



TVS Electronics Limited

9th Annual Report 2003

Taking IT to the heart of India



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
R Vijayaraghavan
(Alternate Director to S R Vijayakar)

Advisor to the Board

Sridhar Mitta

Vice President - Corporate Financial Control

R Karunanithi

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

Investors' Grievance Committee

Venu Srinivasan
Gopal Srinivasan
T K Balaji

Remuneration/Compensation Committee

R R Nair
Srini Nageshwar
S R Vijayakar
H Lakshmanan

Bankers

State Bank of India
State Bank of Mysore
State Bank of Travancore
Canara Bank
ICICI Bank Limited
IndusInd Bank Limited
Federal Bank Limited

Managers to Deposit Schemes

TVS Finance and Services Ltd.,
"Jayalakshmi Estates",
24, Haddows Road,
Chennai 600 006
Phone: 91-44-28277155
Website: www.tvs-fs.com

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.

Registered Office

"Jayalakshmi Estates",
No. 24, Haddows Road,
Chennai 600 006
Phone: 91-44-2827 7155

Factory

Tumkur Plant

Pandithanahalli,
Tumkur 572 168.
Phone: 91-816-243270, 112, 113
Fax No. 91-816-243278

Chennai Plant & Administrative Office

34, Developed Plots,
South Phase, Industrial Estate,
Guindy, Chennai 600 032.
Phone: 91-44-2232 5506/09
91-44-5200 5200

Fax No.: 91-44-2232 7577

Website: www.tvs-e.com

Nandambakkam Office

20 Feet Road,
Off: Mount Poonamallee Road,
Nandambakkam,
Chennai - 600 089.
Phone: 91-44-2232 1166
Fax No.: 91-44-2232 9533

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Notice to the Shareholders

NOTICE is hereby given that the ninth Annual General Meeting of the company will be held at "The Music Academy", New No.168 (Old No. 306), T T K Road, Chennai - 600014, on Wednesday, the 16th June, 2004 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, 2003 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, 2003 amounting to Rs. 0.75 per share, absorbing a sum of Rs.132.55 lakhs be and is hereby declared on 1,76,72,818 equity shares of Rs. 10/- each fully paid up and that the same be paid to the shareholders, whose names appear in the register of members of the company as on 9th June, 2004 in case of shares held in electronic form and as on 16th June, 2004 in respect of shares held in physical form.

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 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 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.

Registered Office
"Jayalakshmi Estates"
No.24, Haddows Road
Chennai 600 006

By order of the Board

April 26, 2004

S VENKATAKRISHNAN
Company Secretary



TVS Electronics Limited

NOTES

1. **A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy or proxies so appointed need not be a member or members as the case may be of the company. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the company not later than 48 hours before the time fixed for holding the meeting.**
2. The register of members and the share transfer books of the company will remain closed from 9.6.2004 to 16.6.2004, both days inclusive.
3. Consequent upon the amendment to Section 205A read with Section 205C of the Companies Act, 1956, the dividend declared for the year ended 31st March, 1997 and for any financial year ending thereafter which remains unclaimed for a period of seven years will be transferred to the Investors' Education and Protection Fund established by the Central Government.
Members who have not encashed their dividend warrants in respect of the above period are requested to make their claim to the company by surrendering the unencashed warrants immediately.
4. Members are requested to notify immediately any change in their address to the company. Members holding shares in depository are requested to advise change of address to their depository participants.
5. 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.
6. Members are requested to sign 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.
7. In terms of clause 49 of the listing agreement with the Stock Exchanges, a brief resume of directors who are proposed to be appointed / re-appointed at this meeting is given below -

1. Mr. Venu Srinivasan

Born on 11th December, 1952, Mr. Venu Srinivasan is a Bachelor of Engineering from Madras University and has a M.S. degree in Management from Purdue University, U.S.A. He is the eldest son of (Late) Mr. T S Srinivasan and grandson of (Late) Mr. T V Sundaram Iyengar, the founder of the TVS group of companies.

Mr. Venu Srinivasan has been the Managing Director of Sundaram - Clayton Limited since May, 1979 and the Managing Director of TVS Motor Company Limited from 1986. Since July, 2002 he is the Chairman & Managing Director of TVS Motor Company Limited.

He was the Chairman of the Confederation of Indian Industry (CII) (Southern Region) and has been associated with CII for nearly 17 years in various capacities. He was also the Past President of Automotive Research Association of India, Pune, a Past President of the Society of Indian Automobile Manufacturers & Association of Indian Automobile Manufacturers. At present, he is the Honorary Consul General of Republic of Korea, Chennai.

