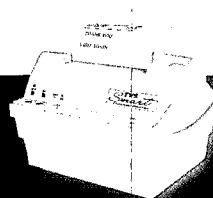
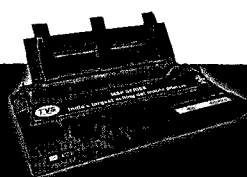
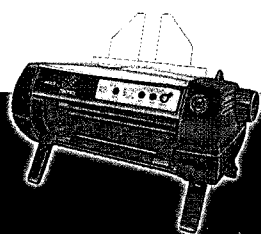




## TVS ELECTRONICS LIMITED

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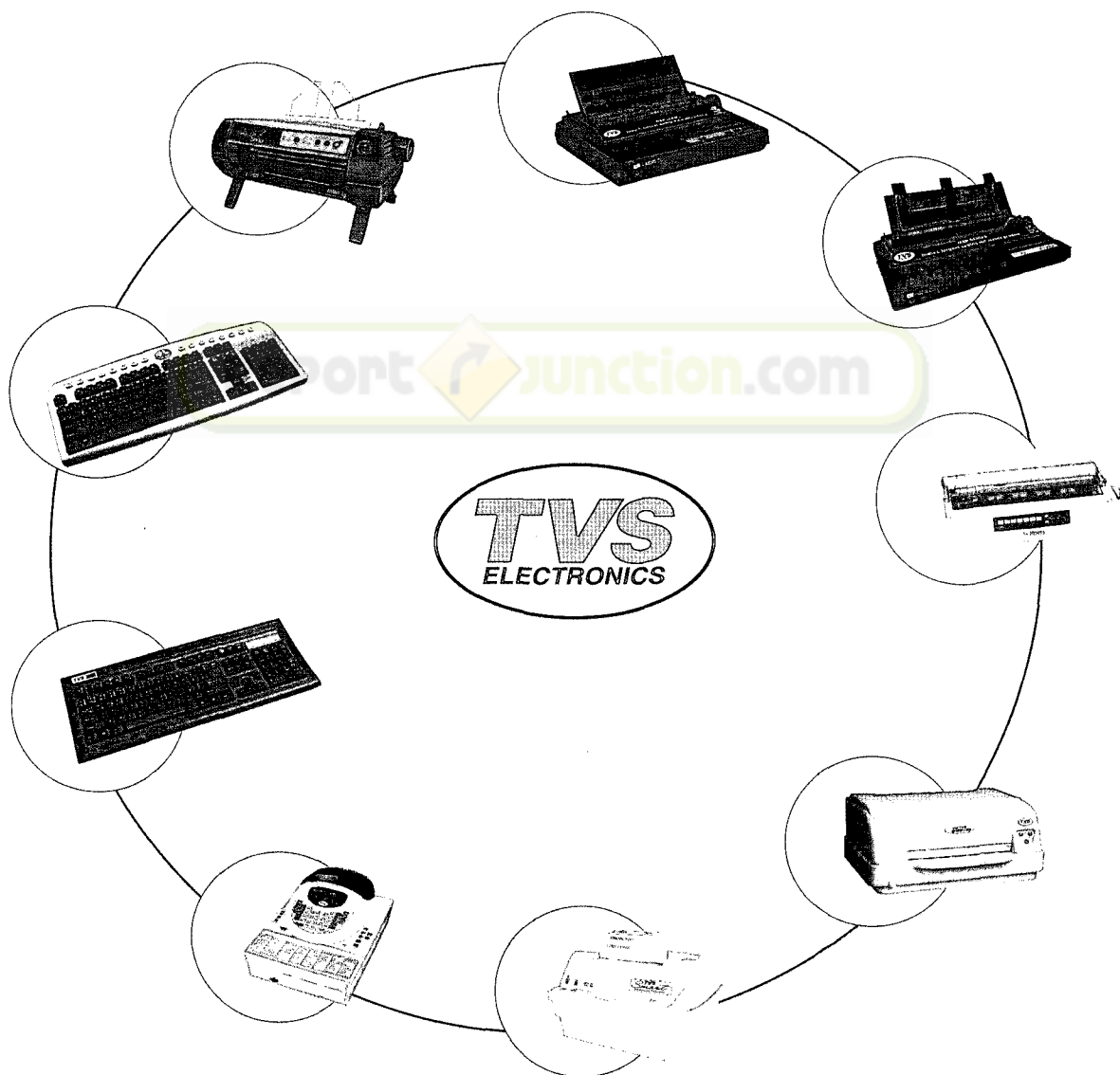


