



TVS Electronics Limited



Fourteenth Annual Report 1999

TVS Electronics Limited
Board of Directors

Venu Srinivasan

Chairman

Gopal Srinivasan

T K Balaji

H Lakshmanan

S R Vijayakar

Srinu Nageshwar

S Shreenivasa Rao

K Dhruva

Director - Projects
Vice President - Finance

S Swaminathan

Company Secretary

C Siva

Auditors

Sundaram & Srinivasan

Chartered Accountants,

23, C P Ramaswamy Road,

Alwarpet,

Chennai 600 018.

Shares Listed at

Madras Stock Exchange Ltd.

The Stock Exchange, Mumbai

Bangalore Stock Exchange Ltd.

The Stock Exchange, Ahmedabad

The Calcutta Stock Exchange

Association Limited

The Delhi Stock Exchange

Association Limited

Cochin Stock Exchange Ltd.

National Stock Exchange of

India Ltd.

Bankers

State Bank of India

Industrial Finance Branch,

Anna Salai, Chennai.

State Bank of India

Industrial Finance Branch,

Residency Road, Bangalore.

State Bank of Mysore

Industrial Estate Branch,

Hirehalli, Tumkur.

State Bank of Travancore

Residency Road Branch,

Bangalore.

State Bank of Mysore

Industrial Finance Branch,

Bangalore.

Canara Bank

Thousandlights Branch,

Chennai 600 006

Registered Office

"Jayalakshmi Estates"

8, Haddows Road,

Chennai 600 006.

Factory
Tumkur Plant

Pandithanahalli,

Tumkur 572 168.

Chennai Plant

34, Developed Plots,

South Phase, Industrial Estate,

Guindy, Chennai 600 032.

Administrative Office

34, Developed Plots,

South Phase, Industrial Estate,

Guindy, Chennai 600 032.

Technical Collaborators

 Citizen Watch Company Limited,
 Japan.

 OKI Electric Industry Company
 Limited, Japan.

Victron B.V.,

The Netherlands.

Managers to Deposit Schemes

Harita Finance Limited

"Jayalakshmi Estates"

8, Haddows Road,

Chennai 600 006.

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Notice to the Shareholders

NOTICE is hereby given that the fourteenth annual general meeting of the company will be held at Music Academy, 306, T T K Road, Chennai - 600 014, on Wednesday, the 9th August 2000 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS

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

RESOLVED THAT the audited balance sheet as at 31st December, 1999 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 Mr S Shreenivasa Rao who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.

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

RESOLVED THAT Mr Venu Srinivasan 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 the retiring auditors, M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, be and are hereby re-appointed as auditors of this company to hold office from the conclusion of this 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

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

RESOLVED THAT pursuant to section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification and re-enactment thereof for the time being in force) the articles of association of the company be and is hereby amended and/or altered in the manner specified below:

The existing article 120(c) be deleted and substituted with the following article:-

120(c) The fee payable to a director (including a managing or whole time director), if any, for attending a meeting of the board or committee thereof shall be fixed by the Board of directors subject to the maximum amount prescribed in this respect under the Act or by the Central Government from time to time.

(This article shall be deemed to have been amended with effect from April 1, 2000 and shall be effective from that date.)

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

RESOLVED THAT the consent of the company be and is hereby accorded in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) to the board of directors of the company

A. for mortgaging and / or charging by the board of directors of the company of all the immovable and movable properties of the company wheresoever situate present and future and the whole of the undertaking of the company with powers to enter upon and to take possession of the assets of the company in certain events to and in favour of the ICICI Limited and company's bankers or other financial institutions to secure Rupee term loan of Rs.25 crores (Rupees twenty five crores only) lent and advanced/ agreed to be lent and advanced by ICICI Limited to the company together with interest at the agreed rate, additional interest, liquidated damages, commitment charges, premium on prepayment or on redemption,

costs, charges and expenses and all other moneys payable by the company to ICICI Limited in terms of the loan agreement/hypothecation agreement/letters of sanction/memorandum of terms and conditions, entered into/to be entered into by the company in respect of said Rupee term loan.

