1961	18.54	4.72
(A)	164.13	133.53
(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	15.62	10.48
(B)	15.62	10.48
Deferred tax liability (net of deferred tax asset) (A)-(B) refer Balance Sheet	148.51	123.05

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004
(f)	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	2 years
	– Amortisation rates used	50% each year as depreciation	50% each year as depreciation
	– Gross carrying amounts at the beginning and at the end of the period together with additions and deletions during the year		
	Opening balance	4.12	—
	Additions during the year	0.01	4.12
	Total	4.13	4.12
	Amortised during the year as depreciation	4.12	2.06
	Closing balance	0.01	2.06
(ii)	Expenditure pending allocation on new products		
	– Useful life of the asset	10 years	10 years
	– Amortisation rates used	Not amortised as asset not put to use	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	2.19	—
	Additions during the year	12.58	2.19
	Total	14.77	2.19
	Amortised / capitalised during the year	—	—
	Closing balance	14.77	2.19
	Commitments for the acquisition of the asset	0.09	1.05
(u)	AS – 28 - Impairment of assets		
	As on the Balance Sheet date the carrying amounts of the assets net of accumulated depreciation is not less than the recoverable amount of those assets. Hence there is no impairment loss on the assets of the company.		
(v)	AS – 29 - Provisions, contingent liabilities and contingent assets		
(i)	Provisions		
	In respect of warranty obligations provision is made in accordance with terms of sale of vehicles vide schedule XIV (c) to the Balance Sheet.		
(ii)	Contingent liabilities		
	The amount for which the company is contingently liable is disclosed in note 11.		
(iii)	Contingent assets which are likely to give rise to the possibility of inflow of economic benefits - NIL		
(iv)	Contested liabilities are detailed in note no.12		
2.	Share capital		
	M/s. Sundaram-Clayton Limited, Chennai holds 2,10,00,000 equity shares of Re.1/- each while its wholly owned subsidiary M/s. Anusha Investments Limited, Chennai holds 11,40,00,000 equity shares of Re.1/- each. This aggregates to 56.8% of the share capital of the company.		
3.	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. As per the terms of the issue all the debentures stand fully redeemed as at the Balance Sheet date.		
	Amount of debentures redeemed	19.80	19.80
4.	Amount of loan payable within one year:		
(a)	Secured - from banks	—	4.00
(b)	Unsecured - from banks	—	0.02

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004
5. Land		
Title deeds in respect of lands acquired near Ahmedabad in Gujarat at a cost of Rs. 0.01 crore and in respect of lands acquired at Hosur in Tamil Nadu at a cost of Rs. 4.39 crores are yet to be received from the registration authorities.		
6. Bank balance includes amount in respect of		
(a) Unclaimed dividends	0.91	0.81
(b) Unclaimed share application money (Rs.17,200/-)	—	—
(c) Deposits held with a non-scheduled bank viz. HSBC bank Plc, London	58.53	—
(d) Maximum amount invested with HSBC bank Plc, London at any time during the year	58.53	—
7. Loans and advances include:		
(a) Amount due from a company under the same management viz. Sundaram-Clayton Limited, Chennai	9.00	—
(b) Maximum amount due from the above company at any time during the year	9.00	—
(c) Amount due from subsidiary company viz. Sundaram Auto Components Limited, Chennai	5.89	8.47
(d) Due from an officer of the company	0.05	0.05
(e) Maximum amount due from an officer of the company at any time during the year	0.05	0.06
8. Deposits include:		
(a) Deposit with post office (Rs.21,500/-)	—	—
(b) Deposit with central excise	0.18	0.13
(c) Deposit with sales tax	0.91	0.78
9. Sundry creditors include :		
(a) Investor Education and Protection fund		
Unclaimed dividend	0.91	0.81
Unclaimed share application money (Rs.17,200/-)	—	—
(b) Amount due to Small Scale Industrial units	19.49	18.44
(c) Amount due to other industrial units	288.04	267.25

Amount payable to Small Scale Industrial units - due more than 30 days (the company is entitled to 45 days credit) ABS Instruments Pvt. Ltd; 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; Dietech 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; Fiern 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; 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; Mhithraa 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; Serewel Industries; Shalibhadra Intermediates Private Limited; Shef-Dass Engineers Private Limited; Shivkon 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; Thayil 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.

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

	Rupees in crores	
	As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004
10 Miscellaneous expenditure not written off:		
(a) Expenditure pending allocation consists of:		
(i) Design and development of proto types	6.75	2.19
(ii) Salaries, Wages and allowances	4.20	—
(iii) Rent	0.15	—
(iv) Travel and conveyance	0.82	—
(v) Other expenses	2.85	—
Total	<u>14.77</u>	<u>2.19</u>
(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.		
(c) Expenditure incurred in raising external commercial borrowing is proposed to be written off over the period of loan.		
11 Contingent liability not provided for:		
(a) On counter guarantee given to banks	0.55	2.73
(b) On letters of credit	8.38	29.12
(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	52.69	20.19
(e) Capital commitments not provided for	31.15	20.43
(f) On obligation arising out of agreements facilitating credit to an associate company	75.00	75.00
12 Liability contested and not provided for:		
(a) Excise	2.73	1.50
(b) Sales tax	3.73	3.55
(c) Electricity tax	0.15	0.15
(d) Income-tax	11.04	5.03
(e) Employee settlement claims	0.05	0.05
(f) Land acquisition matters	3.74	—
13 Tax deducted at source:		
(a) On interest income	0.58	1.15
(b) On sub-contract income	—	2.65
14 Contribution to provident and other funds include:		
(a) Contribution towards gratuity as per scheme framed by Life Insurance Corporation of India	3.60	3.25
(b) Contribution towards pension fund	8.17	7.72
15 Repairs include:		
(a) Wages	2.75	3.29
(b) Stores consumed	18.10	17.65
16 Audit fees comprise:		
(a) As auditors	0.14	0.15
(b) Taxation matters	0.03	0.03
(c) Certification matters	0.03	0.04
(d) Cost audit fees	0.01	0.01
Total	<u>0.21</u>	<u>0.23</u>
17 General		
(a) Expenses in excess of 1% of total revenue		
i) Carriage outwards included in packing and freight charges	61.20	55.76
ii) Sales promotion expenses included in other marketing expenses	94.78	76.76
(b) Other expenses include travel and stay expenses of auditors	0.10	0.07
(c) Loss on sale of investments netted against profit on sale of investments	1.38	5.64

## Schedules – (continued)

## XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores

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

	Particulars	Name of the company	Amount outstanding as on 31-03-2005	Amount outstanding as on 31-03-2004
(a)	Loans and advances			
(i)	Loans and advances in the nature of loans made to subsidiary company	Sundaram Auto Components Limited, Chennai Maximum amount due at any time during the year	5.89 8.47	8.47 9.09
(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	— 15.00	— 5.50
(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) Maximum amount held at any time during the year	12.50 12.50	12.50 12.50
(ii)	In associate company	TVS Finance and Services Limited Chennai (1,64,52,192 Equity shares of Rs.10/- each fully paid up, 3,03,10,000 9% non-cumulative non-convertible redeemable preference shares of Rs 10/- each and 4,00,00,000 6% non-cumulative non-convertible redeemable preference shares of Rs.10/- each) Maximum amount held at any time during the year	86.92 86.92	46.92 46.92
(c)	Investments by the holding company	Sundaram-Clayton Limited, Chennai together with its subsidiary Anusha Investments Limited, Chennai (13,50,00,000 Equity shares of Re.1/- each fully paid) Maximum amount held at any time during the year	13.50 13.50	13.50 13.50

## Notes:

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

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

Rupees in crores

19	Determination of net profit as per sections 349 and 350 of the Companies Act, 1956	As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004
	Profit as per Profit and Loss Account	201.44	215.60
	Add: Depreciation as per Profit and Loss Account	89.63	79.89
		<u>291.07</u>	<u>295.49</u>
	Less : Depreciation as per section 350 read with schedule XIV	92.58	82.20
	Profit as per section 349	<u>198.49</u>	<u>213.29</u>
	Commission payable to managing director at 2% thereof as approved by the shareholders	3.97	4.27
(a)	Actual commission provided at 0.5%	<u>0.99</u>	<u>1.07</u>
(b)	Commission to independent directors at 1% of the profit as stated above subject to a ceiling of Rs. 3.60 lakhs per director per annum	0.23	0.22

20	Related party disclosure	
	List of related parties	
	Reporting entity	TVS Motor Company Limited, Chennai
	Subsidiary company	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 (e) Auto (India) Engineering 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



Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004
21	Particulars of transactions with related parties		
(a)	Purchase of goods		
	– holding company	35.89	35.06
	– subsidiary company	57.55	45.22
	– fellow subsidiary	—	0.47
(b)	Sale of goods		
	– subsidiary company	0.12	—
(c)	Purchase of fixed assets		
	– holding company	0.01	—
	– fellow subsidiary (TVS Electronics Limited, Chennai)	—	0.33
(d)	Sale of fixed assets		
	– holding company	0.60	0.18
	– subsidiary company	0.01	—
(e)	Rendering of services (including interest and sub-contract charges received)		
	– holding company	0.64	—
	– subsidiary company	0.63	0.47
	– fellow subsidiary (Anusha Investments Limited, Chennai)	—	0.18
	– associate company	—	0.11
(f)	Availing of services (includes sub-contract charges paid)		
	– holding company	31.07	42.39
	– subsidiary company	0.34	0.32
	– fellow subsidiaries	0.42	2.49
	– associate company	10.69	11.58
(g)	Trade advances made during the year		
	– holding company	9.00	—
	– subsidiary company	1.56	6.63
	– fellow subsidiary (Anusha Investments Limited, Chennai)	—	5.00
	– associate company	25.00	13.50
(h)	Trade advances received back during the year		
	– holding company	—	—
	– subsidiary company	4.25	1.47
	– fellow subsidiary (TVS Investments Limited, Chennai)	0.06	10.00
	(Last year - Anusha Investments Limited, Chennai)		
	– associate company	25.00	13.50

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

		Rupees in crores	
		As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004
21	Particulars of transactions with related parties — (continued)		
(i)	Amount outstanding as at Balance Sheet date:		
	(i) Sundry debtors		
	– fellow subsidiary	0.02	—
	(ii) Loans and advances receivable		
	– holding company	9.00	—
	– subsidiary company	5.89	8.47
	– fellow subsidiary	—	0.06
	(iii) Sundry creditors		
	– holding company	8.23	12.33
	– subsidiary company	—	2.83
	– fellow subsidiary	—	0.01
	– associate company	0.71	0.77
(j)	Investments made during the year		
	– subsidiary company (consideration other than cash)	—	12.50
	– associate company	40.00	—
(k)	Investments sold / cancelled during the year		
	– subsidiary company	—	13.92
	– fellow subsidiaries	0.01	—
(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	0.99	1.07

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
May 30, 2005

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

Schedules – (continued)

XXI NOTES ON ACCOUNTS – (continued)