12<sup>TH</sup> ANNUAL REPORT  
2006-07

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TVS Electronics Limited

**Board of Directors**

Venu Srinivasan	<i>Chairman</i>
Gopal Srinivasan	<i>Whole-time Director</i>
T K Balaji	
H Lakshmanan	
S R Vijayakar	
Srini Nageshwar	
R R Nair	
Sridhar Mitta	

**Committees of the Board****Audit Committee**

Srini Nageshwar	<i>Chairman</i>
S R Vijayakar	
H Lakshmanan	
Sridhar Mitta	

**Investors' Grievance Committee**

Venu Srinivasan	<i>Chairman</i>
Gopal Srinivasan	
T K Balaji	

**Remuneration/Compensation Committee**

R R Nair	<i>Chairman</i>
Srini Nageshwar	
S R Vijayakar	
H Lakshmanan	

**Advisor to the Board**

R Ramaraj

**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  
IDBI Bank Ltd.  
ICICI Bank Ltd.

**Registered Office**

"Jayalakshmi Estates",  
29, Haddows Road,  
Chennai - 600 006.  
Tel: 91-44-28277155

**Tumkur Operations**

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

**Uttarkhand**

No.E12, Selaqui Industrial Estate  
Selaqui, Dehradun, Uttarkhand

**Nandambakkam Office**

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

**Share Transfer 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: investorservices@tvs-e.in

**Shares Listed at**

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



## Notice to the Shareholders

NOTICE is hereby given that the Twelfth 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 Monday, the 24th September, 2007 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, 2007 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, 2007 amounting to Re.0.75 per equity share of Rs. 10/-each, absorbing a sum of Rs.155.08 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 17<sup>th</sup> September, 2007(beginning of the day) in case of shares held in electronic form and as on 24th September, 2007 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.

### SPECIAL BUSINESS

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

**RESOLVED THAT** pursuant to Clause 6.1(a) of SEBI (Delisting of Securities) Guidelines, 2003 and in accordance with the provisions of Listing Agreements entered into by the Company with the Stock Exchanges, where the shares of the Company are listed and SEBI (Delisting of Securities) Guidelines, 2003 and other applicable Guidelines, if any, issued by Securities and Exchange Board of India (SEBI), Statutes and Regulations and subject to such consents, approvals, permissions, and / or sanctions (collectively called 'requisite approvals') as may be necessary, of SEBI, Stock Exchanges or other Bodies or any other appropriate authorities (hereinafter collectively called as "Appropriate Authorities") and subject to such conditions as may be prescribed by any of the Appropriate Authorities, while granting such requisite approvals, consent of the Company be and is hereby accorded for voluntary delisting of Company's Equity Shares from Ahmedabad Stock Exchange Ltd., Bangalore Stock Exchange Ltd., The Calcutta Stock Exchange Association Ltd., Cochin Stock Exchange Ltd., The Delhi Stock Exchange Association Ltd. and Madras Stock Exchange Ltd. and the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as may be necessary, usual, expedient or proper to give effect to this resolution.

By Order of the Board

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

**R KALYANI**  
Assistant Secretary

June 23, 2007



## 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 notariably 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 17, 2007 to September 24, 2007, 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 (IEPF) 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 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. Venu Srinivasan**  
  
Mr Venu Srinivasan is a Bachelor of Engineering from Madras University and a Master in Science 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 now aged about 54 years (born on 11<sup>th</sup> December, 1952 ) 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. First Indian industrialist to be conferred with the honorary "Doctorate Degree in Science" by the University of Warwick, U.K. for excellence in manufacturing and contribution in the field of





## Notice to the Shareholders (Contd.)

technology and R&D. Jamsheji Tata Life Time Achievement Award for the year 2004 by the Indian Society for Quality. J R D Tata Corporate Leadership Award for the year 2004 by All India Management Association. He was also chosen as "Stars Of Asia" by Business Week International.

He is the Chairman of the Investors' Grievance Committee of the Company.

Details of his other Directorship / Committee Membership are as follows:

Directorship	Committee Membership
Cummins India Limited	Compensation & Management Development Committee – Chairman Operations Committee – Member
Sundaram-Clayton Limited	Investor Grievances Committee – Member
TVS Motor Company Limited	Investor Grievances Committee – Member
TVS Finance and Services Limited	Investors Grievances Committee – Chairman
Auto (India) Engineering Limited	–
Emerald Haven Estates Limited	–
Lucas TVS Limited	–
Sundaram Textiles Limited	–
Southern Roadways Limited	–
Sundaram Fasteners Limited	–
Sundaram Non-conventional Energy Systems Limited	–
T V Sundram Iyengar & Sons Limited	–

Mr Venu Srinivasan is holding 50 Equity shares of Rs.10/- each in the Company.

### ii. Mr. T K Balaji

Mr T K Balaji is a Bachelor of Engineering from Madras University, having secured first rank in the University. He is a MBA from IIM Ahmedabad and was awarded Gold Medal for outstanding scholastic performance.