- B. for agreeing with ICICI Limited in terms of the loan agreement/hypothecation agreement/letters of sanction/memorandum of terms and conditions to reserve a right to takeover the management of the business and concern of the company in certain events.

RESOLVED FURTHER THAT the board of directors of the company be and is hereby authorised to finalise with ICICI Limited the documents for creating the aforesaid mortgage and/or charge and for reserving the aforesaid right and to do all such acts and things as may be necessary for giving effect to the above resolution.

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

RESOLVED THAT consent of the company be and is hereby accorded to the board of directors under section 293 (1)(d) of the Companies Act, 1956 to borrow any sum or sums of money from time to time not withstanding that the money or moneys to be borrowed, together with the moneys already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for specific purposes, provided however, the total amount so borrowed shall not exceed Rs.100 crores (Rupees hundred crores only) at any one time.

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

RESOLVED THAT in accordance with the provisions contained in the Articles of Association and applicable provisions of the Companies Act, 1956 ("the Act") and the

provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines" – which includes any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (herein after referred to as "the Board" which term shall be deemed to include any Committee including Compensation Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution), consent of the company be and is hereby accorded to the Board to create, offer, issue and allot at any time to or for the benefit of such person(s) who are in permanent employment of the Company, including Directors of the Company, whether working in India or out of India under a Scheme titled "Employee Stock Option Plan" (hereinafter referred to as the "ESOP" or "Scheme" or "Plan") such number of equity shares and/or equity linked instruments (including Options, Warrants etc), and/or any other instruments or securities (hereinafter collectively referred to as "Securities") of the Company which could give rise to the issue of equity shares not exceeding 5% of the issued equity share capital of the Company as on 31st December 1999 (including the securities to be issued and allotted under resolution No.9 of the notice) at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the guidelines or other provisions of the law as may be prevailing at that time.

RESOLVED FURTHER THAT the said securities may be allotted directly to such employees / directors or in accordance with a scheme framed in that behalf through a trust or such other entities which may be set up in any permissible manner and that the scheme may also envisage for providing any financial assistance to the trust/entities to enable the employee/trust to acquire, purchase or subscribe to the securities of the Company.

RESOLVED FURTHER THAT the new equity shares to be issued and allotted by the Company in the manner aforesaid shall rank *pari passu* in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of securities, the Board be and is hereby authorised on behalf of the Company to evolve, decide upon and bring in to effect the scheme and make any modifications, changes, variations, alterations or revisions in the said scheme from time to time or to suspend, withdraw or revive the scheme from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties, or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the shares allotted under the scheme in the stock exchange where the shares of the company are listed as per listing agreement and other applicable rules and regulations.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to it in terms of this resolution to any committee of the directors as may be permitted by law.

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

RESOLVED THAT the benefits of ESOP contained in Resolution No.8 of this notice be extended to the eligible employees of the subsidiary companies and also employees of the holding company and if permitted by the law to the eligible employees of the associate companies of the company on such terms and conditions as may be decided by the Board of

Directors of the Company or the compensation committee.

RESOLVED FURTHER THAT the said securities may be allotted directly to such employees in accordance with a scheme framed in that behalf through a trust/entities which may be set up in any permissible manner and that the scheme may also envisage for providing any financial assistance to the trust/entities to enable the eligible employee/trust/entities to acquire, purchase or subscribe to the securities of the Company.

RESOLVED FURTHER THAT pending issue and allotment of securities to the employees of associate companies, the Board shall proceed to issue and allot shares/securities to the employees of the subsidiary companies and holding company.

Provided, however, the no. of securities proposed to be issued and allotted to the employees of the company under resolution No.8 of this notice, together with any securities issued and allotted or proposed to be issued and allotted to the employees of the subsidiary companies, employees of the holding company and employees of the associate companies shall not exceed 5% of the issued capital of the company as on 31st December 1999.