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

		Rupees in crores			
		Year ended 31-03-2005		Year ended 31-03-2004	
		Quantity	Value	Quantity	Value
I	RAW MATERIALS CONSUMED				
1	(a) Basic raw materials				
	Steel sheets, coils, strips and bars	Kgs.	75,51,247	31.90	69,65,198
	Steel tubes	Mtrs.	2,42,055	2.94	3,42,829
	Aluminium alloys and ingots	Kgs.	66,62,264	58.29	72,56,770
	(b) Intermediates and components (which individually do not account for more than 10% of the total value of consumption)				
			<u>1,891.47</u>		<u>1,760.45</u>
			<u>1,984.60</u>		<u>1,847.40</u>
2	Consumption of raw materials and components				
		% of total consumption		% of total consumption	
	(a) Imported	1.6	32.42	3.5	64.20
	(b) Indigenous	98.4	1,952.18	96.5	1,783.20
		<u>100.0</u>	<u>1,984.60</u>	<u>100.0</u>	<u>1,847.40</u>
II	CONSUMPTION OF MACHINERY SPARES				
	(a) Imported	25.5	1.30	23.9	1.35
	(b) Indigenous	74.5	3.79	76.1	4.31
		<u>100.0</u>	<u>5.09</u>	<u>100.0</u>	<u>5.66</u>
III	IMPORTS (CIF VALUE)				
	(a) Raw materials		21.55		6.88
	(b) Spare parts and components		19.05		25.81
	(c) Capital goods		60.51		51.25
IV	OTHER EXPENDITURE IN FOREIGN CURRENCY				
	(a) Travel		2.42		2.71
	(b) Subscription to books and periodicals		0.05		0.07
	(c) Subscription to associations		0.04		0.05
	(d) Welfare expenses - training		1.13		0.99
	(e) Consultancy		6.74		12.58
	(f) Advertisement and publicity		1.86		2.96
	(g) Commission on exports		9.53		0.72
	(h) Research and development		11.48		8.43
	(i) On external commercial borrowing up front fees		6.63		—
	(j) Commission on import of raw materials and components		0.29		0.30
	(k) Interest on foreign currency loan		2.25		—
	(l) Rent		0.02		—
V	PAYMENT TO NON-RESIDENTS				
	(a) No. of share holders		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)		120.32		68.24
	(b) Others (freight and insurance)		1.88		1.24
			<u>122.20</u>		<u>69.48</u>
VII	SALE BY CLASS OF GOODS				
		Quantity nos.		Quantity nos.	
	(a) Motorcycles	6,79,099	1,845.66	7,06,558	1,940.05
	(b) Mopeds	2,63,390	357.30	2,51,065	327.88
	(c) Scooters	2,24,527	485.56	1,89,238	386.19
	(d) Spares and accessories		187.39		166.09
	Total		<u>2,875.91</u>		<u>2,820.21</u>
VIII	LICENSED AND INSTALLED CAPACITY (PER ANNUM)		Not applicable		Not applicable

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 01-04-2004	As at 01-04-2003	Year ended 31-03-2005	Year ended 31-03-2004	As at 31-03-2005	As at 31-03-2004				
(a) Motorcycles	30,909	75.98	34,352	81.86	672,773	7,03,724	24,368	61.14	30,909	75.98
(b) Mopeds	3,497	3.92	3,199	3.89	261,928	2,51,417	2,019	2.42	3,497	3.92
(c) Scooters	6,589	11.71	7,877	13.95	233,373	1,88,196	15,409	29.35	6,589	11.71
(d) Components which do not individually account for 10% or more of the total value of stock		10.02		8.28				8.24		10.02
<b>Total</b>		<u>101.63</u>		<u>107.98</u>				<u>101.15</u>		<u>101.63</u>

Note: During the year 215 motorcycles, 16 mopeds and 26 scooters (last year 609 motorcycles, 54 mopeds and 246 scooters) were captively used.

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
May 30, 2005

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 2004 to 31st March 2005
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. 4.45 crores
	(b) for the previous financial years since it became a subsidiary	:	Rs. 3.61 crores
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	:	Nil
	(b) for the previous financial years since it became a subsidiary - profit	:	Rs. 0.81crores

---

VENU SRINIVASAN  
*Chairman & Managing Director*

H. LAKSHMANAN  
*Director*

S.G. MURALI  
*Sr. Vice President - Finance*

Chennai  
May 30, 2005

T.S. RAJAGOPALAN  
*Secretary*

## Cash Flow Statement

Rupees in crores

Year ended  
31-03-2005

Year ended  
31-03-2004

### A. Cash flow from operating activities :

Net Profit before tax and extraordinary items		163.51	214.53
Add : Reduction in liability due to pre-payment of sales tax deferral loan		<u>36.94</u>	<u>—</u>
Net Profit for the year		200.45	214.53
Add :			
Depreciation for the year	89.63		79.89
Depreciation – transfer on amalgamation	—		57.68
Depreciation on sale/scrapping of assets	(3.90)		(1.69)
Miscellaneous expenditure written off	0.83		—
Income tax relating to earlier years	1.42		(0.74)
Dividend income	(2.79)		(9.12)
Interest income	(7.54)		(9.09)
Interest expenditure	<u>8.33</u>		<u>10.30</u>
		<u>85.98</u>	<u>127.23</u>
Operating profit before working capital changes		286.43	341.76
Adjustments for :			
Trade receivables	17.34		0.31
Inventories	(16.57)		(2.59)
Other current assets	(0.10)		(0.19)
Loans and advances	(17.07)		(37.84)
Trade payables	31.18		12.39
Provisions	<u>15.00</u>		<u>9.52</u>
		<u>29.78</u>	<u>(18.40)</u>
Cash generated from operations		<u>316.21</u>	<u>323.36</u>
Direct taxes paid		<u>(35.77)</u>	<u>(66.38)</u>
Net cash from operating activities	(A)	280.44	256.98

### B. Cash flow from investing activities :

Purchase of fixed assets	(162.97)	(166.21)	
Transfer on amalgamation	—	(163.16)	
Sale of fixed assets	8.32	3.31	
Capital work-in-progress	2.62	18.67	
Purchase of investments	(937.44)	(1,276.02)	
Sale of investments	890.07	1,235.92	
Miscellaneous expenditure not written off	(57.39)	(12.90)	
Interest received	7.54	9.09	
Dividends received	<u>2.79</u>	<u>9.12</u>	
		<u>(246.46)</u>	
Net cash used in investing activities	(B)	(246.46)	(342.18)

## Cash Flow Statement - (Continued)

	Rupees in crores	
	Year ended 31-03-2005	Year ended 31-03-2004
<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:		
Secured loans availed	175.01	—
Repayment of secured loans	(32.10)	(19.80)
Transfer on amalgamation	—	12.30
Unsecured loans availed	0.35	—
Repayment of unsecured loans	—	(14.10)
Sales tax deferral loan availed	—	14.75
Sales tax deferral loan repaid	(70.03)	—
Interest paid	(8.33)	(10.30)
Dividend and dividend tax paid	(37.61)	(35.14)
Net cash used in financing activities	(C) <u>27.29</u>	<u>16.77</u>
<b>D. Net increase in cash and cash equivalents</b>		
	(A+B+C)	(68.43)
Cash and cash equivalents at the beginning of the year	12.60	81.03
Cash and cash equivalents at the end of the year	73.87	12.60

## 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 <i>Chairman &amp; Managing Director</i>	H. LAKSHMANAN <i>Director</i>	S.G. MURALI <i>Sr. Vice President - Finance</i>	As per our report annexed For Sundaram & Srinivasan <i>Chartered Accountants</i>
Chennai May 30, 2005		T.S. RAJAGOPALAN <i>Secretary</i>	M. BALASUBRAMANIAM <i>Partner</i>

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	5
---	---	---	---

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	<table border="1" style="display: inline-table;"><tr><td>1</td><td>0</td><td>1</td><td>4</td><td>1</td><td>8</td><td>0</td><td>0</td></tr></table>	1	0	1	4	1	8	0	0	Total assets	<table border="1" style="display: inline-table;"><tr><td>1</td><td>0</td><td>1</td><td>4</td><td>1</td><td>8</td><td>0</td><td>0</td></tr></table>	1	0	1	4	1	8	0	0
1	0	1	4	1	8	0	0												
1	0	1	4	1	8	0	0												
Sources of Funds																			
Paid up capital	<table border="1" style="display: inline-table;"><tr><td> </td><td>2</td><td>3</td><td>7</td><td>5</td><td>0</td><td>0</td></tr></table>		2	3	7	5	0	0	Reserves and surplus	<table border="1" style="display: inline-table;"><tr><td>6</td><td>5</td><td>5</td><td>0</td><td>8</td><td>0</td><td>0</td></tr></table>	6	5	5	0	8	0	0		
	2	3	7	5	0	0													
6	5	5	0	8	0	0													
Secured loans	<table border="1" style="display: inline-table;"><tr><td>1</td><td>7</td><td>5</td><td>0</td><td>1</td><td>0</td><td>0</td></tr></table>	1	7	5	0	1	0	0	Unsecured loans	<table border="1" style="display: inline-table;"><tr><td> </td><td>1</td><td>1</td><td>8</td><td>3</td><td>0</td><td>0</td></tr></table>		1	1	8	3	0	0		
1	7	5	0	1	0	0													
	1	1	8	3	0	0													
Deferred tax liability	<table border="1" style="display: inline-table;"><tr><td>1</td><td>4</td><td>8</td><td>5</td><td>1</td><td>0</td><td>0</td></tr></table>	1	4	8	5	1	0	0											
1	4	8	5	1	0	0													
Application of Funds																			
Net fixed assets	<table border="1" style="display: inline-table;"><tr><td>7</td><td>6</td><td>3</td><td>5</td><td>8</td><td>0</td><td>0</td></tr></table>	7	6	3	5	8	0	0	Capital work-in-progress	<table border="1" style="display: inline-table;"><tr><td> </td><td> </td><td>6</td><td>9</td><td>0</td><td>0</td><td>0</td></tr></table>			6	9	0	0	0		
7	6	3	5	8	0	0													
		6	9	0	0	0													
Investments	<table border="1" style="display: inline-table;"><tr><td>1</td><td>7</td><td>5</td><td>3</td><td>9</td><td>0</td><td>0</td></tr></table>	1	7	5	3	9	0	0	Net current assets	<table border="1" style="display: inline-table;"><tr><td>(</td><td>1</td><td>1</td><td>5</td><td>0</td><td>0</td><td>)</td></tr></table>	(	1	1	5	0	0	)		
1	7	5	3	9	0	0													
(	1	1	5	0	0	)													
Misc. expenditure	<table border="1" style="display: inline-table;"><tr><td> </td><td>6</td><td>9</td><td>4</td><td>6</td><td>0</td><td>0</td></tr></table>		6	9	4	6	0	0											
	6	9	4	6	0	0													

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

Turnover	<table border="1" style="display: inline-table;"><tr><td>2</td><td>9</td><td>5</td><td>5</td><td>2</td><td>1</td><td>0</td><td>0</td></tr></table>	2	9	5	5	2	1	0	0	Total expenditure	<table border="1" style="display: inline-table;"><tr><td>2</td><td>7</td><td>5</td><td>4</td><td>7</td><td>6</td><td>0</td><td>0</td></tr></table>	2	7	5	4	7	6	0	0
2	9	5	5	2	1	0	0												
2	7	5	4	7	6	0	0												
Profit before tax	<table border="1" style="display: inline-table;"><tr><td> </td><td>2</td><td>0</td><td>0</td><td>4</td><td>5</td><td>0</td><td>0</td></tr></table>		2	0	0	4	5	0	0	Profit after tax	<table border="1" style="display: inline-table;"><tr><td> </td><td>1</td><td>3</td><td>7</td><td>5</td><td>7</td><td>0</td><td>0</td></tr></table>		1	3	7	5	7	0	0
	2	0	0	4	5	0	0												
	1	3	7	5	7	0	0												
Earnings per share (Rs)	<table border="1" style="display: inline-table;"><tr><td> </td><td> </td><td> </td><td> </td><td>5</td><td>.</td><td>7</td><td>9</td></tr></table>					5	.	7	9	Dividend rate (%)	<table border="1" style="display: inline-table;"><tr><td>1</td><td>3</td><td>0</td></tr></table>	1	3	0					
				5	.	7	9												
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 INDIA  
Industrial Finance Branch  
Anna Salai,  
Chennai - 600 002.

