



TVS Electronics Limited
10th Annual Report 2004-05

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

Advisor to the Board

Sridhar Mitta
Colley Hwang

Head - Corporate Accounts

S Kannan

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
Federal Bank Ltd.
ICICI Bank Ltd.
State Bank of Hyderabad

Share Transfer Agents

Sundaram - Clayton Limited,
22, Railway Colony III Street,
Mehta Nagar, Chennai-600 029.
Phone: 91-44-23741889, 23742939
Fax No. 91-44-23741889
sundaram_clayton@sify.com
scs@shares@vsnl.net

Shares Listed at

Madras Stock Exchange Ltd.
The Stock Exchange, Mumbai.
Bangalore Stock Exchange Ltd.
The Stock Exchange,
Ahmedabad.
The Calcutta Stock Exchange
Association Ltd.
The Delhi Stock Exchange
Association Ltd.
Cochin Stock Exchange Ltd.
National Stock Exchange of
India Ltd.

Registered Office

"Jayalakshmi Estates",
24, Haddows Road,
Chennai 600 006.
Phone: 91-44-2827 7155

Factory

Tumkur Plant
Pandithanahalli,
Tumkur 572 168.
Phone: 91-816-2243270/74
Fax No. 91-816-2243278

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.in

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 tenth 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 Monday, the 8th 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 31st March, 2005 and the profit and loss account of the company for the period 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 9% for the period ended 31st March, 2005 amounting to Re.0.90 per equity share of Rs. 10/- each, absorbing a sum of Rs.159.06 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 1st August, 2005 (beginning of the day) in case of shares held in electronic form and as on 8th August, 2005 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.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. S R Vijayakar 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. K Dhruva 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 consider and if thought fit to pass, with or without modification the following resolution as a Special Resolution:

RESOLVED THAT approval be and is hereby accorded to the board of directors in terms of Section 163 and other applicable provisions of the Companies Act, 1956 ("the Act") to keep the register of members, the index of members and register and index of debentureholders, if any, and copies of all annual returns prepared under Section 159 of the Act together with the certificates and documents required to be annexed thereto under Sections 159 and 161 of the Act at the office of Sundaram - Clayton Limited (SCL), Share Transfer Agents of the company at 22, Railway Colony, III Street, Mehta Nagar, Chennai - 600 029, or such other place within the city limits of Chennai where SCL decides to carry on the share registry work instead of keeping at the registered office of the company.

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

- (A) **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 (hereinafter 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 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 setup 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 exchanges 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.

- (B) The above resolution as contained in Para (A) was approved by the shareholders as a special resolution passed on full and complete disclosures made in terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme)

Guidelines, 1999 as contained in the Explanatory statement dated 12th June, 2000.

RESOLVED FURTHER THAT all acts, deeds and things as were done by the board of directors / committee of the board of directors in terms of the special resolution passed by the shareholders at the annual general meeting of the company held on 9th August, 2000 shall be deemed to be validly done in terms of this resolution.

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

By order of the Board

June 13, 2005

S VENKATAKRISHNAN
Company Secretary

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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 1.8.2005 to 8.8.2005, 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, 1998 and for any financial year ending thereafter which remains unclaimed for a period of seven years will be transferred to the Investor 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 electronic form are requested to advice 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 -

i. **Mr. H Lakshmanan**

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

Mr. H Lakshmanan is the Whole - time Director of Anusha Investments Limited. He is also a Director in the following companies, viz., TVS Motor Company Limited, TVS Finance and Services Limited, Harita NTI Limited, Harita Seating Systems Limited, Sundaram Auto Components Limited, TVS Investments Limited, Harita Infoserve Limited, Harita Infoserv Inc. USA, Harita Stocks Limited, Auto (India) Engineering Limited, Sundaram Investment Limited, Harita Engineering Services Private Limited and Sundaram-Clayton Senior Officers Welfare Foundation Private Limited.

Mr. H Lakshmanan is the Chairman of the Investors' Grievance Committee and Audit Committee of Harita Seating Systems Limited, Chairman of the Audit Committees of TVS Investments Limited and Harita Infoserve Limited.

He is also a member of the Audit Committees of Anusha Investments Limited, TVS Electronics Limited and TVS Finance and Services Limited and a member of the Investors' Grievance Committee of TVS Finance and Services Limited.

ii. **Mr. S R Vijayakar**

Born on 17th December, 1928, Mr. S R Vijayakar is a Bachelor of Mechanical & Electrical Engineering from Poona University. He has worked in the private sector for nearly 13 years with the Ahmedabad Electricity Company Limited, a British managing agency company. He was the General Manager of Electronics Corporation of India Limited (ECIL) for about 10 years and the Managing Director for 5 years. He later became the Chairman & Managing Director of ECIL. He was later



posted as Secretary to Government of India, Department of Electronics from where he retired on 31st December, 1986. Post retirement, he was appointed as Chairman of Maharashtra Electronics Corporation (MELTRON) from 1987 to 1993.

Mr. S R Vijayakar was deputed by the Government of India under Brush-ABOE Commonwealth Scholarship for 2 years Post Graduate training to the United Kingdom. He is also a distinguished fellow member of the Institute of Electronics & Telecommunication Engineers and a member of the Advisory council of the Foundation for Democratic Reforms, Hyderabad.

