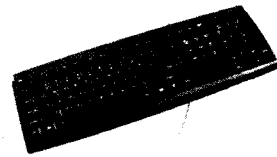
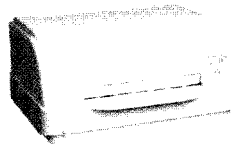
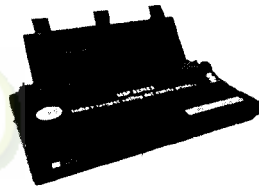
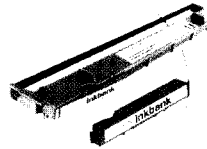
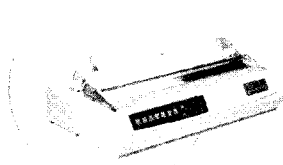




TVS Electronics Limited

11th Annual Report 2005-06

Product



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Board of Directors

Board of Directors

Venu Srinivasan *Chairman*
 Gopal Srinivasan *Whole-time Director*
 T K Balaji
 H Lakshmanan
 S R Vijayakar
 Srin Nageshwar
 R R Nair
 K Dhruva
 Sridhar Mitta

Committees of the Board

Audit Committee

Srin Nageshwar *Chairman*
 S R Vijayakar
 H Lakshmanan

Investors' Grievance Committee

Venu Srinivasan *Chairman*
 Gopal Srinivasan
 T K Balaji

Remuneration/Compensation Committee

R R Nair *Chairman*
 Srin Nageshwar
 S R Vijayakar
 H Lakshmanan

Advisor to the Board

Colley Hwang

Head - Corporate Accounts

S Kannan

Auditors

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

Bankers

State Bank of India
 State Bank of Mysore
 State Bank of Travancore
 Canara Bank
 Federal Bank Ltd.
 IDBI Bank Ltd.
 ICICI Bank Ltd.
 State Bank of Hyderabad

Share Transter Agents

Sundaram - Clayton Limited,
 22, Railway Colony III Street,
 Mehta Nagar,
 Chennai - 600 029.
 Tel: 91-44-23741889,23742939
 Fax No: 91-44-23741889
 E-mail: sundaram_clayton@sify.com
 Website: scsshares@gmail.com

Shares Listed at

Madras Stock Exchange Ltd.
 Bombay Stock Exchange Ltd.
 Bangalore Stock Exchange Ltd.
 Ahmedabad Stock Exchange Ltd.
 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",
 29, Haddows Road,
 Chennai - 600 006.
 Tel: 91-44-28277155

Tumkur Plant

Pandithanahalli,
 Tumkur - 572 168.
 Tel: 91-816-2243270
 Fax No: 91-816-2243278

Chennai Plant & Administrative Office

34, Developed Plots,
 South Phase, Industrial Estate,
 Guindy, Chennai - 600 032.
 Tel: 91-44-2232 5506/09
 Tel: 91-44-4200 5200
 Fax No: 91-44-2232 7577
Website: www.tvs-e.in

Himachal Pradesh Plant

KHASRE, No.59/3, Village Ogli,
 Tarlokpur Road, Kala Amb - 173 030.
 Sirmaur District.
 Himachal Pradesh
 Tel: 01734 325116

Nandambakkam Office

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

Notice to the Shareholders

NOTICE is hereby given that the Eleventh Annual General Meeting of the company will be held at "The Music Academy", New No.168, (Old No.306), T.T.K. Road, Chennai - 600 014, on Thursday, the 28th September, 2006 at 10:00 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 March, 2006 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 by the Board of Directors of the Company, dividend of 7.5% for the year ended 31st March, 2006 amounting to Re.75 paise per equity share of Rs. 10/- each, absorbing a sum of Rs.151.14 lakhs (including taxes) 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 21st September, 2006 (beginning of the day) in case of shares held in electronic form and as on 28th September, 2006 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. Sridhar Mitta 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. R R Nair 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.

SPECIAL BUSINESS

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

RESOLVED THAT Dr. Sridhar Mitta be and is hereby appointed as a Director of the company liable to retire by rotation.

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

RESOLVED THAT in accordance with the provisions contained in Articles of Association of the company and all other applicable provisions, if any, of the Companies Act, 1956 ("The Act") and the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") or any statutory modifications or re-enactment of the Act or the Guidelines from time to time, the provisions of any other applicable laws and regulations, and Listing Agreements entered into by the Company with the Stock Exchanges where the Securities of the Company are listed and subject to any applicable approvals, permissions and sanctions of any authorities and subject to such condition and modifications as may be prescribed or imposed by such authorities while granting such approvals, permissions and sanctions and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as "Board" which term shall include any Committee including Compensation Committee which the board may constitute to exercise its powers including powers conferred by this resolution), consent of the Company be and is hereby accorded to the Board to create, grant, offer issue and allot, in one or more tranches to such persons who are in permanent employment of the Company whether working in India or out of India and Directors of the company whether whole time Directors or otherwise (hereinafter referred to



