



TVS Electronics Limited



Sixteenth Annual Report 2001

TVS Electronics Limited**Board of Directors**

Venu Srinivasan
Chairman

Gopal Srinivasan
Whole-time Director

T K Balaji

H Lakshmanan

S R Vijayakar

Srini Nageshwar

S Shreenivasa Rao

R R Nair

K Dhruva

Directors

K S Ramesh

Director & CEO

Vice President - Finance

S Swaminathan

Company Secretary

S Venkatakrishnan

Auditors

Sundaram & Srinivasan
Chartered Accountants,
23, C P Ramaswamy Road,
Alwarpet,
Chennai 600 018.

Audit Committee

Srini Nageshwar

S R Vijayakar

H Lakshmanan

Shareholders'/Investors'

Grievance Committee

Venu Srinivasan

Gopal Srinivasan

T K Balaji

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

Technical Collaborators

Citizen Watch Company Limited,
Japan.

Victron B.V.,

The Netherlands.

Lantech Computer Co.

Taiwan.

Managers to Deposit Schemes

Harita Finance Limited

"Jayalakshmi Estates"

24, Haddows Road,
Chennai 600 006.

Phone : 91-44-8277155

Website : www.harita.com

Registered Office

"Jayalakshmi Estates"

24, Haddows Road,
Chennai 600 006.

Phone : 91-44-8272233

Factory

Tumkur Plant

Pandithanahalli,

Tumkur 572 168.

Phone : 91-816-243270, 112, 113

Fax : 91-816-243278

Chennai Plant &

Administrative Office

34, Developed Plots,
South Phase, Industrial Estate,
Guindy, Chennai 600 032.

Phone : 91-44-2325506

2325509, 2331411

Fax No. : 91-44-2327577

Website: www.tvs-e.com

Contents**Page No.**

Financial Highlights

2

Notice

3

Management Discussion and Analysis Report

7

Directors' Report

11

Report on Corporate Governance

16

Auditors' Report

23

Balance Sheet

26

Profit & Loss Account

27

Schedules

28

Company Profile

41

Cash Flow Statement

42

Statement under Sec. 212 of the

Companies Act, 1956

44

Subsidiaries

ICL Foundries Limited

46

Sundram Telematics Limited

51

Financial Highlights

Rs. in Lakhs

Sl.No.	Particulars	1991-92 Jun-May	1992-93 Jun-May	1993-94 Jun-May	1994-95 Jun-Mar	1995-96 Apr-Mar #	1996-97 Apr-Mar	1997-98 Apr-Mar	1998 Apr-Dec @	1999 Jan-Dec	2000 Jan-Dec	2001 Jan-Dec
1	Total Revenue	4,583	5,357	6,273	8,209	9,437	11,631	11,445	8,464	17,014	22,431	21,613
2	Exports	108	81	104	49	367	2,354	1,862	1,403	2,125	2,205	2,942
3	R & D (Rev. & Cap.) Expenditure	50	64	58	61	48	59	101	84	210	453	407
4	Profit before Tax	62.01	59.16	261.26	380.03	154.63	205.56	426.66	149.90	312.55	507.51	182.87
5	Profit after Tax	62.01	59.16	261.26	380.03	154.63	178.56	301.66	108.90	228.55	384.51	162.87
6	Book value per share (Rs)	6.35	6.77	8.70	10.61	18.18	18.24	18.91	19.00	19.35	20.74	20.94
7	Earnings per share (Rs)	0.43	0.41	1.83	3.19*	0.91	1.05	1.77	0.85*	1.34	2.26	0.96
8	PBT % of Total Revenue	1.35%	1.10%	4.16%	4.63%	1.64%	1.77%	3.73%	1.77%	1.84%	2.26%	0.85%
9	PAT % of Total Revenue	1.35%	1.10%	4.16%	4.63%	1.64%	1.54%	2.64%	1.29%	1.34%	1.71%	0.75%
10	PBDIT % of Total Revenue	18.42%	16.04%	15.37%	11.53%	9.01%	7.30%	8.05%	7.87%	5.89%	6.40%	5.67%
11	ROCE % (PBIT / CE)	19.32%	20.14%	24.63%	20.22%*	12.78%	13.49%	12.19%	9.71%*	8.88%	11.76%	8.26%
12	R & D (Rev. & Cap.) Expenditure % of Revenue	1.09%	1.19%	0.93%	0.75%	0.51%	0.51%	0.89%	1.00%	1.24%	2.02%	1.89%
13	Fixed Assets Turnover (No. of times)	2.98	3.84	5.00	8.24*	7.75	9.64	9.81	7.99*	11.37	9.32	8.55

ROCE is profit before interest and taxation (PBIT) divided by Capital Employed (CE).