## Registered office

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

## Factory

Belagondapalli, Hosur 635 114.

## Directors' report to the shareholders

The directors present the 13th annual report together with the audited statement of accounts for the year ended 31st March 2005.

### 1. FINANCIAL HIGHLIGHTS

Details	Rupees in lakhs	
	Year ended 31-03-2005	Year ended 31-03-2004
Sales and other Income	8,916.20	6,584.12
Profit before interest, depreciation and tax	1,038.79	815.17
Interest	77.96	66.45
Depreciation	259.52	185.18
Profit before tax	701.31	563.54
Provision for taxation (including deferred tax)	256.00	203.00
Profit after tax	445.31	360.54
Add: Surplus brought forward	91.63	7.62
	536.94	368.16
Less: Tax relating to earlier years	0.16	0.15
Profit available for appropriation	536.78	368.01
Appropriations		
Proposed dividend @ 36%	97.20	81.00
Provision for dividend tax	13.63	10.38
Transfer to general reserve	300.00	185.00
Balance surplus in profit and loss account carried forward	125.95	91.63
Total	536.78	368.01

### 2. DIVIDEND

The directors recommend a dividend of 36% for the year ended 31st March 2005. The dividend, if approved, by the shareholders, would absorb a sum of Rs. 97.20 lakhs and will be paid to the shareholders whose names stand on the register of members on the date of declaration.

### 3. PERFORMANCE DURING THE YEAR

During the year the company has crossed Rs.100 crores mark for the first time having achieved a gross turnover of Rs. 102.03 crores, which includes export turnover of Rs. 6.57 crores.

### 4. BUSINESS OUTLOOK AND EXPANSION

The two-wheeler industry is expected to grow at 12% in 2005-06 as compared to the previous year. Hence, the turnover of the company for 2005-06 is expected to have a moderate growth over last year.

The company has decided to establish a new unit for the manufacture of plastics components at Manapakkam, Chennai, at an estimated cost of Rs.2.5 crores to cater to its customers who are situated in and around Chennai. The proposed new plant at Chennai is expected to benefit the company by reducing the logistics cost. Further, it would also help the company in catering to the export market and increase the customer base.

The company has also proposed to acquire the business as a whole of the frames division of Bharat Technologies Auto Components Ltd situated at Hosur. This unit is supplying 100% of the requirement of two-wheeler frames to M/s TVS Motor Company Ltd, the holding company. The consideration to take over the business is estimated to be around Rs.33 crores.

The additional capital expenditure to be incurred for the expansion projects will be funded by term loan from Bank and unsecured loan from the holding company.

### 5. DIRECTORS

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

### 6. 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 2005.

### 7. AUDITORS

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

### 8. 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 directors' responsibility statement is given in annexure III to this report.

By order of the board

Chennai  
May 30, 2005

H. LAKSHMANAN  
Director

V. N. VENKATANATHAN  
Director

## SUNDARAM AUTO COMPONENTS LIMITED

### Annexure I to directors' report to the shareholders Information as required under Section 217(1)(e) of the Companies Act, 1956.

#### A. CONSERVATION OF ENERGY

##### Measures taken 2004-05

- (a) Conversion of steam heated presses into electrically heated presses.
- (b) Providing variable frequency drive for moulding presses and motors .
- (c) Optimising energy consumption by relaying of water and air lines  
The above measures have resulted in an annual savings of approximately Rs.18.59 lakhs.

##### Proposed measures

- (a) Providing variable frequency drive for moulding presses and motors.
- (b) Optimising pump capacity in chiller and cooling towers.
- (c) Implementation of cost effective energy savings proposals.

The above measures are expected to result in an annual savings of approximately Rs. 19.50 lakhs.

#### B. FOREIGN EXCHANGE EARNINGS AND OUTGO

- (a) Earnings : Rs. 656.88 lakhs
- (b) Outgo : Rs. 1225.51 lakhs

By order of the board

Chennai  
May 30, 2005

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
Employed throughout the year								
1.	Capt. N. S. Mohan Ram	69	Director-Projects	01.04.2000	32,35,364	B.Tech (Hons); MBA; PG in Warship Design (UK)	47	Director-Projects, TVS-Suzuki Ltd.
2.	Dr. Malini Srinivasan	50	VP - Education and Training	21.03.2003	26,06,845	M.A., Phd.	16	General Manager, Horticultural and Construction Engineers (India)(P) Ltd
3.	Suryanarayan Talavane Hebbar	37	President	16.01.2002	26,59,314	MS	12	Manager- Business Development Tata Auto Plastics 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.

By order of the board

Chennai  
May 30, 2005

H. LAKSHMANAN  
Director

V. N. VENKATANATHAN  
Director

### 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 the annual accounts for the financial year ended 31<sup>st</sup> March 2005, the applicable accounting standards had been followed and there is no material departure.
- (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 as at 31<sup>st</sup> March 2005 and of the profit of the company for the financial year ended on that date.

- (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 annual accounts for the financial year ended 31<sup>st</sup> March 2005 on a "going concern basis".

By order of the board

Chennai  
May 30, 2005

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 31<sup>st</sup> March 2005, the profit and loss account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the company's management.

Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 and amended by the Companies (Auditors' report) (Amendment) Order, 2004 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the annexure referred to above, we state that -
  - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - (ii) In our opinion, proper books of account, as required by law, have been kept by the company so far as appears from our examination of those books;
  - (iii) The balance sheet 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 31<sup>st</sup> March 2005 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; on the said date;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes 1 to 15 thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
    - a. in so far as it relates to the balance sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2005;
    - 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  
May 30, 2005

Annexure referred to in our report of even date on the accounts for the year ended 31st March 2005.

- (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.
  - c) In our opinion, the company has maintained proper records of inventory. The discrepancies between the physical stocks and the book stocks were not material and have been properly dealt with in the books of account.
- (iii) a) During the year, the company has 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 from a company listed in the register maintained under Section 301 of the Companies Act, 1956 amounting to Rs 158.26 lakhs. (Balance due as at the year end Rs.558.76 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.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
- (v) a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the contracts or arrangements that need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 have been properly entered in the said register;
  - b) In our opinion and according to the information and explanations given to us, the transactions entered in the register maintained under Section 301 and exceeding during the year by Rupees five lakhs in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time;
- (vi) The company has not accepted any deposit from the public.
- (vii) The company has an internal audit system which, in our opinion, is commensurate with the size and nature of its business;
- (viii) We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the Central Government under Section 209 (1)(d) of the Companies Act, 1956 for maintenance of cost records 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, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other statutory dues with the appropriate authorities. The provisions of Employees State Insurance 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, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31<sup>st</sup> March 2005 for a period of more than six months from the date they became payable.
  - c) According to the information and explanations given to us, the following are the details of the disputed dues, that were not deposited with the concerned authorities:

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

- (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 any 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 as such clause (xiii) of the Order is not applicable;
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments;
- (xv) 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.
- (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.
- (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  
May 30, 2005

# SUNDARAM AUTO COMPONENTS LIMITED

## Balance Sheet as at 31st March 2005

	Schedule Number	Rupees in lakhs	
		As at 31-03-2005	As at 31-03-2004
<b>I SOURCES OF FUNDS</b>			
1 Shareholders' funds			
(a) Capital	I	270.00	270.00
(b) Reserves and Surplus	II	1,590.99	1,256.67
		1,860.99	1,526.67
2 Loan funds			
(a) Secured loans	III	332.73	224.14
(b) Unsecured loans	IV	791.47	935.06
		1,124.20	1,159.20
3 Deferred tax liability (net of deferred tax asset)		178.00	88.00
Total		3,163.19	2,773.87
<b>II APPLICATION OF FUNDS</b>			
1 Fixed Assets			
(a) Gross block		3,241.62	2,442.50
(b) Less : Depreciation		439.70	185.15
(c) Net block	V	2,801.92	2,257.35
(d) Capital work-in-progress	VI	103.12	31.97
2 Investments	VII	1.70	1.70
3 Current assets, loans and advances			
(a) Inventories	VIII	714.68	393.18
(b) Sundry debtors	IX	684.49	813.55
(c) Cash and bank balances	X	79.32	27.28
(d) Loans and advances	XI	315.61	326.81
Total	(A)	1,794.10	1,560.82
Current liabilities and provisions			
(a) Current liabilities	XII	1,376.34	956.56
(b) Provisions	XIII	161.31	121.41
Total	(B)	1,537.65	1,077.97
Net current assets	(A-B)	256.45	482.85
Total		3,163.19	2,773.87

Notes on Accounts

XVIII

H. LAKSHMANAN  
Director

V.N. VENKATANATHAN  
Director

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
May 30, 2005

R. MADHAVAN  
Secretary

M. BALASUBRAMANIAM  
Partner

## Profit and Loss Account for the year ended 31st March 2005

	Schedule Number	Rupees in lakhs	
		Year ended 31-03-2005	Year ended 31-03-2004
Gross sales		10,203.45	7,606.00
Less : Excise duty		1,360.87	1,085.72
Net sales		8,842.58	6,520.28
Sub-contract income		—	1.17
Other Income	XIV	73.62	62.67
	A	8,916.20	6,584.12
Raw materials and components consumed	XV	5,335.70	3,789.87
Labour charges		167.44	116.84
Salaries and wages, stores consumed and other expenses	XVI	2,374.27	1,862.24
	B	7,877.41	5,768.95
Profit before interest, depreciation and tax	C = (A-B)	1,038.79	815.17
Interest (net)	XVII	77.96	66.45
Depreciation		259.52	185.18
Profit before tax		701.31	563.54
Provision for taxation		166.00	115.00
Provision for deferred tax		90.00	88.00
		256.00	203.00
Profit for the year (after tax)		445.31	360.54
Balance profit brought forward		91.63	7.62
Profit for the year (after tax)		445.31	360.54
Total		536.94	368.16
Tax relating to earlier years		0.16	0.15
Proposed dividend		97.20	81.00
Provision for dividend tax		13.63	10.38
Transfer to general reserve		300.00	185.00
Balance surplus carried forward to Balance sheet		125.95	91.63
Total		536.94	368.16