Mr. Venu Srinivasan has been honoured with various awards, including the HSBC Indo - British Achievement Award, presented in recognition of active contribution to Indo - British commercial relations. He was also chosen as "Stars Of Asia" by Business Week International.

He is a director in the following companies viz. TVS Motor Company Limited (Chairman and Managing Director), Sundaram - Clayton Limited (Managing Director), TVS Electronics Limited (Chairman), TVS Finance and Services Limited, Padi Air Brake Systems Limited, Harita NTI Limited, Lucas TVS Limited, TV Sundaram Iyengar & Sons Limited, Sundaram Textiles Limited, Southern Roadways Limited, Sundram Fasteners Limited, Cummins India Limited, The Bombay Dyeing & Manufacturing Co. Limited, Sundaram Non-Conventional Energy Systems Limited and TVS Lanka Private Limited.

He is the Chairman of the Investors' Grievance Committee of TVS Electronics Limited and TVS Finance and Services Limited and also



a member of the Investors' Grievance Committee of Sundaram - Clayton Limited and TVS Motor Company Limited. Mr. Venu Srinivasan is also the Chairman of the Compensation and Management Development Committee of Cummins India Limited and a member of the Operations Committee of Cummins India Limited.

2. Mr. T K Balaji

Born on 12th July, 1948, Mr. T K Balaji is a Bachelor of Engineering from Madras University, having secured first rank in the University. He also has a MBA from IIM Ahmedabad and was awarded Gold Medal for outstanding scholastic performance. Mr. T K Balaji has been a member of 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 the Managing Director of Lucas - TVS Limited and Delphi - TVS Diesel Systems Limited. Besides, he is also a Director in the

following Companies, viz., Sundaram - Clayton Limited, TVS Electronics Limited, India Nippon Electricals Limited, Lucas Indian Service Limited, Harita Electronics Private Limited, Apollo Hospital Enterprise Limited, TVS Motor Company Limited, T V Sundram Iyengar & Sons Limited, Titan Industries Limited, India Japan Lighting Private Limited, Hastham Swasthi Private Limited, Punarvasu Swasthi Private Limited and TVS Lean Logistics Limited.

He is a member of the Investors' Grievance Committee of TVS Electronics Limited and Sundaram - Clayton Limited and Chairman of the Audit Committee of Sundaram-Clayton Limited and member of the Audit Committees of TVS Motor Company Limited and Titan Industries Limited. He is also the Chairman of the Remuneration Committee of Titan Industries Limited.

Registered Office
"Jayalakshmi Estates"
No.24, Haddows Road
Chennai 600 006

By order of the Board

April 26, 2004

S VENKATAKRISHNAN
Company Secretary



TVS Electronics Limited

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the Ninth Annual Report and the audited accounts for the year ended 31st December, 2003.

The process of amalgamation of erstwhile TVS Electronics Limited with the company has been successfully completed and equity shares have been issued to the shareholders and the shares have been listed in the eight premier stock exchanges of India.

FINANCIAL RESULTS

The financial results of the company for the year ended 31.12.2003 include the effects of the merger scheme executed. The appointed date for the

purpose of the amalgamation was 9th December, 2002 and hence the financial implications of only the 23 days of the operations of erstwhile TVS Electronics Limited was included in the annual results for the year ended 31st December, 2002. The full year transactions of the erstwhile TVS Electronics Limited are now reflected in the performance of the company in the current year. In order to provide meaningful comparison, the combined financial results of the erstwhile TVS Electronics Limited prior to amalgamation and the Company put together and that of the Company alone have been provided for the year 2002, in the table given below:-

(Rupees in Crores)

Particulars	Company Performance for the year ended 31.12.2003	Performance of erstwhile TVS Electronics Ltd. and the Company put together for the Year ended 31.12.2002	Company Performance for the year ended 31.12.2002
Sales and other income	265.50	221.71	23.70
Profit before interest & depreciation	15.15	16.44	2.23
Interest	5.08	9.43	0.58
Depreciation	5.21	4.08	0.69
Profit before Tax	4.86	2.93	0.96
Provision for Tax			
- Current tax	1.04	0.43	0.30
- Deferred tax	0.15	0.31	0.04
Profit after Tax	3.67	2.19	0.62
Balance brought forward from previous year	2.89		0.19
Transfer to deferred tax liability on initial adoption	—		(0.03)
Balance transferred from transferor companies on amalgamation			3.60
Tax relating to earlier years	(0.02)		—
Total available for appropriation	6.54		4.38
- Proposed dividend	1.32		1.32
- Tax on dividend	0.17		0.17
- Transfer to General reserve	—		—
Surplus in Profit and Loss Account	5.05		2.89



DIVIDEND

The Directors are pleased to recommend a dividend of Rs.0.75 per share for the financial year ended 31st December, 2003. The dividend if approved by the shareholders would absorb Rs. 132.55 lakhs and the proposed dividend will be paid to all those shareholders whose names appear in the Register of Members of the company as on 9th June, 2004 in case of shares held in electronic form and as on 16th June, 2004 in respect of shares held in physical form.