Fixed assets turnover is total turnover divided by net fixed assets as at the end of the year.

PBT is profit before tax.

PAT is profit after tax.

PBDIT is Profit before Depreciation, Interest and Tax.

Figures under column 1, 2 & 3 have been rounded off.

- 10 months @ - 9 months * - Annualised

Notice to the Shareholders

NOTICE is hereby given that the sixteenth annual general meeting of the company will be held at Music Academy, New No.168 (Old No. 306), T T K Road, Chennai - 600 014, on Wednesday, the 5th June 2002 at 10.30 A.M to transact the following business:

ORDINARY BUSINESS

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

RESOLVED THAT the audited balance sheet as at 31st December, 2001 and the profit and loss account of the company for the year ended on that date, together with the Directors' Report and the Auditors' Report thereon as presented to the meeting be and the same are hereby approved and adopted.

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

RESOLVED THAT pursuant to the recommendation of the directors, dividend of 7.5% for the year ended 31st December 2001 amounting to Re 0.75 per share, absorbing a sum of Rs 127.69 lakhs be and is hereby declared on 1,70,25,318 equity shares of Rs. 10 each fully paid up, and that the same be paid to the shareholders, whose names appear on the company's register of members on 29th May, 2002.

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

RESOLVED THAT Mr H Lakshmanan 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 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 Sridi Nageshwar 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, 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

7. To appoint Sri R R Nair as Director of the Company who retires under Section 260 of the Companies Act, 1956 and to pass the following resolution with or without modification as an ordinary resolution.

RESOLVED THAT Sri R R Nair be and is hereby appointed as a Director of the company liable to retire by rotation.

8. 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 Section 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto, the appointment of Mr Gopal Srinivasan as Whole-time Director for a period of 5 years with effect from 5th December, 2001 without remuneration be and is hereby approved.

For and on behalf of the Board

VENU SRINIVASAN
 Chairman

Registered Office:
 "Jayalakshmi Estates"
 New No.24, (Old No.8)
 Haddows Road, Chennai 600 006
 29th March, 2002

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 notorially 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. 7 and 8 as set out above is annexed hereto.
3. The register of members and the share transfer books of the company will remain closed from 29th May 2002 to 5th June 2002, 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.
9. In terms of clause 49 of the listing agreement with Stock Exchanges, a brief resume of directors who are proposed to be appointed / re-appointed at this meeting is given below:

1. Mr H Lakshmanan

Born on 14th August, 1933, Mr H Lakshmanan is a Company Executive with vast experience. He joined the TVS Group in 1953. He rose to the position of Executive Director of M/s. Sundaram-Clayton Limited in 1982 and continues to hold the position. He has rich experience and expertise and knowledge in areas such as banking, financing, HR related activities and Business Administration.

Mr H Lakshmanan is also a whole-time Director of Anusha Investments Limited. He is also a Director in the following companies, viz., Harita NTI Limited, Harita Grammer Limited, Sundram-Clayton Senior Officers Welfare Foundation Private Limited, Sundaram Two Wheelers Private Limited, Harita Finance Limited, TVS Electronics Limited, Harita Infoserve Limited, TVS Venture Fund Private Limited, Auctionindia.Com Private Limited, Sundram Telematics Limited and TVS Investments Limited.

He is also a member of the Audit and Administrative Committees of TVS Electronics Limited, a member of Audit Committee, Shareholders' / Investors' Grievance Committee & Debenture / Bond Committee of Harita Finance Limited and a member of Shareholders' / Investors' Grievance Committee of Harita Grammer Limited.

2. Mr T K Balaji

Mr T K Balaji is a Businessman and is a Bachelor of Engineering from Madras University and secured first rank in the University and is also a MBA from IIM Ahmedabad and was awarded Gold Medal for outstanding scholastic performance. Mr T K Balaji, was first appointed as the Director of the Company on 16.7.1988. Mr T K Balaji has been a member of the National Council of CII, Past President of ACMA, Member of Development Council for Automobiles and Allied Industries, Government of India, and has been conferred a Special Award by Foundation of Maharashtra in March, 1995 in recognition of his contribution to the development of automotive component industry.