H. LAKSHMANAN  
Director

V.N. VENKATANATHAN  
Director

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
May 30, 2005

R. MADHAVAN  
Secretary

M. BALASUBRAMANIAM  
Partner

Schedules

	Rupees in lakhs		Rupees in lakhs	
	As at 31-03-2005	As at 31-03-2004	As at 31-03-2005	As at 31-03-2004
<b>I CAPITAL</b>				
Authorised				
50,00,000 Equity shares of Rs.10/- each	500.00	500.00		
Issued, subscribed and paid up				
27,00,000 Equity shares of Rs.10/- each	270.00	270.00		
Of the above :-				
(i) 24,50,000 equity shares were allotted for consideration other than in cash.				
(ii) All the equity shares are held by the holding company viz., TVS Motor Company Limited, Chennai and its nominees.				
	<u>270.00</u>	<u>270.00</u>		
<b>II RESERVES AND SURPLUS</b>				
a) Capital reserve				
On acquisition of business			0.04	0.04
b) Share premium account			980.00	980.00
c) General reserve				
As per last Balance Sheet			185.00	
Add: Transfer from Profit and Loss Account			<u>300.00</u>	185.00
d) Surplus				
Balance in Profit and Loss Account			125.95	91.63
			<u>1,590.99</u>	<u>1,256.67</u>
<b>III SECURED LOANS</b>				
From banks				
a) Secured by hypothecation of present and future inventory and receivables			332.73	224.14
			<u>332.73</u>	<u>224.14</u>
<b>IV UNSECURED LOANS</b>				
a) From ultimate holding company (Long term)			88.56	88.56
b) From holding company (Long term)			558.76	846.50
c) From bank (Short term)			144.15	—
			<u>791.47</u>	<u>935.06</u>

**V FIXED ASSETS**

Description							Rupees in lakhs	
	Land	Buildings	Plant & Machinery, Tools, Dies and Jigs	Furniture & Fixtures, equipments	Vehicles	Other fixed assets @	Total	
							As at 31-03-2005	As at 31-03-2004
Cost of assets								
As at 01-04-2004	330.84	343.84	1,704.08	36.99	26.75	—	2,442.50	109.49
Additions	—	131.52	572.34	22.42	13.94	86.16	826.38	2,333.09
Sales / deletion	—	—	5.28	—	21.98	—	27.26	0.08
Total	<u>330.84</u>	<u>475.36</u>	<u>2,271.14</u>	<u>59.41</u>	<u>18.71</u>	<u>86.16</u>	<u>3,241.62</u>	<u>2,442.50</u>
Depreciation								
Upto 31-03-2004	—	11.12	160.46	8.87	4.70	—	185.15	—
For the year	—	13.54	210.53	8.69	4.06	22.70	259.52	185.18
Withdrawn on assets sold / deleted	—	—	1.01	—	3.96	—	4.97	0.03
Total	<u>—</u>	<u>24.66</u>	<u>369.98</u>	<u>17.56</u>	<u>4.80</u>	<u>22.70</u>	<u>439.70</u>	<u>185.15</u>
Written down value								
As at 31-03-2005	330.84	450.70	1,901.16	41.85	13.91	63.46	2,801.92	—
As at 31-03-2004	330.84	332.72	1,543.62	28.12	22.05	—	—	2,257.35

© vide note no. 1(p)

## SUNDARAM AUTO COMPONENTS LIMITED

### Schedules – (continued)

	Rupees in lakhs		Rupees in lakhs	
	As at 31-03-2005	As at 31-03-2004	Year ended 31-03-2005	Year ended 31-03-2004
<b>VI CAPITAL WORK-IN-PROGRESS</b>				
Machinery in transit / installation	103.12	31.97		
	<u>103.12</u>	<u>31.97</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	1.70		
	<u>1.70</u>	<u>1.70</u>		
<b>VIII INVENTORIES</b>				
* a) Raw materials and components	143.21	129.96		
* b) Work-in-process	302.18	110.85		
* c) Finished goods	37.03	23.16		
* d) Stores	5.75	14.49		
e) Goods-in-transit	226.51	114.72		
	<u>714.68</u>	<u>393.18</u>		
* (as certified by a director)				
<b>IX SUNDRY DEBTORS - UNSECURED CONSIDERED GOOD</b>				
a) Debts outstanding for a period exceeding six months	19.93	7.50		
b) Other debts	664.56	806.05		
	<u>684.49</u>	<u>813.55</u>		
<b>X CASH AND BANK BALANCES</b>				
a) Cash on hand	0.04	0.59		
b) With scheduled banks				
(i) in current accounts	27.97	26.24		
(ii) in cash credit accounts	48.47	—		
(iii) in term deposit accounts	2.84	0.45		
	<u>79.32</u>	<u>27.28</u>		
<b>XI LOANS AND ADVANCES - UNSECURED CONSIDERED GOOD</b>				
a) Advances recoverable in cash or in kind or for value to be received	180.75	234.89		
b) Deposits	50.58	34.90		
c) Advance payment of income tax less provisions	84.28	57.02		
	<u>315.61</u>	<u>326.81</u>		
<b>XII CURRENT LIABILITIES</b>				
Sundry creditors	1,376.34	956.56		
	<u>1,376.34</u>	<u>956.56</u>		
<b>XIII PROVISIONS</b>				
a) Pension fund	39.55	22.30		
b) Leave salary	10.93	7.73		
c) Proposed dividend	97.20	81.00		
d) Provision for dividend tax	13.63	10.38		
	<u>161.31</u>	<u>121.41</u>		
<b>XIV OTHER INCOME</b>				
a) Sale of scraps and empties			33.80	24.48
b) Dividend income			0.04	0.14
c) Lease income			0.07	0.37
d) Profit on sale of fixed assets			5.19	0.30
e) Miscellaneous income			34.52	37.38
			<u>73.62</u>	<u>62.67</u>
<b>XV RAW MATERIALS AND COMPONENTS CONSUMED</b>				
Opening Stock:				
Raw materials			129.97	105.21
Work-in-process			110.84	76.48
Finished goods			23.15	24.52
			<u>263.96</u>	<u>206.21</u>
Purchase of raw materials and components			5,554.16	3,847.62
			<u>5,818.12</u>	<u>4,053.83</u>
Total (A)				
Closing stock:				
Raw materials			143.21	129.97
Work-in-process			302.18	110.84
Finished goods			37.03	23.15
			<u>482.42</u>	<u>263.96</u>
Total (B)				
(A-B)			<u>5,335.70</u>	<u>3,789.87</u>
<b>XVI SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES</b>				
* a) Salaries, wages and allowances			611.14	533.39
* b) Workmen and staff welfare expenses			169.30	123.30
* c) Contribution to provident and other funds			69.43	80.79
* d) Stores and tools consumed			46.61	35.69
* e) Power and fuel			407.17	329.30
* f) Rent			5.33	9.42
* g) Rates and taxes			137.06	129.88
* h) Repairs and maintenance				
i) buildings			40.64	31.62
ii) machinery			248.15	153.95
iii) other assets			20.42	16.20
i) Insurance			35.47	28.86
j) Directors' sitting fees			0.40	—
k) Audit fess			4.97	3.34
* l) Packing and freight charges			246.20	137.25
* m) Other expenses			329.75	249.25
n) Loss on sale of fixed assets			2.23	—
			<u>2,374.27</u>	<u>1,862.24</u>
* net of recoveries				
<b>XVII INTEREST</b>				
a) On fixed loans			62.74	46.67
b) Others			17.87	20.99
			<u>80.61</u>	<u>67.66</u>
Total (A)				
Less : Interest income				
(a) On advances and deposits (gross)			2.65	1.21
			<u>2.65</u>	<u>1.21</u>
Total (B)				
(A-B)			<u>77.96</u>	<u>66.45</u>

Schedules – (continued)

XVIII NOTES ON ACCOUNTS	Rupees in lakhs		Rupees in lakhs		
	As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004	
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 Workmen and staff welfare expenses - Consultancy charges	0.20 0.14	— —			
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 assets added/assets 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 under Schedule XIV. 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 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.	9.63 11.60	
			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. The foreign currency loans availed were re-stated as on 31st March 2005 as per the requirements of Accounting Standard 11 and the net gain arising out of such re-statement amounting to Rs 2.18 lakhs is credited to Profit and Loss Account. Sales include realised exchange fluctuation on exports. Net exchange difference debited to a) Profit and Loss Account. b) Carrying amount of fixed assets	12.83 —	5.58 1.43
			i) AS – 13 Accounting for Investments: Investments are valued at cost.		
			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.		
			k) AS – 16 Borrowing cost: The borrowing costs have 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 were capitalised.		

Schedules – (continued)

XVIII NOTES ON ACCOUNTS – (continued)

	Rupees in lakhs		Rupees in lakhs	
	As at / Year ended 31-03-2005	As at / Year ended 31-03-2004	As at / Year ended 31-03-2005	As at / Year ended 31-03-2004
l) AS – 17 Segment reporting:				
The company operates in only one segment viz., Automotive Components. Hence the Accounting Standard on Segment reporting (AS 17) is not applicable.				
m) AS – 18 Related party disclosures:				
Disclosure is made as per the requirements of the standard and the same is annexed.				
n) AS – 19 Leases:				
i) Asset acquired under finance lease - Vehicles				
- Original cost	9.63	11.60		
ii) The net carrying amount as on 31st March	5.78	9.28		
iii) Minimum lease payments				
- not later than one year - not discounted	3.72	5.03		
- later than one year but not later than five years - not discounted	0.93	5.96		
- later than five years - not discounted	—	—		
iv) Present value of Minimum lease payments				
- not later than one year - discounted	3.21	3.69		
- later than one year but not later than five years - discounted	0.69	3.67		
- 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 payments 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 -				
o) AS – 22 Accounting for taxes on income:				
Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax liability and assets are recognised based on timing difference using the tax rates substantively enacted on the Balance Sheet date.				
i) Deferred tax liability consists of:				
- tax on depreciation	193.98	97.68		
- tax on expenses admissible on payment basis under the Income-tax Act, 1961	2.27	1.08		
(A)	<u>196.25</u>	<u>98.76</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.	18.25	10.76		
(B)	<u>18.25</u>	<u>10.76</u>		
iii) Deferred tax liability (net of deferred tax asset) (A)-(B) Refer Balance Sheet)	178.00	88.00		
(p) 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			29.11	—
Total			<u>29.11</u>	—
Amortised during the year as depreciation			14.55	—
Closing balance			<u>14.56</u>	—
(ii) Licence fees				
- Useful life of the asset			7 years	
Amortisation rates used			14.29 % each year as depreciation	
- Gross carrying amounts at the beginning and at the end of the period together with additions and deletions during the year				
Opening balance			—	—
Additions during the year			57.05	—
Total			57.05	—
Amortised during the year as depreciation			8.15	—
Closing balance			<u>48.90</u>	—
(q) AS - 28 Impairment of assets				
As on the Balance Sheet date the carrying amount of the assets net of accumulated depreciation is not less than the recoverable amount of those assets and hence there is no impairment loss on the assets of the company.				
(r) AS - 29 - Provisions, contingent liabilities and contingent assets				
(i) Provisions				
The requirements of Accounting standard 29 are not attracted to the operations of the company. Accordingly, no provision is created.				
(ii) Contingent liabilities				
The amount for which the company is contingently liable are disclosed in note 7				
(iii) Contingent assets which are likely to give rise to the possibility of in flow of economic benefits - Nil				
(IV) Contested liabilities are detailed in note 8				
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.				