RESOLVED FURTHER THAT the new equity securities to be issued and allotted by the Company in the manner aforesaid shall rank *pari passu* in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of Securities, the Board be and is hereby authorised on behalf of the Company to evolve, decide upon and bring in to effect the scheme and make any modifications, changes, variations, alterations or revisions in the said scheme from time to time or to suspend, withdraw or revive the Scheme from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties, or

doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the shares allotted under the scheme in the stock exchange where the shares of the company are listed as per listing agreement and other applicable rules and regulations.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to it in terms of this resolution to any committee of the directors as may be permitted by law.

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

RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications (s) or re-enactment thereof) and in accordance with the provisions of the Articles of Association of the Company and subject to the necessary approvals, permissions and/or sanctions as may be necessary and imposed by the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and any other appropriate authorities, institutions or bodies, if any and subject to such conditions and modifications as may be prescribed by any of them in granting such approvals, permissions and/or sanctions, the Board of Directors be and is hereby authorised to issue, offer and allot such number of equity shares and / or equity linked instrument including options, warrants etc., and/ or any other instruments or securities (hereinafter collectively referred to as Securities of the Company) which could give rise to the issue of equity shares not exceeding 5,00,000 shares (Five lakhs shares only) of Rs. 10/- each fully paid up for cash in one or more tranches through preferential offer and/or private placement to any person whether individuals, Institutions, Banks, Bodies Corporate, non-resident Indians,

Overseas Corporate Bodies or any combination thereof or any other category including customers, strategic partners, business associates, consultants and/or others who directly or indirectly contribute to the growth of the company and whether or not such persons are the existing holders of equity shares of the Company, on such terms and conditions and at such price as may be decided by the Board of Directors in accordance with the guidelines, rules and regulations of SEBI/Companies Act, 1956 and other legislations in this regard.

RESOLVED FURTHER THAT the said securities may be allotted directly to such customers, strategic partners, business associates and/or others in accordance with a scheme framed in that behalf through a trust/entities, which may be, set up in any permissible manner.

RESOLVED FURTHER THAT the new equity shares to be issued and allotted by the Company in the manner aforesaid shall rank *pari passu* in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER that for the purpose of giving effect to the resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as they may in their absolute discretion deem necessary or desirable.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate to the committee of the directors all or any of its powers conferred on it in terms of this resolution as may be permitted by law.

Registered Office:
 "Jayalakshmi Estates"
 8 Haddows Road
 Chennai 600 006

June 12, 2000.

By order of the Board

C. SIVA
 Company Secretary

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 special business under item nos. 5 to 10 as set out above is annexed hereto.
3. The register of members and the share transfer books of the company remained closed from 16th May 2000 to 20th May 2000, both days inclusive.
4. Members who have not encashed the dividend warrants for the year ended 31st March 1996 and any subsequent dividend payments are requested to make their claim to the company.
5. For any queries on the Depository System, members may contact any Depository Participant or the Shares Department at the Registered Office of the company.
6. Members are requested to notify immediately any change in their address to the company.
7. As a measure of economy, copies of the annual report will not be distributed at the annual general meeting. Members are therefore requested to bring their copies of the annual report to the meeting.
8. Members are requested to affix their signature at the space provided on the attendance sheet annexed to the proxy form and hand over the slip at the entrance of the meeting hall.

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

The following explanatory statement sets out all material facts relating to special business mentioned in the accompanying notice dated 12th June, 2000 and shall be taken as forming part of the notice.

Item No. 5

The Department of Company Affairs has issued a notification amending Rule 10-B of the Companies (Central Government) General Rules and Forms, 1956 to enable the companies to pay remuneration up to a maximum of Rs.5,000/- as sitting fee to a director for attending each meeting of the board of directors or committee thereof instead of existing limit of Rs.2,000/- with effect from April 1, 2000.