Mr T K Balaji now aged about 59 years (born on 12<sup>th</sup> July, 1948) has held several senior positions in various capacities viz., 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 has been the Managing Director of Lucas – TVS Limited since 1979.

He is a member of the Investors' Grievance Committee of the Company

Details of his other Directorship / Committee Membership are as follows:

Directorship	Committee Membership
India Nippon Electricals Limited	Investors Grievances Committee – Chairman
Sundaram-Clayton Limited	Audit Committee – Member Investors Grievance Committee – Member
Titan Industries Limited	Audit Committee – Member Remuneration Committee – Chairman
TVS Motor Company Limited	Audit Committee – Member
Apollo Hospitals Enterprise Limited	–
Delphi-TVS Diesel Systems Limited	–
Lucas Indian Service Limited	–
Lucas TVS Limited	–
TVS Automotive Systems Limited	–
T V Sundram Iyengar & Sons Limited	–

Mr T K Balaji does not hold any Equity shares in the Company.



## Notice to the Shareholders (Contd.)

### 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 23, 2007 and shall be taken as forming part of the notice.

#### Item No.6

Presently, the Company's Equity Shares are listed at the following Stock Exchanges:

- i) Ahmedabad Stock Exchange Ltd
- ii) Bangalore Stock Exchange Ltd
- iii) Bombay Stock Exchange Ltd
- iv) Cochin Stock Exchange Ltd
- v) Madras Stock Exchange Ltd
- vi) National Stock Exchange of India Ltd
- vii) The Calcutta Stock Exchange Assn. Ltd
- viii) The Delhi Stock Exchange Assn. Ltd

With the extensive network of the Bombay Stock Exchange Limited, Mumbai (BSE) and the National Stock Exchange of India Limited (NSE) and the extension of BSE and NSE terminals to other Cities as well, investors have access to online dealings in the Company's securities across the Country.

The bulk of the trading in the Company's equity shares in any case takes place on the BSE and the NSE and the Company's securities are very rarely traded on all other Stock Exchanges.

Hence, it is of considered view that it would be desirable to delist the Company's equity shares from all Stock

Exchanges (including Madras Stock Exchange) other than BSE and NSE .

Pursuant to 5.2 of SEBI (Delisting of Securities ) Guidelines, 2003, the exit opportunity need not be given in cases where securities continue to be listed in a Stock Exchange having nationwide trading terminals. SEBI has notified BSE and NSE as Stock Exchanges having nationwide trading terminals.

The proposed delisting will not adversely affect the investors as the Company's equity shares will continue to be listed on BSE and NSE.

In line with Clause 6.1 (a) of SEBI (Delisting of Securities) Guidelines, 2003, approval of Members is being sought by a Special Resolution as proposed under Item No.6 of Notice

The Company is also separately giving Special Notice to the proposed voluntary delisting in one English national newspaper

The Directors recommend the Special Resolution for approval of Members.

None of the Directors of the Company are, in any way concerned or interested in the resolution.

By Order of the Board

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

June 23, 2007

**R KALYANI**  
**Assistant Secretary**





## Directors' Report to the Shareholders

The Directors have pleasure in presenting the Twelfth Annual Report and the audited statements of accounts for the year ended 31<sup>st</sup> March, 2007.

### FINANCIAL RESULTS

(Rupees in Crores)

Particulars	Year ended 31st March, 2007	Year ended 31st March, 2006
<b>Sales and other income</b>	<b>277.14</b>	265.72
Cost of goods sold	201.06	189.60
<b>Contribution Margin</b>	<b>76.08</b>	76.12
Administrative & other expenses	66.58	68.94
<b>Earnings Before Interest &amp; Tax (EBIT)</b>	<b>9.50</b>	7.18
<b>Profit Before Tax (PBT)</b>		
before extraordinary items	1.86	1.18
Income from Extraordinary Items (Net)	-	1.70
<b>Profit Before Tax</b>	<b>1.86</b>	2.88
Tax	-	(0.29)
<b>Profit After Tax (PAT)</b>	<b>1.86</b>	3.17
Profit brought forward from previous year	6.15	4.50
Add / (Less): Tax relating to earlier years	-	(0.01)
<b>Total available for appropriations</b>	<b>8.01</b>	7.66
- Proposed Dividend	1.32	1.32
- Tax on Dividend	0.22	0.19
- Transfer to General Reserve	—	—
<b>Surplus in Profit and Loss account</b>	<b>6.47</b>	6.15

### DIVIDEND

The Directors are pleased to recommend a dividend of Re.0.75 per equity share of Rs.10/-each for the year. The dividend, if approved by the Shareholders, would absorb Rs.1.32 Crores and the proposed dividend will be paid to all those Shareholders whose names appear in the Register of Members of the Company as on 17<sup>th</sup> September, 2007 (beginning of the day) in case of shares held in electronic form and as on 24<sup>th</sup> September, 2007 in respect of shares held in physical form.