# SUNDARAM AUTO COMPONENTS LIMITED

## Schedules – (continued)

### XVIII NOTES ON ACCOUNTS – (continued)

	Rupees in lakhs		Rupees in lakhs	
	As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004	As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004
3. Amount of loan payable within one year:				
(a) Unsecured - from banks	144.15	—		
(b) Unsecured - holding company	278.50	446.00		
4. Loans and advances include:				
(a) Amount due from a company under the same management viz., Sundaram-Clayton Limited, Chennai	—	13.24		
5. Deposits include:				
(a) Deposit with central excise	0.79	0.85		
6. Sundry creditors include :				
(a) Amount due to Small Scale Industrial units	143.01	126.67		
(b) Amount due to other industrial units	782.00	571.29		
Amount payable to Small Scale Industrial units - due more than 30 days (the company's payment terms is 45 days)				
A.K. Associates, Acma Tools, Aranthangi Chemicals (P) Ltd., Aravind Auto Spares, Asian Packaging, Auto Comps, Auto Plast, Balaji Industrial Components, Bharath Packagings, Bharmara Polymers, Buyers Engineers (P) Ltd., Chennai Engineers, Esteem Plastics Pvt. Ltd., G I Auto Private Ltd, Gajalakshmi Bangalore Dyes, Gem Cooling Towers (P) Ltd., Glow Impressors, Guardian Anti Corrosives (P) Ltd., Harmen Mfg.Co (P) Ltd, Hosur Cnc Applications (P) Ltd., Image Labels (P) Ltd., J.C. Engineering Works, Jagadeesan Industries, Jagrit Polymers, Jayashree Polymers Pvt.Ltd., Jaycee Industries, Kaizen Pressings, Kamadhenu Enterprises, Keribkonus Fasteners (P) Ltd., L R Industries, Lakshmi Designers, Lakshmi Tools And Components, Mahatha Petroleum, Metal Comps (India) Private Ltd., Micro Tech, Mini Nuts, Numann Industries, Praveen Engg. Industries, Premier Plastics, Raghavendra Fabricators, STS Engineering Services, Siddharth Polymers Pvt.Ltd, Singh Plasticisers & Resins (I) Pvt. Ltd., Sri Jothi Engg, Sri Lakshmi Packagings, Suma Spring (P) Ltd., Supreme Packages, Suiyva Plastics, Synthel Paraffins (India) Ltd., V R Automats, Viyoma Computer Aided, Welmag engineering, Yen Yes Industries.				
7. Contingent liability not provided for:				
(a) On counter guarantee given to banks	246.01	73.42		
(b) On letters of credit	467.19	—		
(c) On bills discounted	171.11	—		
(d) Capital commitments not provided for	81.35	161.56		
8. Liability contested and not provided for:				
(a) Excise	8.05	8.05		
9. Tax deducted at source:				
(a) On interest income	0.57	0.11		
(b) On sub-contract income	0.11	0.18		
(c) Service income	—	0.01		
(d) Professional services rendered	1.74	1.72		
10. Contribution to provident and other funds include:				
(a) Contribution towards gratuity as per scheme framed by Life Insurance Corporation of India	5.95	17.48		
(b) Contribution towards pension fund	17.25	22.30		
11. Repairs include:				
(a) Wages	15.47	18.67		
(b) Stores consumed	34.07	18.49		
12. Audit fees comprise:				
(a) As auditors	3.86	2.70		
(b) Taxation matters	0.55	0.32		
(c) Certification matters	0.55	0.32		
Total	<u>4.96</u>	<u>3.34</u>		
13. General				
(a) Other expenses include travel and stay expenses of auditors			<u>0.85</u>	<u>0.19</u>
14. 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 Limited, Chennai			
Particulars of transactions with related parties				
(1) Purchase of goods				
- holding company			12.30	—
(2) Sale of goods				
- holding company			6,000.68	4,561.93
- Ultimate holding company			1,334.57	1,230.88
(3) Rendering of services				
- holding company			32.00	32.00
(4) Receiving of services				
- holding company			90.92	86.35
- ultimate holding company			10.07	10.28
- fellow subsidiaries				
TVS Electronics Limited, Chennai			2.21	11.71
TVS Finance and Services Limited, Chennai			9.97	7.45
(5) Trade advances received during the year				
- holding company			158.26	663.00
(6) Trade advances repaid during the year				
- holding company			446.00	147.00
- ultimate holding company			—	0.50
(7) Amount outstanding as at Balance Sheet date:				
(i) Amount payable				
- holding company			309.36	563.65
- ultimate holding company			64.39	—
- fellow subsidiary				
TVS Electronics Limited, Chennai			—	0.28
TVS Finance and Services Limited, Chennai			4.65	11.03
(ii) Amount receivable				
- ultimate holding company			—	13.24
H. LAKSHMANAN Director	V. N. VENKATANATHAN Director	As per our report annexed For Sundaram & Srinivasan Chartered Accountants		
Chennai May 30, 2005	R. MADHAVAN Secretary	M. BALASUBRAMANIAM Partner		

# SUNDARAM AUTO COMPONENTS LIMITED

## Schedules – (continued)

### XVIII NOTES ON ACCOUNTS – (continued)

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

		Rupees in lakhs			
		Year ended 31-03-2005		Year ended 31-03-2004	
		Quantity	Value	Quantity	Value
I	RAW MATERIALS CONSUMED				
1	(a) Basic raw materials				
	Carbon Black	Kgs.	406,126	124.42	343,544
	Rayon Spools	Kgs.	139,607	237.88	123,142
	Natural Rubber	Kgs.	507,924	279.85	425,620
	Synthetic Rubber	Kgs.	230,951	241.47	198,795
	Nylon 66 & 6	Kgs.	261,282	392.04	145,284
	ABS Material	Kgs.	969,158	825.68	638,199
	Filled & Unfilled PP	Kgs.	1,665,845	1,348.13	923,345
	Mould Material	Nos.	79	205.05	28
	Celcon M90	Kgs.	35,154	34.42	30,389
	Polycarbonate Fog White	Kgs.	291,506	358.74	330,054
	(b) Intermediates and components				
	Metal Inserts	Nos.	18,041,159	388.27	14,910,138
	Other intermediates (which individually do not account for more than 10% of the total value of consumption)		23,507,261	1,104.97	17,326,518
			<u>5,540.92</u>		<u>3,822.86</u>
2	Consumption of raw materials and components				
		% of total consumption		% of total consumption	
	(a) Imported	12.5	614.63	17.5	670.56
	(b) Indigenous	87.5	4,926.29	82.5	3,152.30
		<u>100.0</u>	<u>5,540.92</u>	<u>100.0</u>	<u>3,822.86</u>
II	CONSUMPTION OF MACHINERY SPARES				
	(a) Imported		12.9	5.05	8.3
	(b) Indigenous		87.1	34.22	91.7
			<u>100.0</u>	<u>39.27</u>	<u>100.0</u>
III	IMPORTS (CIF VALUE)				
	(a) Raw materials		802.92		698.87
	(b) Spare parts and components		5.05		1.99
	(c) Capital goods		361.63		5.77
IV	OTHER EXPENDITURE IN FOREIGN CURRENCY				
	(a) Warehousing and logistics services		12.47		10.67
	(b) Welfare - training		21.44		20.39
	(c) Travel		17.77		8.51
	(d) Consultancy		4.19		—
	(e) Renewal fees		0.04		—
V	EARNINGS IN FOREIGN EXCHANGE				
	(a) Exports (on f.o.b. basis)		619.90		306.05
	(b) Others (freight and insurance)		36.98		12.35
			<u>656.88</u>		<u>318.40</u>
VI	SALE BY CLASS OF GOODS	Quantity in nos.		Quantity in nos.	
	(a) Rubber Moulded Components	3,52,57,917	2,006.68	3,05,59,564	1,627.71
	(b) Plastic Moulded Components	2,01,60,156	6,477.63	1,50,79,583	4,546.10
	(c) Air Brake Hoses (in mtrs)	8,45,828	281.86	9,01,714	294.80
	(d) Moulds	34	76.41	28	51.67
			<u>8,842.58</u>		<u>6,520.28</u>
VII	LICENSED AND INSTALLED CAPACITY (PER ANNUM)		Not applicable		Not applicable
VIII	GROSS INCOME FROM SUB-CONTRACT WORK RENDERED		—		1.17

# SUNDARAM AUTO COMPONENTS LIMITED

## Schedules – (continued)

### XVIII NOTES ON ACCOUNTS – (continued)

15 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) - (continued)

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

Rupees in lakhs

	Opening stock		Production meant for sale Quantity nos		Closing stock			
	Quantity	Value			Quantity nos	Value nos	Quantity	Value
	As at 01-04-2004		Year ended 31-03-2005	Year ended 31-03-2004	As at 31.03.2005		As at 31.03.2004	
a) Rubber moulded components	70,775	23.05	35,340,772	30,534,275	153,630	30.78	70,775	23.05
b) Plastic moulded components	5,803	0.10	20,274,084	15,046,866	119,731	5.46	5,803	0.10
c) Air brake Hoses (in mtrs.)	10	0.00	848,853	901,714	3,035	0.79	10	0.00
d) Moulds	—	—	34	28	—	—	—	—
Total		<u>23.15</u>				<u>37.03</u>		<u>23.15</u>

H. LAKSHMANAN  
Director

V. N. VENKATANATHAN  
Director

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
May 30, 2005

R. MADHAVAN  
Secretary

M. BALASUBRAMANIAM  
Partner

## Cash Flow Statement

Rupees in lakhs

Rupees in lakhs

	Year ended 31-03-2005	Year ended 31-03-2004		Year ended 31-03-2005	Year ended 31-03-2004
<b>A. Cash flow from operating activities</b>			<b>(B) Cash flow from investing activities</b>		
Net profit before tax and extraordinary items	701.31	563.54	Purchase of fixed assets	(826.38)	(2,333.09)
Add:			Sale of fixed assets	27.26	0.08
Depreciation for the year	259.52	185.18	Capital work-in-progress	(71.15)	(31.97)
Depreciation on sale/scraping of assets	(4.97)	(0.03)	Purchase of investments	—	(1.70)
Incoming tax relating to earlier years	(0.16)	(0.15)	Interest received	2.65	1.21
Dividend income	(0.04)	(0.14)	Dividends received	0.04	0.14
Interest income	(2.65)	(1.21)	Lease income	0.07	0.37
Interest expenditure	80.61	67.66		<u>(867.51)</u>	<u>(2,364.96)</u>
Lease income	(0.07)	(0.37)	Net cash used in investing activities - (B)	<u>(867.51)</u>	<u>(2,364.96)</u>
	<u>332.24</u>	<u>250.94</u>	<b>(C) Cash flow from financing activities</b>		
Operating profit before working capital changes	1,033.55	814.48	Issue of share capital	—	245.00
Adjustments for:			Share premium	—	980.00
Trade receivables	129.06	(805.57)	Capital reserve	—	0.04
Inventories	(321.50)	(393.18)	Unsecured loans from transferor company	—	330.50
Loans and advances	38.46	(265.39)	Unsecured loans availed	302.41	663.00
Trade payables	419.78	953.33	Repayment of unsecured loans	(446.00)	(147.50)
Provisions	<u>20.45</u>	<u>30.03</u>	Interest paid	(80.61)	(67.66)
	<u>286.25</u>	<u>(480.78)</u>	Dividend and dividend tax paid	<u>(91.38)</u>	—
Cash generated from operations	1,319.80	333.70		<u>(315.58)</u>	<u>2,003.38</u>
Direct taxes paid	(193.26)	(169.52)	Net cash used in financing activities - (C)	<u>(315.58)</u>	<u>2,003.38</u>
Net cash from operating activities - (A)	<u>1,126.54</u>	<u>164.18</u>	<b>(D) Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	(56.55)	(197.40)
			Cash and cash equivalents at the beginning of the year	(196.86)	0.54
			Cash and cash equivalents at the end of the year	(253.41)	(196.86)