Mr T K Balaji is also a Director in the following Companies, viz. Lucas-TVS Limited, Sundaram Clayton Limited, India Nippon Electricals Limited, India Japan Lighting Limited, Lucas Indian Service Limited, Lucas-TVS Diesel Systems Limited, Harita Electronics Private Limited, Apollo Hospital Enterprise Limited, TVS Motor Company Limited, T V Sundaram Iyengar & Sons Limited, Titan Industries Limited, Hastham Swasthi Limited, Punarvasu Swasthi Limited and TVS Lean Logistics Limited. Mr T K Balaji is also a member of Shareholders' / Investors' Grievance Committee of TVS Electronics Ltd, Shareholders' / Investors' Grievance Committee of Sundaram-Clayton Limited and Audit Committee of Sundaram-Clayton Limited.

3. Mr Srin Nageshwar

Born on 14.03.1942 Mr Srin Nageshwar is B.Tech in Electrical Engineering. He Specialises in General Management, Sales & Marketing.

Mr Srin Nageshwar is also a Director in FONGIT (Federation d' Innovation De Technologie, Genevoise, Geneva, Switzerland, Medical Control SA, Geneva, Switzerland and Harita Infoserve Limited. He is the Chairman of the Audit Committee of TVS Electronics Limited.

4. Mr R R Nair

Born on 02.07.1939, Mr R R Nair obtained a M.A., Degree in Psychology with 1st Class 1st Rank from the University of Kerala and

Post-Master's Diploma in Industrial & Personnel Management from the Indian Institute of Technology, Kharagpur, with distinction. He holds a Diploma in Advanced Personnel Management from the Institute of Personnel Management (UK) and has been trained by the Tavistock School of Human Relations, UK. He is also an alumni of Stanford & Michigan Universities.

Mr R R Nair had served various premier organisations like DCM Group, New Delhi, Hindustan Lever, Unilever Plc, London, Lipton India Limited etc. He was also seconded to Unilever Arabia Group of Companies in Dubai as its Director. Presently Mr Nair is also the advisor for select few leading companies on new strategies for organisation development. Recently, he joined the Board of BASF India Ltd. as a Director as well as the Advisory Council of Tata Management Training Centre.

Mr Nair has served various Regions as President of National Institute of Personnel Management, Indian Society for Training and Development and National Human Resources Development Network. He is also on the CII's National Committee on HRD. Mr R R Nair's field of expertise includes all aspects of human resource management skills and competencies, especially how to align HR processes and systems to drive business growth. In addition he has considerable experience in organisational transformation and development including managing human processes of mergers and acquisitions.



TVS Electronics Limited

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 29th March, 2002 and shall be taken as forming part of the notice.

Item No. 7

Mr R R Nair was appointed as an Additional Director on the Board of the Company by the Directors with effect from 18th October, 2001. In terms of Section 260 of the Companies Act, 1956, Mr R R Nair, will hold office upto the date of this Annual General Meeting. Notice has been received from a member of the company signifying his intention to propose the candidature of Mr R R Nair, as a Director of the company under Section 257 of the Companies Act, 1956, along with the requisite deposit.

The Directors recommend the resolution for adoption by the shareholders.

None of the directors except Mr R R Nair, is interested in the resolution.

Item No. 8

Mr Gopal Srinivasan, was appointed as the Whole-time Director of the Company subject to the approval of the shareholders in the general meeting with effect from 5th December, 2001 for a period of 5 years without remuneration. The approval of the shareholders is sought for the appointment of Mr Gopal Srinivasan as a Whole-time Director for a period of five years with effect from 5th December, 2001.

Except Mr Venu Srinivasan, Mr Gopal Srinivasan and Mr T K Balaji none of the Directors is interested in the Resolution.

For and on behalf of the Board

venu srinivasan
Chairman

Registered Office:
"Jayalakshmi Estates"
New No.24, (Old No.8)
Haddows Road, Chennai 600 006
29th March, 2002

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Management Discussion and Analysis Report

Global trends notwithstanding, our company has maintained its pre-eminent position in the manufacture of computer peripherals in India. It continues to dominate in the dot matrix printer market. In keyboards, it reigns as leader and spearheads innovations to expand the segment. In the UPS area, a major thrust to build a comprehensive product portfolio is on. While the Appliances business hold their own despite recessionary circumstances, a strong growth opportunity is emerging in the Services business arena.