Notice to the Shareholders (Contd...)

collectively as the "Employees") as may be decided by the Board, Options exercisable by the Employees under a Scheme titled "Employees Stock Option Plan - 2006" (hereinafter referred to as "the Scheme") to subscribe to such number of equity shares and / or equity linked instruments which could give rise to the issue of equity shares (hereinafter referred to collectively as "the Security") of the Company not exceeding in aggregate 5% of the issued, subscribed and paid up equity capital of the Company as on March 31, 2006 i.e. up to 8,83,640 equity shares including securities already issued under any other scheme at such price and on such terms and conditions as may be determined by the Board in accordance with the Guidelines or any other applicable statutory provisions as may be prevailing at that time.

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 Securities may be allotted in accordance with the Scheme either directly or through an existing trust or a trust which may be set up in any permissible manner and that the Scheme may also envisage for providing any financial assistance to the trust to enable the trust to acquire, purchase or subscribe to the Securities of the Company.

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

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the Securities allotted under the Scheme on the Stock Exchanges where the Securities of the Company are listed as per the provisions of the Listing Agreements with the Stock Exchanges concerned, the Guidelines and other applicable laws and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary, expedite or proper and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of the Securities without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

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.

By Order of the Board

Registered Office:
"Jayalakshmi Estates",
No.29, Haddows Road,
Chennai - 600 006.

June 28, 2006.

H LAKSHMANAN
Director

Notice to the Shareholders (Contd...)

NOTES

1. **A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy or proxies so appointed need not be a member or members as the case may be of the company. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the company not later than 48 hours before the time fixed for holding the meeting.**
 2. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business as set out in the notice is annexed hereto.
 3. The Register of Members and the share transfer books of the company will remain closed from September 21, 2006 to September 28, 2006, both days inclusive.
 4. Consequent upon the amendment to Section 205A read with Section 205C of the Companies Act, 1956, dividend declared by the company which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund established by the Central Government. The particulars of the due dates for transfer of such unclaimed dividends to IEPF are furnished in the report on Corporate Governance forming part of the annual report.
- Members who have not encashed their dividend warrants in respect of the above period are requested to make their claim to the company by surrendering the unencashed warrants immediately.
5. Members are requested to notify immediately any change in their address to the company. Members holding shares in electronic form are requested to advise change of address to their depository participants.
 6. As a measure of economy, copies of the annual report will not be distributed at the Annual General Meeting. Members are therefore, requested to bring their copies of the annual report to the meeting.
 7. Members are requested to 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.
 8. 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. Sridi Nageshwar

Born on 14th March 1942, Mr. Sridi Nageshwar graduated in the First Batch of IIT Madras with a B.Tech in Electrical Engineering in 1964. He has spent his entire working career in the United States

& Europe, primarily with Hewlett-Packard Company. Among other contributions, he was responsible for standardizing the 3.5 inch floppy in the early 1980's and was part of the team that brought the HP Laser Jet to the market in 1984.

Subsequently he joined Iomega in 1991 and was instrumental in the introduction of the Zip Drive in 1994 and took the European business from \$10M to \$500M in 4 years. At Hewlett-Packard and Iomega, he specialized in manufacturing, marketing, Research & Development and General Management.

Currently, he is involved in a US medical instrumentation startup Dyansys Inc, that is involved in applying mathematics to medicine. He is co-holder of the US patent underlying the fundamental technology used in their first product.

Besides being a director of the company, Mr. Sridi Nageshwar is also a Director in FONGIT (Federation d' Innovation De Technologie, Genevoise) Geneva, Switzerland and Harita Infoserve Limited. He is also the Chairman of the Audit Committee of TVS Electronics Limited and a member of the Remuneration / Compensation Committee of TVS Electronics Limited and Harita Infoserve Limited.

Mr. Sridi Nageshwar is holding 1,50,000 equity shares of Rs.10/- each in the Company.

iii. Mr. R.R. Nair

Born on 2nd July, 1939, Mr. R.R. Nair obtained 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, 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. R.R. Nair is also the advisor for select few leading companies on new strategies for organization development. He is a director in BASF India Ltd., and is also on the Board of Union Bank of India as a Director. He is the Chairman of the Remuneration / Compensation Committee of TVS Electronics Limited and is also in the Advisory Council of Tata Management Training Centre.



Notice to the Shareholders (Contd...)

Mr. R.R. 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 organizational transformation and development including managing human processes of mergers and acquisitions.

Mr. R.R. Nair is holding 20,000 equity shares of Rs.10/- each in the Company.

iii. Dr. Sridhar Mitta

Born on 10th January, 1946 Dr. Sridhar Mitta holds a PhD and MS from Oklahoma State University, US, after obtaining M.Tech from the Indian Institute of Technology, Kharagpur; He is a senior member of IEEE and Fellow of Indian National Academy of Engineering.