#### 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 equivalent represent cash and bank balances.

H. LAKSHMANAN  
Director

V. N. VENKATANATHAN  
Director

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
May 30, 2005

R. MADHAVAN  
Secretary

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

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

Turnover  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:)
Air brake 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 ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARY

Consolidated Balance Sheet as at 31st March 2005

	Schedule number		Rupees in crores	
			As at 31-03-2005	As at 31-03-2004
<b>I SOURCES OF FUNDS</b>				
1 Shareholders' funds				
(a) Capital	I	23.75		23.75
(b) Reserves and Surplus	II	<u>641.24</u>	664.99	<u>538.46</u>
2 Loan funds				
(a) Secured loans	III	178.34		39.74
(b) Unsecured loans	IV	<u>14.16</u>	192.50	<u>82.39</u>
3 Deferred tax liability (net of deferred tax asset)			<u>150.29</u>	<u>123.93</u>
Total			<u>1,007.78</u>	<u>808.27</u>
<b>II APPLICATION OF FUNDS</b>				
1 Fixed Assets				
(a) Gross block		1,319.65		1,156.99
(b) Less : Depreciation		<u>528.05</u>		<u>439.76</u>
(c) Net block	V		791.60	717.23
(d) Capital work-in-progress	VI		7.93	9.84
2 Investments	VII		142.03	99.22
3 Current assets, loans and advances				
(a) Inventories	VIII	240.35		220.48
(b) Sundry debtors	IX	39.16		57.33
(c) Cash and bank balances	X	74.66		18.27
(d) Other current assets	XI	0.29		0.19
(e) Loans and advances	XII	<u>161.97</u>		<u>144.06</u>
Total (A)		<u>516.43</u>		<u>440.33</u>
Current liabilities and provisions				
(a) Current liabilities	XIII	463.42		427.75
(b) Provisions	XIV	<u>56.25</u>		<u>43.50</u>
Total (B)		<u>519.67</u>		<u>471.25</u>
Net current assets (A-B)			(3.24)	(30.92)
4 Miscellaneous expenditure to the extent not written off or adjusted	XV		69.46	12.90
Total			<u>1,007.78</u>	<u>808.27</u>
Notes on accounts	XXI			

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
May 30, 2005

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

Consolidated Profit and Loss Account for the year ended 31st March 2005

Rupees in crores

	Schedule number	Year ended 31-03-2005	Year ended 31-03-2004
Gross sales		3,363.27	3,290.45
Less Excise duty		450.30	444.10
Net sales		2,912.97	2,846.35
Other Income	XVI	78.91	36.52
Raw materials and components consumed	XVII	1,983.94	1,854.51
Labour Charges		1.67	1.17
Salaries and wages, stores consumed and other expenses	XVIII	705.02	723.52
Miscellaneous expenditure	XIX	0.83	—
Profit before interest, depreciation and tax		300.42	303.67
Interest (net)	XX	1.57	1.88
Depreciation		92.94	81.74
Profit before tax		206.61	220.05
Provision for taxation		39.08	56.11
Provision for deferred tax		26.36	21.96
Pro-rata share of loss of associate		4.56	3.78
Profit for the year (after tax)		136.61	138.20
Balance profit brought forward		23.89	31.05
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		1.42	—
Profit for the year (after tax)		136.61	138.20
Total		171.82	182.23
Tax relating to earlier years		—	0.74
I Interim dividend paid		16.63	14.78
II Interim dividend payable		14.26	16.63
Dividend tax paid		2.22	2.12
Provision for dividend tax		2.14	2.22
Transfer to general reserves		113.00	121.85
Balance surplus carried forward to Balance Sheet		23.57	23.89
Total		171.82	182.23
Nominal value of each share in rupees		1.00	1.00
Earnings per share in rupees on 23,75,43,557 shares		5.75	5.83
Diluted earnings per share in rupees		5.75	5.83

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
May 30, 2005

T.S. RAJAGOPALAN  
Secretary

M. BALASUBRAMANIAM  
Partner

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

### Consolidated Schedules

	Rupees in crores	
	As at 31-03-2005	As at 31-03-2004
<b>I CAPITAL</b>		
Authorised		
25,00,00,000 (Last year 2,50,00,000) Equity shares of Re.1/- each	25.00	25.00
	<u>25.00</u>	<u>25.00</u>
Issued, subscribed and paid-up		
(a) 23,10,00,700 Equity shares of Re.1/- each fully paid	23.10	23.10
Out of the above, 23,10,00,000 equity shares of Re. 1/-each were allotted for consideration other than cash to the shareholders of the erstwhile transferor company.		
(b) 65,42,857 Equity shares of Re. 1/- each allotted to the shareholders of amalgamated company.	0.65	0.65
	<u>23.75</u>	<u>23.75</u>
<b>II RESERVES AND SURPLUS</b>		
(a) Capital reserves		
(i) On shares forfeited		
As per last Balance Sheet (Rs. 55,200/-)	—	—
(ii) On surplus arising out of amalgamation	6.43	6.43
On consolidation of subsidiary accounts - As per last Balance Sheet	<u>(3.97)</u>	<u>(3.97)</u>
(b) Debenture redemption reserve		
As per last Balance Sheet	9.90	
Less : Transfer to Profit and Loss Account	<u>9.90</u>	
	—	9.90
(c) General reserve		
As per last Balance Sheet	502.21	
Add : Transfer from Profit and Loss Account	<u>113.00</u>	
	615.21	502.21
(d) Surplus		
Balance in Profit and Loss Account	<u>23.57</u>	<u>23.89</u>
	<u>641.24</u>	<u>538.46</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
(b) From banks		
(i) Secured by a first charge on the fixed assets of a division of the company	—	12.30
(ii) External commercial borrowings secured by a first charge on the specified assets on an exclusive basis	175.01	—
(iii) Secured by hypothecation of inventory and receivables and equitable charge on movable machineries and land and buildings of a division	—	2.24
(iv) Secured by hypothecation of present and future inventories and receivables	3.33	5.40
	<u>178.34</u>	<u>39.74</u>
<b>IV UNSECURED LOANS</b>		
(a) From banks	1.44	0.02
(b) From others	3.29	73.31
(c) Other deposits	9.43	9.06
	<u>14.16</u>	<u>82.39</u>

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

### Consolidated Schedules - (continued)

V FIXED ASSETS							Rupees in crores	
Description	Land	Buildings	Plant & machinery, tools, dies and jigs	Furniture & fixtures, equipments	Vehicles	Other fixed Assets @	Total As at 31-03-2005	Total As at 31-03-2004
Cost of assets								
As at 01-04-2004	47.60	120.38	931.89	41.85	11.15	4.12	1,156.99	999.85
Additions	4.40	11.28	150.56	3.50	0.64	0.87	171.25	189.54
Sales/deletion	—	—	2.04	—	6.55	—	8.59	32.40
<b>Total</b>	<b>52.00</b>	<b>131.66</b>	<b>1,080.41</b>	<b>45.35</b>	<b>5.24</b>	<b>4.99</b>	<b>1,319.65</b>	<b>1,156.99</b>
Depreciation								
Upto 31-03-2004	—	20.10	387.11	26.27	4.22	2.06	439.76	366.48
For the year	—	3.95	80.26	4.37	1.37	2.29	92.24	81.74
Withdrawn on assets sold/deleted	—	—	1.35	—	2.60	—	3.95	8.46
<b>Total</b>	<b>—</b>	<b>24.05</b>	<b>466.02</b>	<b>30.64</b>	<b>2.99</b>	<b>4.35</b>	<b>528.05</b>	<b>439.76</b>
Written down value								
As at 31-03-2005	52.00	107.61	614.39	14.71	2.25	0.64	791.60	—
As at 31-03-2004	47.60	100.28	544.78	15.58	6.93	2.06	—	717.23

@ vide note 1(f)

			Rupees in crores	
			As at 31-03-2005	As at 31-03-2004
<b>VI CAPITAL WORK-IN-PROGRESS</b>				
(a) Building under construction			0.97	2.26
(b) Machinery in transit/installation			6.96	7.58
			<u>7.93</u>	<u>9.84</u>
<b>VII INVESTMENTS (AT COST)</b>				
<b>A LONG TERM</b>				
(a) Trade - quoted		0.62		
Less: Pro-rata share in the loss of associate company		0.29		
		<u>0.33</u>		
(b) Trade - unquoted		70.31		30.31
Less: Pro-rata share in the loss of associate company		4.27		
		<u>66.04</u>		
(c) Non-trade - quoted		13.77		8.89
(d) Non-trade - unquoted (Rs. 37,100/- last year Rs. 37,700/-)		—		—
Total long term investments	(A)	<u>80.14</u>		<u>39.92</u>
<b>B SHORT TERM</b>				
Non-trade - quoted		61.89		59.40
Total short term investments	(B)	<u>61.89</u>		<u>59.40</u>
Total investments	(A+B)	<u>142.03</u>		<u>99.22</u>



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

### Consolidated Schedules - (continued)

	Rupees in crores	
	As at 31-03-2005	As at 31-03-2004
<b>VIII INVENTORIES</b>		
* Raw materials and components	57.21	44.20
* Work-in-process	22.20	16.63
* Finished goods	101.49	101.75
* Stock of dies, moulds and tools	39.77	42.29
* Stores	15.55	14.21
Goods-in-transit	4.13	1.40
	<u>240.35</u>	<u>220.48</u>
(as certified by chairman & managing director)		
<b>IX SUNDRY DEBTORS - UNSECURED CONSIDERED GOOD</b>		
(a) Debts outstanding for a period exceeding six months	4.41	3.38
(b) Other debts	34.75	53.95
	<u>39.16</u>	<u>57.33</u>
<b>X CASH AND BANK BALANCES</b>		
(a) Cash and cheques on hand	0.14	0.16
(b) With scheduled banks		
i) in current accounts	6.73	3.54
ii) in cash credit accounts	6.26	8.52
iii) in term deposit accounts	61.53	6.05
	<u>74.66</u>	<u>18.27</u>
<b>XI OTHER CURRENT ASSETS</b>		
Interest accrued on non-trade quoted investments	0.29	0.19
	<u>0.29</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	123.84	119.66
(b) Inter corporate deposits	26.28	10.31
(c) Other deposits	1.21	2.07
(d) Advance payment of income tax less provisions	10.64	12.02
	<u>161.97</u>	<u>144.06</u>
<b>XIII CURRENT LIABILITIES</b>		
Sundry creditors	463.42	427.75
	<u>463.42</u>	<u>427.75</u>
<b>XIV PROVISIONS</b>		
(a) Pension fund	29.47	21.63
(b) Leave salary	3.21	3.02
(c) Warranty	7.17	—
(d) Interim dividend payable	14.26	16.63
(e) Provision for dividend tax	2.14	2.22
	<u>56.25</u>	<u>43.50</u>
<b>XV MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off or adjusted)		
(a) Expenditure pending allocation	14.77	2.19
(b) New product launch expenses	46.43	10.71
(c) External commercial borrowings up front fees	8.26	—
	<u>69.46</u>	<u>12.90</u>