Our company continues to ensure customer satisfaction and win accolades in quality management. Human resources, safety and the environment have always been aspects where our company has never compromised and this year too significant progress has been made in these areas.

Year 2001 has in many ways reiterated our status in the minds of our customers and reaffirmed their faith in our product quality. We believe, Year 2002 will open up global opportunities for us and establish our leading edge in the international marketplace.

The industry and the trends:

For the first time in several years, the global IT industry witnessed a reduction in the number of PC shipments - a key indicator of the sluggish trends in the economy.

With the US economy showing obvious signs of recession from February 2001, there was a natural and swift fallout in the Indian economy as well. The Indian IT and PC markets however managed to record a modest growth of 6.43% in the face of this decline.

The Indian peripherals market, although registering a downward trend from Rs 4881 crores in 2001-02, is expected to stabilize and in fact grow to Rs 5187 crores during 2002-03.

Of this market, the printers segment, which was 20% of the total peripherals market, showed a negative growth of 10%. The UPS and keyboard categories also showed low growth rates during 2001-02.

Despite these conditions, our company has maintained its position as the leading manufacturer of computer peripherals in India.

The opportunities and threats :

Our company has retained its No 1 position in dot matrix printers. The strategic entry into the retail automation and transactions solutions market has added to our company's market prospects. These product groups hold good growth potential in the years to come. Opportunities for increased market share have been created by enhancing the UPS and the keyboard product ranges. Another dynamic way to leverage our manufacturing competencies and add value has emerged in the form of contract electronic manufacturing services.

Our company has already foreseen the possibilities of foreign competitors setting up shop in India directly. We are already present in as many as 275 towns in India through an extensive authorised dealer partner network. Our wide distributor and customer care network will now be further expanded to counter these threats.

Segment-wise and product-wise performance:

The PC Quest Users Choice Award for the second year in succession is proof that our company is the leader in the dot matrix printer market. Our company finished the year with a healthy market share of 42.6% in the quarter of October-December 2001, showing a 4% growth in a declining market. New product launches in the current year will only consolidate this position as frontrunner.

Our company was quick to realize that in the UPS market, the negative growth could be countered by offering a more comprehensive range. A major initiative to build an exhaustive product portfolio and to slice costs has been taken. This will ensure that our company has products to address the full range of UPS products and increase its market share.

In the keyboard market, our company's name is synonymous with mechanical keyboards. To deftly combat the advent of high quality, multi-featured membrane keyboards that are now entering the market, our company is developing high-featured and language-enabled keyboards, which are more relevant to the market.

Our exports grew by 33% over the previous year, rising from Rs 22.05 crores in 2000 to Rs 29.42 crores in 2001.

Also, the takeover of our customer IMV Victron by GE Digital Energy (a part of the global giant GE), augurs well for us as it opens up strong growth opportunities for the future.

Business outlook and overview

The PC market is expected to grow from 6% to 16% in 2002-03. Consequently, the prospects of the peripherals industry are also expected to recover from the recessionary trend of the last year. The first two quarters are, however, likely to remain sluggish, with the overall domestic appliances growth remaining in single digits.

In the eAppliances business, printers are expected to grow by 5% while the power electronics and peripherals businesses are slated to grow by over 30%.

As a result of our R & D efforts, this year will see the launch of a new generation of printers. Combining functionality and aesthetics, these printers will deliver quality output at the lowest cost of ownership and more importantly enlarge market share for the printers business.

The services group, dealing in contract manufacturing business, presents a strong growth opportunity, largely due to the acquisition of IMV by GE Digital Energy. A strong focus on new customer acquisitions will lead to the near doubling of this business next year.

With a never-before technological innovation, our company has created and implemented what is perhaps the first grassroots R & D product of India. A simple-to-use point of sale solution that provides small and large shops, merchants and industries with an "all-in-one" feature and function rich retail solution. Our company sees significant contribution from this line of business in the coming years.

The enlargement of the distribution network, to not just cover the local market but to encompass overseas markets as well is on the anvil for this year.