Dr. Sridhar Mitta is the Managing Director and Chief Technology Officer of e4e Labs Private Limited and brings extraordinary technological and strategic depth to e4e. His ability to see the big picture and to help others identify and understand strategic issues is at the heart of his own success and key to the success of those he assists.

For over 30 years, Dr. Sridhar Mitta has been an internationally recognized expert in the management of Research and Development in Information Technology. He was involved with

Wipro Limited since its inception in 1980 and played key role in Wipro achieving technology leadership. As its Chief Technology Officer and the head of Wipro's Global R&D he spearheaded strategies which transformed the captive business unit into a profit center. He pioneered global delivery of outsourced product development services to technology majors such as Intel Corporation, Cisco Systems, Lucent Technologies and Sun Microsystems. Wipro became the highest valued company in India during his tenure. He was the founder and CEO of Santa Clara, California based En Think Inc., an Intellectual Property design and licensing start-up for semiconductor building blocks for Internet Appliances. Dr. Sridhar Mitta began his career with Electronics Corporation of India Ltd., where he was responsible for the development of computer systems for defense and space applications.

Dr. Sridhar Mitta is also President of The IndUS Entrepreneurs (TIE), Bangalore Chapter and serves in several Boards of companies located in the United States and India.

Dr. Sridhar Mitta is the Director of Edurite Technologies Private Limited, e4e Labs Private Limited, e4e Inc. USA, e4e Holdings Limited, Mauritius, Iseva Inc, USA, Icelerate Inc, USA, Vinciti Inc, USA, Nittany Outsourcing Services Private Limited, e4e Application Services Private Limited, e4e Tech Support Private Limited, Jamcracker Software Technologies Private Limited.

Dr. Sridhar Mitta is holding 20,000 equity shares of Rs.10/- each in the Company.

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 28, 2006 and shall be taken as forming part of the notice.

Item No. 6

Dr. Sridhar Mitta co-opted as an Additional Director on the Board of the Company by the Directors with effect from 25th January, 2006, in terms of Section 260 of the Companies Act, 1956, will hold office up to the date of this Annual General Meeting. Notice has been received from a member of the company along with the requisite deposit under Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Dr. Sridhar

Mitta, for appointment as a Director of the company at the ensuing Annual General Meeting.

The Directors recommend the resolution for adoption by the shareholders.

None of the directors except Dr. Sridhar Mitta is interested in the resolution.

Item No. 7

The Company, in order to attract talent and reward the employees of the Company had earlier issued Employees Stock Option (The scheme). This is expected to create a sense of ownership.

The Board is now considering to reward such eligible employees of the Company as it may decide from time to time.

Notice to the Shareholders (Contd...)

The salient features of the Employees Stock Options Plan 2006 (hereinafter referred to as the "the Scheme") are as under :

1.	Compensation Committee	Compensation Committee consisting of majority of independent directors constituted to administer the Scheme.
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 March, 2006. The total granted options to employees of the Company shall not exceed 8,83,640.
3.	Employees eligible to participate	<p>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</p> <p>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.</p> <p>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.</p>
4.	Requirements of vesting, Period of vesting and maximum period of vesting	<p>Options may vest after a period of one year from the date of grant and may extend upto 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.</p> <p>Termination of employment on account of death, permanent / total disability or at retirement would not affect vesting.</p>
5.	Exercise price	Options under the Scheme would be issued at a price to be determined by the Compensation Committee from time to time in accordance with the applicable guidelines.
6.	Exercise period	<p>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.</p> <p>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.</p> <p>The options will lapse if it is not exercised within the specified exercise period or extended period.</p>



Notice to the Shareholders (Contd...)

7.	Appraisal opportunities to determine eligibility of employees to Scheme	<p>The Compensation Committee shall determine the eligible criteria of the employees under the Scheme 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 Scheme to new entrants or any existing employees or such other employees on such other terms and conditions as it deems fit.</p>
8.	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 March, 2006.</p> <p>Aggregate of all such grants shall not exceed 5% of the issued and outstanding equity shares of the Company as on 31st March, 2006.</p>
9.	Accounting policy with respect to the Scheme	<p>The Company will confirm to accounting policies specified in SEBI (Employees Stock Option Scheme and Employees Stock Performance 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.

The Board commends the resolution under item 7 for the approval of the shareholders. None of the Directors of the Company is, in any way, concerned or interested in the resolutions, except to the extent of the Options that may be offered to them under the Scheme.

By Order of the Board

Registered Office:
"Jayalakshmi Estates",
No.29, Haddows Road,
Chennai - 600 006.

H LAKSHMANAN
Director

June 28, 2006