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

### Consolidated Schedules - (continued)

	Rupees in crores	
	Year ended 31-03-2005	Year ended 31-03-2004
<b>XVI OTHER INCOME</b>		
(a) Miscellaneous income	73.92	26.33
(b) Dividend Income	1.98	9.12
(c) Profit on sale of fixed assets	0.41	0.12
(d) Profit on sale of investments	2.60	0.95
	<u>78.91</u>	<u>36.52</u>
<b>XVII RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening stock:		
Raw materials	44.20	42.76
Work-in-process	16.63	17.70
Finished goods	101.75	106.95
	<u>162.58</u>	<u>167.41</u>
Purchase of raw materials and components	2,002.26	1,849.68
Total (A)	<u>2,164.84</u>	<u>2,017.09</u>
Closing stock:		
Raw materials	57.21	44.20
Work-in-process	22.20	16.63
Finished goods	101.49	101.75
Total (B)	<u>180.90</u>	<u>162.58</u>
(A - B)	<u>1,983.94</u>	<u>1,854.51</u>
<b>XVIII SALARIES AND WAGES, STORES CONSUMED AND OTHER EXPENSES</b>		
* (a) Salaries, wages and allowances	110.47	104.61
* (b) Workmen and staff welfare expenses	18.18	17.54
* (c) Contribution to provident and other funds	20.56	18.97
* (d) Stores and tools consumed	38.77	37.88
* (e) Power and fuel	31.48	32.63
* (f) Rent	5.04	5.96
(g) Rates and taxes	22.38	31.26
* (h) Repairs and maintenance:		
(i) buildings	3.95	5.16
(ii) machinery	22.99	25.96
(iii) other assets	2.81	2.63
(i) Insurance	3.22	2.95
(j) Directors' sitting fees	0.12	0.03
(k) Commission to independent directors	0.23	0.22
(l) Audit fees	0.26	0.26
* (m) Travel and conveyance	12.48	16.53
* (n) Packing and freight charges	78.41	72.23
* (o) Advertisement and publicity	88.20	105.57
* (p) Other marketing expenses	168.06	151.96
* (q) Other expenses	61.73	82.13
(r) Commission to selling agents	9.53	0.72
(s) Cash discount	5.75	8.00
(t) Loss on sale / scrapping of fixed assets	0.40	0.32
	<u>705.02</u>	<u>723.52</u>
* net of recoveries		

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

### Consolidated Schedules – (continued)

	Rupees in crores	
	Year ended 31-03-2005	Year ended 31-03-2004
<b>XIX MISCELLANEOUS EXPENDITURE WRITTEN OFF</b>		
External commercial borrowing upfront fees written off	0.83	—
	<u>0.83</u>	<u>—</u>
<b>XX INTEREST</b>		
(a) On debentures	0.72	3.79
(b) On fixed loans	3.22	1.45
(c) Others	4.57	5.27
Total (A)	<u>8.51</u>	<u>10.51</u>
Less: Interest income		
(a) On non-trade investments (gross)	0.78	0.36
(b) On advances and deposits (gross)	6.16	8.27
Total (B)	<u>6.94</u>	<u>8.63</u>
(A-B)	<u>1.57</u>	<u>1.88</u>

	Rupees in crores	
	As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004
<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 – 4 Contingencies and events occurring after the Balance sheet date  
Disclosure of contingencies as required by the accounting standard is furnished in note no. 10.
- (e) AS – 5 Net profit or loss for the period, prior period items and changes in accounting policies

##### Extraordinary item:

During the year based on the approval received from the Government of Karnataka, the company has opted for pre-payment of deferred sales tax liability of Rs. 69.18 crores at a discounted value. The resultant reduction in liability of Rs. 36.94 crores has been included under miscellaneous income.

##### Details of prior period debits to Profit and Loss Account

- |   |      |      |
|---|------|------|
| (i) Raw materials and components consumed | —    | 0.19 |
| (ii) Technical consultancy                | 0.07 | 0.78 |
- (f) AS – 6 Depreciation accounting  
Depreciation has been provided under the straight line method at the rates prescribed under schedule XIV of the Companies Act, 1956 with the applicable shift allowance.  
In respect of assets added / assets sold during the year pro-rata depreciation has been provided at the rates prescribed under schedule XIV.  
Depreciation in respect of Computers and Vehicles has been provided at 30% and 18% respectively which is higher than the rate prescribed under schedule XIV.  
Depreciation in respect of tools and dies has been provided based on the quantity of components manufactured.  
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 31-03-2005	As at/ Year ended 31-03-2004
(g)	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.		
(h)	AS – 10 Accounting for fixed assets		
	All the fixed assets are valued at cost including expenditure incurred in bringing them to usable condition less depreciation.		
	Land includes land acquired under 20 years lease from Karnataka Industrial Area development Board (KIADB) at a cost of Rs. 3.86 crores.		
	Building include building constructed on leasehold land	1.33	1.33
	Cost of vehicles include vehicles acquired under finance lease	0.55	0.74
(i)	AS – 11 Accounting for effects in foreign exchange rates		
	Purchase of imported raw materials, components, spare parts and capital goods are accounted based on retirement memos from banks. In respect of liabilities on import of raw materials, components, spare parts and capital goods which are in transit and where invoices/bills are not received, the liability is accounted based on the market exchange rates prevailing on the date of the Balance Sheet.		
	The foreign currency loans and deposits held outside India in foreign currency were re-stated as on 31st March 2005 as per the requirements of Accounting Standard 11 and the net gain arising out of such re-statement amounting to Rs. 4.41 crores is credited to Profit and Loss Account.		
	Sales include realised exchange fluctuation on exports.		
	Net exchange difference credited to		
	(a) Profit and Loss Account	7.84	1.21
	(b) Carrying amount of fixed assets	—	0.25
(j)	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
(k)	AS – 14 Accounting for amalgamation		
	During the year there was no amalgamation.		
(l)	AS – 15 Accounting for retirement benefits		
	(i) Contributions to provident fund are made to a recognised trust in respect of excluded employees. In respect of other employees the contribution is made to the Government.		
	(ii) Provision for leave salary to employees is made on the basis of actuarial valuation.		
	(iii) Provision for pension for senior managers is made on actuarial valuation basis for current and past services.		
	(iv) Contributions to gratuity and superannuation fund are made to Life Insurance Corporation of India in accordance with the scheme framed by the corporation.		
(m)	AS – 16 Borrowing cost		
	The borrowing costs have been treated in accordance with Accounting Standard on Borrowing Cost (AS – 16) issued by The Institute of Chartered Accountants of India. 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  
31-03-2005

#### (n) AS – 17 Segment reporting

Particulars	Business segment		
	Automotive vehicles	Automotive components	Total
Revenue			
External sales - domestic	2,753.71	30.49	2,784.20
- exports	122.20	6.57	128.77
Inter segment sales		51.36	51.36
Total sales	2,875.91	88.42	2,964.33
Less: Inter segment sales		51.36	51.36
Net revenue	2,875.91	37.06	2,912.97
Segment wise results before interest and tax	200.42	7.76	207.18
Less Interest			1.57
Profit before tax		206.61	
Taxes			65.43
Pro-rata share of loss of associate			4.56
Profit after tax		136.62	
Segment assets	1,452.52	47.04	1,499.56
Segment liabilities	678.38	25.51	703.89
Total cost incurred during the year to acquire segment assets	215.80	10.23	226.03
Segment depreciation	89.63	2.61	92.24
Non-cash expenses other than depreciation	0.83	—	0.83

#### 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  
31-03-2005

As at/  
Year ended  
31-03-2004

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

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

#### (p) AS – 19 Leases

(i) Asset acquired under finance lease - vehicles		
- original cost	0.55	0.74
(ii) The net carrying amount as on 31st March	0.17	0.37
(iii) Minimum lease payments		
- not later than one year - not discounted	0.17	0.23
- later than one year but not later than five years - not discounted	0.14	0.41
- later than five years - not discounted	—	—
(iv) Present value of minimum lease payments		
- not later than one year - discounted	0.09	0.14
- later than one year but not later than five years - discounted	0.05	0.13
- 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 ACCOUNTS OF TVS MOTOR COMPANY LIMITED AND ITS SUBSIDIARY

### Consolidated Schedules – (continued)

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

		Rupees in crores	
		As at/ Year ended 31-03-2005	As at/ Year ended 31-03-2004
(q)	AS – 20 Earnings per share		
	Disclosure is made in the Profit and Loss Account as per the requirements of the standard		
(r)	AS – 22 Accounting for taxes on income		
(i)	Deferred tax liability consists of:		
	– tax on depreciation	101.97	94.36
	– tax on R & D capital expenditure	31.56	22.11
	– tax on amortisation of dies and moulds	14.00	13.32
	– tax on expenses admissible on payment basis under Income-tax Act, 1961	<u>18.56</u>	<u>4.73</u>
		(A) <u>166.09</u>	<u>134.52</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>15.80</u>	<u>10.59</u>
		(B) <u>15.80</u>	<u>10.59</u>
	Deferred tax liability (net of deferred tax asset) (A)-(B) refer Balance Sheet	150.29	123.93
(s)	AS – 23 Accounting for investments in associate		
	Name of the associate	TVS Finance and Services Limited, Chennai	
	Method adopted in accounting for investment	Equity method	
(t)	AS – 26 Accounting for intangible assets		
	During the year the company acquired the following assets falling under the definition of intangible assets as per the Accounting Standard and the following disclosure is made in respect of those assets :		
(i)	Software		
	– Useful life of the asset	2 years	2 years
	– Amortisation rates used	50% each year as depreciation	50% each year as depreciation
	– Gross carrying amounts at the beginning and the end of the period together with additions and deletions during the year		
	Opening balance	4.12	—
	Additions during the year.	0.30	4.12
	Total	<u>4.42</u>	<u>4.12</u>
	Amortised depreciation	4.27	2.06
	Closing balance	<u>0.15</u>	<u>2.06</u>
(ii)	Expenditure pending allocation on new products		
	– Useful life of the asset	10 years	10 years
	– Amortisation rates used	Not amortised as asset not put to use	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	2.19	—
	Additions during the year	12.58	2.19
	Total	<u>14.77</u>	<u>2.19</u>
	Amortised / capitalised during the year	—	—
	Closing balance	<u>14.77</u>	<u>2.19</u>
	Commitments for the acquisition of the asset	0.09	1.05