REVIEW OF OPERATIONS

The turnover of the company in 2003 was at Rs.266 crores as against the comparable turnover of Rs.222 crores in 2002 of the erstwhile TVS Electronics Limited and the Company put together, a growth of 20%. The Indian personal computer market registered a healthy growth of more than 30% in 2003, with the growth coming from smaller cities and towns. This resulted in the Dot Matrix Printer market growing at 30% in 2003 after two successive years of negative growth rate.

The Company's business is in two Groups – Products & Solutions (P&S) and Electronic Manufacturing Services (EMS).

The Products & Solutions Business Group is the market leader in dot matrix printers with a market share of around 40%. This Business Group delivered a turnover of Rs.214 crores (81% of the total turnover against Rs.165 crores last year).

The highlights for the year 2003 for the P&S business was 30% growth in the sale of Dot Matrix Printers and doubling of the sale of retail computer system to the banking segment for their merchant acquisition programme. "TVS Sprint", a retail automation product bringing the power of IT to the retail trader, has established itself well in the grocery segment in Tamil Nadu. "TVS Proton", the world's quickest bill printer, has been well received. The Company retained its leadership position in the mechanical keyboards business.

The EMS business, excluding the inter-segment revenue, has contributed Rs.47 crores to the turnover (18% of turnover) against Rs.57 crores last year. The drop in turnover was because of lower off-take by external customers due to their phasing

out certain products. The business has invested in new products in its power segment inline interactive UPS and online UPS. Exports at Rs.34 crores were at same level as last year. The drive for new customer acquisitions during the year is expected to deliver growth in future.

FUTURE OUTLOOK

The demand for the Personal Computers is expected to pick-up in 2004 as a result of strong buoyancy in the economy and Government purchases and this will impact the growth of the printer and peripheral businesses positively.

"TVS Proton" is well positioned to increase the Company's market share in the printer business and also lend support to our export thrust aided with its contemporary styling, features and price position. The launching of a range of UPS and supplies products will deliver additional contribution to the top line. Efforts are also on to enhance the distribution and service network to significantly improve market penetration. The company strategically continues its investments in new product introduction and development through its R&D efforts.

The EMS business group presents a strong growth opportunity with global players looking for partners for contract manufacturing. The division has acquired significant orders on ODM exports and contract manufacturing. Investments on building skill, competence and infrastructure are under way to enable this business group to emerge as a strong player in this business.

FINANCE

The business has generated a net cash of Rs. 5.86 crores during the year, as a result of improved business performance and effective treasury management.

DEPOSITS

The Company held Rs.43.92 lakhs as public deposits as of 31st December, 2003, out of which, deposits aggregating to Rs. 5.17 lakhs have matured but remain unclaimed as on that date. The company has stopped accepting fresh deposits and renewals.

DIRECTORS

Directors of the Company, Mr. Venu Srinivasan and Mr. T K Balaji retire by rotation at the ensuing annual



TVS Electronics Limited

general meeting and being eligible, offer themselves for re-appointment. Necessary resolutions for their re-appointment is being placed before the members for approval.

Mr. R Vijayaraghavan was appointed as an Alternate Director to Mr. S R Vijayakar by the Directors on 10th March, 2004.

SUBSIDIARY COMPANIES

The company does not have any subsidiary as on 31st December, 2003 and hence the need to attach the audited statements of accounts relating to the subsidiary companies as required under Section 212 does not arise.

AUDITORS

M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, the auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment.

EMPLOYEE STOCK OPTION SCHEME

The members of the erstwhile TVS Electronics Limited at the annual general meeting held on 9th August, 2000 approved the formulation of the Employee Stock Option Scheme (ESOP) for the eligible employees of the company and its directors and also to the eligible employees of the holding / subsidiary companies of the company. Pursuant to this, as approved by the Compensation Committee, the erstwhile TVS Electronics Limited had issued 2,11,000 Employee Stock options to its eligible employees at a price of Rs.70/- per share for the financial year 2003. Out of this 9,000 options granted to an employee lapsed on account of his resignation before vesting of the options.