Mr. S R Vijayakar is also a director on the Board of SPEL Semiconductors Limited and Surana Telecom Limited. He is a member of the Audit Committees of TVS Electronics Limited and Surana Telecom Limited and a member of the Compensation Committee of SPEL Semiconductors Limited.

iii. Mr. K Dhruva

Born on 15th October, 1940 in Mysore, Mr. K Dhruva is a Graduate in Mechanical Engineering (1962) from the University of Mysore (Student of NIE) and a MBA from Leeds University, UK.

Mr. K Dhruva started his career as an Industrial Engineer in Bharat Electronics Limited and has over 40 years of experience in the fields of Sub-Contracting, Production Planning and Control, Production Engineering, Tool Room, Profit Centre Management, Corporate Planning etc., and has held important positions as Division Head, General Manager, President and is now the Director.

During these 40 years of his career, he has introduced many new concepts of manufacturing and management like cellular manufacturing line flow concept, MRP Systems, Management by Objectives, Total Quality Management, Corporate Planning, Career Planning, Training and Development, Job Value Evaluation and Merit Rating etc. During his career he has also travelled to various countries as member of business delegation & technology mission and is also closely associated with training and development of Human Resources in many of the renowned institutes of Management.

Mr. K Dhruva is the Whole - time Director of Harita Infoserve Limited. He is also a director on the boards of Harita Properties Limited, TVS Electronics South Asia Limited and TVS Interconnect Systems Limited besides being a director of the company. He is also a member of the Audit Committee of Harita Infoserve 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 June 13, 2005 and shall be taken as forming part of the notice.

Item No. 7

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

Hitherto, the share registry work of the company in both the physical and demat segments was handled by the depository registrars, M/s. Cameo Corporate Services Limited, Chennai.

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

Since, Sundaram - Clayton Limited (SCL), our parent company, had obtained the registration as category II share transfer agent, the company has shifted the entire share registry work to SCL.

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The board of directors had approved the appointment of SCL as the share transfer agents to carry on the registry work pertaining to transfer of shares in physical form and to provide connectivity with the depositories for handling the transactions taking place through depositories in electronic form. Consequently, the records as detailed in the resolution shall be kept at the share registry office of SCL. In terms of Section 163 of the Companies Act, 1956, approval of the shareholders is sought by a special resolution for keeping the register and index of members and other records as set out in the resolution to be kept outside the registered office of the company, at the premises of SCL or at any place within the city limits of Chennai where SCL is carrying on its business.

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

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

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

Item No. 8

In order to constantly attract and retain the best of the talents on long-term basis, the company had formulated an Employee Stock Option Plan (ESOP) to reward its employees for their performance and loyalty. Necessary approval of the shareholders was also obtained at the Annual General Meeting (AGM) held on 9th August, 2000 as per the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999 (SEBI Guidelines).

Based on the above said approval, the company had granted 2,02,000 equity options to its eligible employees on 1st January, 2003 and had applied to all the stock exchanges for obtaining the in principle approval for listing the shares arising out of the exercise of ESOP options. In this connection SEBI vide its letter No.CFD/DIL/SC/20632/2004 dated September 14, 2004 had directed the company that the in principle approval can be accorded by the stock exchanges for listing the ESOP options, subject to the company making complete disclosures for issuance of ESOP options as specified in the SEBI Guidelines.

In terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999 the pricing formula should be stated in the explanatory statement. However, in the notice dated June 12, 2000 calling the annual general meeting for the year ended 31st December, 1999 wherein necessary resolutions with an explanatory statement were placed before the shareholders for their approval, the pricing formula and the exercise price were not given. It was stated in the explanatory statement that the pricing formula and the exercise price would be decided by the compensation committee. SEBI as well as the Stock Exchanges have now advised the company to pass a fresh resolution making full disclosure and in particular with regard to the exercise price and the pricing formula of the ESOP options granted as required by SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999.

Accordingly, the fresh resolution is placed before the shareholders for approval. The shareholders are requested to note that the disclosures are made as required under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999.



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 31 st 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.	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. Date of grant is 1 st January, 2003.
6.	Exercise price	Based on the above pricing formula, the exercise price arrived at is Rs. 70/- per option granted to the eligible employees. Each option entitles one equity share of Rs. 10/- each to the eligible employees.
7.	Exercise period	The exercise period shall commence from the date of vesting and will expire at the end of 60 months from the date of vesting. 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 granted to the employees will automatically lapse if it is not exercised within the specified exercise period as stipulated in the ESOP scheme.

TVS Electronics Limited

8.	Appraisal opportunities to determine eligibility of employees to ESOP	<p>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.</p> <p>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.</p>
9.	Maximum number of options to an employee	<p>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.</p> <p>Aggregate of all such grants shall not exceed 5% of the issued and outstanding equity shares of the company as on 31st December, 1999.</p>
10.	Accounting policy with respect to ESOP	<p>The Company will conform to accounting policies specified in SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and / or such other guidelines as may be applicable from time to time.</p>

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 members is sought in terms of Sections 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 ESOP scheme.

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

By order of the Board

June 13, 2005

S VENKATAKRISHNAN
Company Secretary