## 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 31-03-2005	As at/ Year ended 31-03-2004
(iii) License fees		
– Useful life of the asset	7 years	
– Amortisation rates used	14.29% each year as depreciation	
– Gross carrying amounts at the beginning and at the end of the period together with additions and deletions during the year		
Opening balance	—	—
Additions during the year	0.57	—
Total	<u>0.57</u>	<u>—</u>
Amortised / capitalised during the year	0.08	—
Closing balance	<u>0.49</u>	<u>—</u>
(u) AS-28 Impairment of assets		
As on the Balance Sheet date the carrying amounts of the assets net of accumulated depreciation is not less than the recoverable amount of those assets. Hence there is no impairment loss on the assets of the company.		
(v) AS-29 Provisions, contingent liabilities and contingent assets		
(i) Provisions		
In respect of warranty obligations provision is made in accordance with terms of sale of vehicles vide schedule XIV (c) to the Balance Sheet		
(ii) Contingent liabilities		
The amount for which the company is contingently liable is disclosed in note 10.		
(iii) Contingent assets which are likely to give rise to the possibility of inflow of economic benefits - Nil		
(iv) Contested liabilities are detailed in note no. 11		
2. 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. As per the terms of the issue all the debentures stand fully redeemed as at the Balance Sheet date.		
Amount of debentures redeemed	19.80	19.80
3. Amount of loan payable within one year:		
(a) Secured - from banks	—	4.00
(b) Unsecured - from banks	1.44	0.02
4. Land		
Title deeds in respect of lands acquired near Ahmedabad in Gujarat at a cost of Rs.0.01 crore and in respect of lands acquired at Hosur in Tamil Nadu at a cost of Rs.4.39 crores are yet to be received from the registration authorities.		
5. Bank balance include amount in respect of		
(a) Unclaimed dividends	0.91	0.81
(b) Unclaimed share application money (Rs.17,200/-)	—	—
(c) Deposits held with a non-scheduled bank viz. HSBC bank Plc, London	58.53	—
(d) Maximum amount invested with HSBC bank Plc, London at any time during the year	58.53	—
6. Loans and advances include:		
(a) Amount due from a company under the same management viz. Sundaram-Clayton Limited, Chennai	9.00	0.13
(b) Maximum amount due from the above company at any time during the year	9.00	0.13

## 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 31-03-2005	As at/ Year ended 31-03-2004
7. Deposits include:		
(a) Deposit with post office (Rs. 21,500/-)	—	—
(b) Deposit with central excise	0.19	0.14
(c) Deposit with sales tax	0.91	0.78
8. Sundry creditors include :		
(a) Investor Education and Protection Fund		
Unclaimed dividend	0.91	0.81
Unclaimed share application money (Rs .17,200/-)	—	—
(b) Amount due to Small Scale Industrial units	20.92	19.71
(c) Amount due to other Industrial units	295.86	272.96
9. Miscellaneous expenditure not written off :		
(a) Expenditure pending allocation consists of:		
(i) Design and development of proto types	6.75	2.19
(ii) Salaries, wages and allowances	4.20	—
(iii) Rent	0.15	—
(iv) Travel and conveyance	0.82	—
(v) Other expenses	2.85	—
Total	<u>14.77</u>	<u>2.19</u>
(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.		
(c) Expenditure incurred in raising external commercial borrowings is proposed to be written off over the period of loan		
10. Contingent liability not provided for :		
(a) On counter guarantee given to banks	3.01	3.46
(b) On letters of credit	13.05	29.12
(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	54.40	20.19
(e) Capital commitments not provided for	31.96	22.05
(f) On obligation arising out of agreements facilitating credit to an associate company	75.00	75.00
11. Liability contested and not provided for:		
(a) Excise	2.81	1.58
(b) Sales tax	3.73	3.55
(c) Electricity tax	0.15	0.15
(d) Income-tax	11.04	5.03
(e) Employee settlement claims	0.05	0.05
(f) Land acquisition matters	3.74	—
12. Tax deducted at source :		
(a) On interest income	0.59	1.15
(b) On sub-contract receipts	—	2.65
(c) On professional services rendered	0.02	0.02



## 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 31-03-2005	As at/ Year ended 31-03-2004
13. Contribution to provident and other funds include:		
(a) Contribution towards gratuity as per scheme framed by Life Insurance Corporation of India	3.66	3.42
(b) Contribution towards pension fund	8.34	7.94
14. Repairs Include:		
(a) Wages	2.90	3.48
(b) Stores consumed	18.44	17.83
15. Audit fees comprise :		
(a) As auditors	0.18	0.18
(b) Taxation matters	0.04	0.03
(c) Certification matters	0.03	0.04
(d) Cost audit fees	0.01	0.01
Total	<u>0.26</u>	<u>0.26</u>
16. General		
(a) Other expenses include travel and stay expenses of auditors	0.11	0.07
(b) Loss on sale of investments netted against profit on sale of investments	1.38	5.64

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

#### 18. Related party disclosure

##### List of related parties

Reporting entity	TVS Motor Company Limited and its 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 (e) Auto (India) Engineering Limited, Chennai,
Associate company	TVS Finance and Services Limited, Chennai (a subsidiary of TVS Investments Limited, Chennai)
Key management personnel	Mr. Venu Srinivasan - parent company
Relative of key management personnel	Mr. Gopal Srinivasan

#### 19. Particulars of transactions with related parties

(a) Purchase of goods		
- holding company	35.89	35.06
- fellow subsidiary	—	0.47
(b) Sale of goods		
- holding company	13.35	12.31
(c) Purchase of fixed assets		
- holding company	0.01	—
- fellow subsidiary (TVS Electronics Limited, Chennai)	—	0.33

## 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 31-03-2005	As at/ Year ended 31-03-2004
19. Particulars of transactions with related parties – (continued)		
(d) Sales of fixed assets		
- holding company	0.60	0.18
(e) Rendering of services (including interest and sub-contract charges received)		
- holding company	0.64	—
- fellow subsidiary (Anusha Investments Limited, Chennai)	—	0.18
- associate company	—	0.11
(f) Availing of services (includes sub-contract charges paid)		
- holding company	31.17	42.48
- fellow subsidiaries	0.36	2.61
- associate company	10.79	11.65
(g) Trade advances made during the year		
- holding company	9.00	—
- fellow subsidiary (Anusha Investments Limited, Chennai)	—	5.00
- associate company	25.00	13.50
(h) Trade advances received back during the year		
- holding company	—	—
- fellow subsidiary (TVS Investments Limited, Chennai) (Last year : Anusha Investments Limited, Chennai)	0.06	10.00
- associate company	25.00	13.50
(i) Amount outstanding as at Balance Sheet date:		
(i) Sundry debtors		
- holding company	—	—
- fellow subsidiaries	0.02	—
(ii) Loans and advances receivable		
- holding company	9.00	—
- fellow subsidiary (TVS Investments Limited, Chennai)	—	0.06
(iii) Sundry creditors		
- holding company	8.87	12.21
- fellow subsidiary	—	0.01
- associate company	0.76	0.88
(j) Investments made during the year		
- associate company	40.00	—
(k) Investments sold during the year		
- fellow subsidiary	0.01	—
(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	0.99	1.07

VENU SRINIVASAN  
Chairman & Managing Director

H. LAKSHMANAN  
Director

S.G. MURALI  
Sr. Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
May 30, 2005

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 31-03-2005	Year ended 31-03-2004
<b>A. Cash flow from operating activities :</b>		
Net Profit before tax and extraordinary items	169.67	220.05
Add :Reduction in liability due to pre-payment of sales tax deferral loan	<u>36.94</u>	<u>—</u>
Net profit for the year	206.61	220.05
Add :		
Depreciation	92.24	81.74
Depreciation withdrawn on sale / scrapping of assets	(3.95)	(1.69)
Miscellaneous expenditure written off	0.83	—
Income tax relating to earlier years	1.42	(0.74)
Dividend income	(1.98)	(9.12)
Interest income	(6.94)	(8.63)
Interest expenditure	<u>8.51</u>	<u>10.51</u>
	<u>90.13</u>	<u>72.07</u>
Operating profit before working capital changes	296.74	292.12
Adjustments for :		
Trade receivables	18.17	(2.02)
Inventories	(19.87)	0.20
Other current assets	(0.10)	(0.19)
Loans and advances	(19.29)	(40.89)
Trade payables	35.67	6.09
Provisions	<u>15.20</u>	<u>8.63</u>
	<u>29.78</u>	<u>(28.18)</u>
Cash generated from operations	326.52	263.94
Direct taxes paid	<u>(37.70)</u>	<u>(66.41)</u>
Net cash from operating activities	A 288.82	197.53
<b>B. Cash flow from investing activities :</b>		
Purchase of fixed assets	(171.25)	(189.54)
Transfer out on hiving off of rubber and plastics divisions of subsidiary company		
Cost of assets	—	28.00
Less: Accumulated depreciation	—	<u>(6.77)</u>
		21.23
Sale of fixed assets	8.59	3.31
Capital work-in-progress	1.91	20.82
Purchase of investments	(937.44)	(1,262.69)
Sale / diminution in value of investments	890.07	1,222.00
Miscellaneous expenditure not written off	(57.39)	(12.90)
Interest received	6.94	8.63
Dividends received	1.98	9.12
Net cash used in investing activities	B (256.59)	(180.02)

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

### Consolidated Cash Flow Statement – (continued)

	Rupees in crores	
	Year ended 31-03-2005	Year ended 31-03-2004
<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)
Secured loans availed	175.01	—
Repayment of long term borrowings	(34.34)	(25.78)
Unsecured loan availed	1.79	—
Repayment of unsecured loans	—	(20.43)
Sales tax deferral loan availed	—	15.63
Sales tax deferral loan repaid	(70.02)	—
Interest paid	(8.51)	(10.51)
Dividend and dividend tax paid	(37.70)	(35.75)
Net cash used in financing activities	26.23	(86.27)
	C	
<b>D. Net increase in cash and cash equivalents :</b>	58.46	(68.76)
Cash and cash equivalents at the beginning of the year	12.87	81.63
Cash and cash equivalents at the end of the year	71.33	12.87

#### 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  
Sr. Vice President - Finance

As per our report annexed  
For Sundaram & Srinivasan  
Chartered Accountants

Chennai  
May 30, 2005

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 2005, 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 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 named above, as at 31<sup>st</sup> March 2005 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  
May 30, 2005

## TVS MOTOR COMPANY LIMITED

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

ATTENDANCE SLIP

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

Name of the attending member \_\_\_\_\_

DP Id.\* \_\_\_\_\_ Client Id\* \_\_\_\_\_

Folio No.\*\* \_\_\_\_\_ No. of shares \_\_\_\_\_

Name of proxy \_\_\_\_\_  
(If proxy attends instead of member)

I hereby register my presence at the annual general meeting.

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

Date : 17th August 2005

Time : 10.15 a.m.

*Signature of member/proxy*

\* Applicable for investors holding shares in electronic form.

\*\* Applicable for investors holding shares in physical form.

### REQUEST TO MEMBERS

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

----- Tear here -----

## TVS MOTOR COMPANY LIMITED

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

PROXY FORM

DP Id.\* \_\_\_\_\_ Client Id.\* \_\_\_\_\_ Folio No. \*\* \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ being a Member/Members of TVS MOTOR COMPANY LIMITED hereby appoint \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ as my/our proxy to attend and vote for me/us on my/our behalf at the annual general meeting of the company to be held on Wednesday the 17th August 2005 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005.

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

Revenue Stamp

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

\* Applicable for investors holding shares in electronic form.

\*\* Applicable for investors holding shares in physical form.

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