Subsequently in terms of the scheme of amalgamation of the erstwhile TVS Electronics Limited with your company which was duly approved by the members at the Court convened meeting held on 9th April, 2003, your company had taken over the obligation of 2,11,000 ESOP options issued by the transferor company. Each option entitles the holder thereof to apply for and be allotted one equity share of the company of the nominal value of Rs.10/- each on payment of the exercise price during the exercise period.

The company's auditors M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai have

certified that the scheme has been implemented in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 and the resolution passed by the members at the aforesaid General Meeting.

Details of the Options granted during the year January to December, 2003, as required under Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure "A" to the Directors Report.

PERSONNEL

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the name and other particulars of the employees are set out in Annexure "B" to the Directors' Report.

AWARDS AND RECOGNITIONS

The company has won many awards and recognitions in 2003 and in the first quarter of 2004. This list amongst others includes the following :

- MAIT award for Business Excellence (Level II) and for Excellence in Exports for 2002-2003 by Manufacturers' Association for Information Technology.
- "Stunners Award" for Excellence in product design for TVS Proton printer.
- "Golden Rhino Award" from IT nation for the most reliable brand in Dot Matrix printers and keyboards.
- Ranked among the top 250 companies by Deloitte Touche Tohmatsu in their Asia Pacific Technology FAST 500.
- Ranked among top 3 IT brands in India by PC Quest magazine.

REPORT ON ENERGY CONSERVATION AND R & D ACTIVITIES

Information relating to energy conservation, foreign exchange earned and spent and research and development activities undertaken by the Company in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosures of particulars in the report of Board of Directors) Rules, 1988 are given in Annexure "C" to the Directors' Report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

As required by Section 217(2AA) of the Companies Act, 1956, the directors' responsibility statement is enclosed as Annexure "D" to the Directors' Report.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges where the shares of the company are listed, a Management Discussion and Analysis Report and a Corporate Governance Report are made part of this Annual Report.

The company's Audit Committee consists of Mr. Srini Nageshwar, Mr. S R Vijayakar and Mr. H Lakshmanan, as its members, in compliance with the provisions of Section 292A of the Companies Act, 1956 and the provisions of the listing agreement with Stock Exchanges.

The company has constituted an "Investors' Grievance Committee" to deal with complaints and grievances of the investors. The company has also constituted a "Remuneration / Compensation Committee" consisting of four directors of which Mr. R R Nair, Mr. Srini Nageshwar, Mr. S R Vijayakar, are independent directors and Mr. H Lakshmanan, as its member. The members of the Remuneration

Committee also act as the Compensation Committee which administers and superintends the stock option plan of the company.

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.

GENERAL

The Directors wish to place on record their appreciation for the committed service of employees of the Company for its success.

The Directors would also like to express their grateful appreciation for the assistance and co-operation received from the customers, depositors, dealer partners, bankers, financial institutions, business partners and its parent company Sundaram-Clayton Limited and its holding company TVS Investments Limited during the year.

The Directors thank the shareholders for the continued confidence and trust placed by them with the company.

For and on behalf of the Board

CHENNAI
April 26, 2004

venu srinivasan
Chairman

Report  Junction.com



TVS Electronics Limited

Annexure "A" to the Directors' Report for the year ended 31st December, 2003

Statement as at 31.12.2003 pursuant to Clause 12 (Disclosure in the Directors' Report) of the SEBI (ESOP & ESPS) Guidelines, 1999.

a)	Options Granted	2,11,000 options granted on 1.1.2003.
b)	Pricing Formula	Average of the Market price quoted in the National Stock Exchange three months preceding the date of grant, rounded off to the nearest rupee.
c)	Options Vested	Nil
d)	Options Exercised	Nil
e)	The total no. of ordinary shares arising as a result of exercise of options	Nil
f)	Options lapsed	9,000*
g)	Variation of terms of options	Nil
h)	Money realized by exercise of options	Nil
i)	Total no. of options in force	2,02,000
j) (i)	Details of options granted to Senior Managerial Personnel.	As provided in Annexure
(ii)	Any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during the year.	<ol style="list-style-type: none"> 1. Mr. T R Vasudevan - Vice President - Support Services - 15,000 options. 2. Mr. S Swaminathan -President - IMD - 60,000 options. 3. Mr. R Vasudevan - Executive Vice President -CMS - 21,000 options.
(iii)	Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants & conversions) of the company at the time of grant.	Nil
k)	Diluted earnings per share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with the International Accounting Standard (IAS 33)	Not Applicable

* Represents options granted to Mr. N Krishnan, Vice President - Total Sourcing Services, which have lapsed during the financial year consequent to his resignation from the Company.