Customer satisfaction through TVS-E's Careline (9622 012012) is making great headway keeping in touch with customers through a well-equipped network of call centers. Adequate traceability systems have been developed to ensure prompt service and corrective action in the event of any customer complaints and feedback. With 12 centres already running across India, our company envisages 25 centres by end 2002.

Risks and Concerns:

There is significant risk, in the event that the recessionary trends witnessed during 2001 continue to get more pronounced in 2002.

Also, with the reduction of quantitative restrictions, due to WTO, we may see the entry of end-of-life IT products at irresistible bargain prices.

Internal Control Systems and their adequacy:

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

Our company has implemented BaaN – an enterprise resource planning tool. This tool will link up all business processes thereby greatly increasing efficiency of transactions and integrity of data.

Quality and quality management systems

Our company's Quality Policy is highly customer focused with a strong emphasis on continuous improvement and employee involvement. Our company has adopted a Quality System model imbibing the best practices evolved by international quality systems and standards – QS 9000. TUV Rheinland awarded the QS-9000 certification in March 2001, making TVSE one of the first companies outside the auto industry to have got this certification.

Prior to being QS-9000 certified, our company has also proved its outstanding capability in Quality Management systems by acquiring the first position in the ELCINA* award for excellence in Quality Management. The quality system practices are subject to periodical diagnosis and upgradation through visit of experts from Japan.

Innovative new product development is made possible by a well-equipped R & D facility using the APQP method (Advanced Product Quality Planning). Specific emphasis is attached to the quality of out sourced parts and services through dedicated "Supplier Development Cells". Adequate traceability systems are developed to ensure

* Electronic Components Industries Association

prompt service and corrective actions in the event of any customer complaints and feedback. Customer satisfaction is ensured continuously by being in touch with the customers through a well-equipped call centre.

HR and employee welfare

Our company believes that employees are the foundation of a successful growing organisation. TVSE HR policies are strategy focused and business driven, and have helped gain greater competitive advantage for the organisation. The objective for the year 2001 was to strengthen HR programs in all business areas.

The Performance Management Pay Program (PMP) was the single most important area of contribution by HR. Creating a performance driven culture and enhancing productivity of employees will always be the most important objective for our organisation. PMP was implemented for the Sales Group. This program ensures commitment to annual goals and encourages "stretch in individual performance".

HR 2001 was the first step in an exciting process of making HR a more proactive partner to the business. It is the beginning of a journey, which will take HR into a direction of higher contribution and impact to the organisation, and help create an organisation that is capable of innovation and change, in the long term.

Safety & security

Our company attaches the utmost importance to safety. Employee and product safety conforms to international standards.

Safety management is deployed to everyone. Some of the key initiatives are:

- Training on safety to employees on a continuous basis.
- Communication on the importance of safety through celebration of safety month.

Our company is proud to state that, with employee education and awareness, there have been no cases of reportable accidents in the factory for several years now.

Environment conservation & protection

Our company is committed to the protection of the environment and its continuous monitoring through

adoption of new processes and elimination of hazardous operations. Manufacturing facilities at Tumkur (Karnataka) and Guindy (Chennai) are provided with modern effluent treatment plants and air pollution control measures.

Emphasis is being given to Green Belt Development and during this year over 4000 trees have been planted in the campus at Tumkur and along the road at Guindy.

Rainwater harvesting has also been successfully carried out at our premises at Guindy and at Tumkur.

Community development and welfare

Our company is committed to the process of sustainable community development through the active involvement of the local community. By focussing on the youth in a defined geographic area, TVSE helps the community become self-reliant. This is achieved by becoming a welcome guest in the host community.

The endeavour is to lead social progress through a focus on health care, Infrastructure development and preservation of the cultural heritage of our society.

The areas of service cover:

At Tumkur :

- Health camps— Health camps are conducted every year in Tumkur and in Chennai for children of the schools that are close to our plants.
- Health services—A rural clinic to cater to the villagers of Devarayana Durga and its vicinity was opened in April 2001.
- Preserving cultural heritage – This is achieved through renovation and better facilities at places of worship.
- Infrastructure development – A overhead tank was constructed in the Pandithanahalli village where our Tumkur factory is located. A potable water supply scheme was provided to the water starved town of Devarayana Durga, near Tumkur.
- Education – T S Srinivasan Memorial Scholarship was instituted and the adoption of all costs for 5 students at Siddaganga Mutt is undertaken every year.