### REVIEW OF PERFORMANCE

The net turnover of the Company was Rs.272 Crores for the year. On a comparable basis, excluding sales of Components, this represents a growth of 10% over a turnover of Rs.259.5 Crores in the corresponding period of the previous year.

The Products and Solutions (P&S) business group consisting of Printers, Supplies, Keyboards, POS and

Solutions, registered a marginal 1% degrowth with revenue of Rs. 178 Crores excluding Payment system products during the year compared to Rs. 179 Crores during the corresponding period in previous year. The market share in value terms for DMP was at 36% on an average during the year as compared to 41% during the corresponding period in previous year. During the last quarter, the business improved this share to 38%.

The Customer Support (CS) business group consisting of contract manufacturing for OEMs, traded products like Set Top Box and field support business generated revenue of Rs.86.5 Crores during the year as against Rs.80.2 Crores last year, thereby registering 7.8% growth. The Customer Support business alone had a growth of 44% with revenues exceeding Rs.21 Crores. The Contract Manufacturing business at Tumkur grew by 11% during the year generating revenue of Rs.60 Crores compared to Rs.54 Crores during the corresponding period in previous year.



## Directors' Report to the Shareholders (Contd.)

### CMS Business

The CMS Business was being carried out of the Company's Tumkur facility. This was in the Power and Medical Electronics spaces for overseas customers. The CMS Industry was facing challenges of margin pressures, higher working capital requirements, competition from MNCs besides need to diversify into non conventional areas other than the above.

As the Company's core business is Products – predominantly printers, which account for more than two thirds of revenues, as a measure of risk mitigation from above factors and also to rechannel resources both financial and physical, it was thought of as a strategy to consider divestment of this CMS Business and in this connection, as recommended by the Board of Directors, the approval of the shareholders was obtained by postal ballot on 9<sup>th</sup> April, 2007. The CMS Business together with all its assets and business was transferred for a total consideration of Rs.41.12 Crores. The Company had executed Business Transfer Agreement on 31<sup>st</sup> May 2007 to give effect to the transfer of the CMS Business effective that date.

### CCS Business

With a view to leverage on the opportunities available in the Contract Customer Support Services business by focusing on the activities with infrastructure, financial and other resources to scale up this business, the Board of Directors recommended and the Shareholders approved the proposal to transfer this business to a wholly owned subsidiary of the Company. The shareholders approved the proposal by postal ballot on 9<sup>th</sup> April, 2007.

A wholly owned subsidiary - TVS-E Servicetec Limited has been floated for the purpose which has obtained all statutory approvals to commence business. Steps have been taken to transfer the business to the subsidiary during the current financial year 2007-08.

### FINANCE

During the year the interest rates have gone up due to money market movements and inflationary conditions and this had an effect on the interest outflow though the borrowings were controlled at the same level as in last year.

The Company launched Total Cost Management Program to improve cost productivity by driving efficiencies in

manufacturing and supply chain achieving a savings of Rs.7.4 Crores during the year.

### DEPOSITS

The Company has not accepted any fresh deposits and renewals during the year under review. Unclaimed deposits amounting to Rs. 0.51 Lakhs at the end of 31st March, 2007 will be credited to the Investor Education and Protection Fund after a lapse of seven years.

### DIRECTORS

Mr Venu Srinivasan and Mr T K Balaji, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr K Dhruva, Director resigned with effect from 31st July, 2006 from the Directorship due to personal reasons. Mr K Dhruva had association of more than a decade with various TVS Group Companies. The Board of Directors wish to place on record their deep sense of appreciation for the valuable contribution made by him.

### SUBSIDIARY COMPANIES

During the current year, TVS-E Servicetec Limited, was promoted by the Company as a wholly-owned subsidiary, which is engaged in Contract Customer Support Services Business (CCS)

During the year, Sravanaa Properties Ltd, earned a revenue of Rs.3 lakhs. The Company is in the process of obtaining necessary statutory clearances for the building of commercial construction in this regard.

The reports and accounts of the Subsidiary Company- Sravanaa Properties Limited (Consolidated) along with the Statement pursuant to Section 212 of the Companies Act, 1956 are annexed.

### 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

Out of the total obligation of 2,11,000 options issued to the eligible employees of the Company under the Employees Stock Option Scheme (ESOP) 1,39,000 options granted to ten employees lapsed on account of their resignation. 72,000 stock options are still in force as at March 31, 2007 and these options were issued at the