The existing article 120(c) provides for payment of maximum amount prescribed by the central government in this regard. In order to provide flexibility to pay lesser amount than the maximum prescribed, it is proposed to amend the article. In terms of section 31 of the Companies Act, 1956, the special resolution for amending the provisions of the Articles is placed before the shareholders for approval.

All the directors are deemed to be concerned or interested in the above resolution to the extent of sitting fee received by them.

Item No. 6

The company has availed a Rupee term loan of Rs.25 crores for meeting its long term working capital requirements from the ICICI Limited. In terms of the loan agreement/ sanction letters, a first charge on the fixed assets of the company has to be created in their favour. Creating charge in favour of the company's bankers and financial institutions amount to disposing off substantially the whole of the undertaking. For disposing of substantially the whole of the undertaking, approval of the shareholders is required to be obtained by way of an ordinary resolution under section 293 (1) (a) of the Companies Act, 1956. Hence this resolution. Directors recommend passing this resolution as an ordinary resolution.

None of the directors is interested in the resolution.

Item No. 7

The shareholders at their fourth Annual General Meeting held on 29th November 1990 authorised

the board of directors to borrow moneys in excess of the aggregate of paid-up capital and free reserves subject to a limit of Rs.50 crores, excluding the temporary loans obtained from the company's bankers in the ordinary course of business. With the opportunities available in the field of information technology, the increase in the level of business activities of the company is likely to expand exponentially. In order to fund the new projects, it is proposed to increase the borrowing power of the company from Rs.50 crores to Rs.100 crores. Since this amount is in excess of the aggregate of the paid-up capital and free reserves of the company, approval of the shareholders of the company is required to be obtained under section 293 (1) (d) of the Companies Act, 1956 by way of an ordinary resolution. Hence this resolution. Directors recommend passing this resolution as an ordinary resolution.

None of the directors is interested in the resolution.

Item No. 8

In order to constantly attract and retain the best of the talents on long-term basis the company is proposing to formulate an Employee Stock Option Plan (ESOP) to reward its employees for their performance and loyalty.

The company believes that ESOP shall induce its employees to better performance and in the process create value to the shareholders.

The salient features of the ESOP scheme are outlined below :-

1. **Compensation Committee** : Compensation Committee consists of majority of independent directors constituted to administer the ESOP.
2. **Number of options granted** : Upto 5% of the aggregate of the number of equity shares of the company issued and outstanding as on 31st December 1999.
3. **Employees eligible to participate** : Persons who are employees of the company including the directors (other than promoter as defined in SEBI guidelines) as may be decided by the compensation committee from time to time.

Employees will be granted option based on performance and such other parameters as

may be decided by the compensation committee in its discretion, from time to time.

Options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

4. **Requirements of vesting, Period of vesting and maximum period of vesting :** Options may vest after a period of one year from the date of grant and may extend up to 5 years from the date of grant. The vesting may be in tranches subject to the terms and conditions of vesting as may be stipulated by the compensation committee which may include satisfactory performance of the employees and continued employment in the company or its subsidiaries / associate companies.

Termination of employment on account of death, permanent / total disability or at retirement would not affect vesting.

5. **Exercise price :** Options under the ESOP would be issued at an exercise price as may be decided by the compensation committee from time to time.
6. **Exercise period :** The exercise period shall commence from the date of vesting and will expire any time before the end of the 7th year from the date of grant of options or such other period as may be decided by the compensation committee from time to time.

The options will be exercisable by the employees by written application to the company to exercise the options in such manner and on execution of such documents as may be prescribed by the compensation committee from time to time.

The options will lapse if it is not exercised within the specified exercise period or extended period.

7. **Appraisal opportunities to determine eligibility of employees to ESOP :** The compensation committee shall determine the eligible criteria of the employees under the ESOP based on the performance of employees on various performance linked parameters such as work performance, technical knowledge, leadership qualities, future potential

contributions by the employee, seniority of the employees, length of service and / or any such other criteria that may be determined by the compensation committee at its own discretion.

The compensation committee may at its discretion extend its benefits of the ESOP to new entrants or any existing employees or such other employees on such other terms and conditions as it deems fit.

8. **Maximum number of options to an employee:** Maximum number of options granted to an employee in a year will not exceed 1% of the issued and outstanding equity shares of the company as on 31st December 1999.

Aggregate of all such grants shall not exceed 5% of the issued and outstanding equity shares of the company as on 31st December 1999

- 9 **Accounting policy with respect to ESOP :** The Company will conform to accounting policies specified in SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and or such other guidelines as may be applicable from time to time.

The Board / Compensation committee shall have the absolute authority to modify the terms in accordance with any guidelines or regulations that may be issued by any appropriate authority unless such modification or alteration is detrimental to the interest of the employees.

Approval of the member is sought in terms of Sec. 77, 81(1A) and other applicable provisions of the Companies Act, 1956 and the guidelines issued by SEBI for the issue of equity shares of the company.

The Board recommends the special resolution to the members for approval.

The directors of the company will be deemed to be interested in the resolution to the extent of securities that may be offered to them under the scheme as framed by the compensation committee.

Item No. 9

As per the SEBI guidelines a separate resolution is required to be passed if the benefits of ESOP are to be extended to employees of the subsidiary or holding companies.

TVS Electronics Limited**TVS**
ELECTRONICS

The SEBI guidelines do not provide for extending the benefits of ESOP scheme to the eligible employees of the associate companies. The company proposes to seek permission from SEBI for extending the scheme to the eligible employees of associate companies also for participation in the ESOP subject to the approval of appropriate authorities including SEBI.

This resolution is being proposed accordingly to cover those employees and directors as may be permitted from time to time under prevailing laws, rules and regulations and or any amendments that may be made from time to time.

The Board / Compensation committee shall have the absolute authority to modify the terms in accordance with any guidelines or regulations that may be issued by any appropriate authority.

Approval of the member is sought in terms of Sec. 81(1A) and other applicable provisions of the Companies Act, 1956 and the guidelines issued by SEBI in this regard for the issue of equity shares of the company to employees of the subsidiary or holding companies or associate companies.

The Board recommends the special resolution to the members for approval.

None of the directors of the company is in any way concerned or interested in the resolution.

Item No. 10

The members are aware that the company has recorded an impressive growth over last few years. The Company is also aware of the fact that this growth is not only on account of the performance of the employees but also because of substantial contributions made by various customers, strategic partners, consultants and others directly or indirectly.

In the long-term interest of the company the directors feel that it is desirable to offer or issue securities of the company to select customers/ strategic partners, consultant and others.

The modalities for the issue, price, number of shares, etc., will be decided by the Board (including committee of directors) in consultation with regulatory and other authorities at the time of aforesaid issue at a later stage and will be governed by the guidelines laid down by SEBI and other appropriate authorities be determined by the Board on the prevailing market conditions.

This special resolution if passed, will have the effect of allowing the Board to issue and allot shares to customers, strategic partners, consultants and others whether in India or abroad who may or may not be existing shareholders of the company.

Approval of the member is sought in terms of Sec. 81(1A) and other applicable provisions of the Companies Act, 1956 and the guidelines issued by SEBI in this regard for the issue of equity shares of the company to customers, strategic partners, consultants and others.

The directors recommend the special resolution for approval of the members.

None of the directors of the company is in any way concerned or interested in said resolution.

The documents referred to in the notice and the explanatory statement will be available for inspection at the registered office of the company on any working day during business hours of the company.

Registered Office:
"Jayalakshmi Estates"
8 Haddows Road
Chennai 600 006
June 12, 2000.

By order of the Board

C. SIVA
Company Secretary