



TVS Electronics Limited



Fifteenth Annual Report 2000

TVS Electronics Limited
Board of Directors

Venu Srinivasan

Chairman

Gopal Srinivasan

T K Balaji

H Lakshmanan

S R Vijayakar

Srinu Nageshwar

S Shreenivasa Rao

K Dhruva

Whole-time Director

K S Ramesh

Director & CEO
Vice President - Finance

S Swaminathan

Auditors

Sundaram & Srinivasan

Chartered Accountants,

23, C P Ramaswamy Road,

Alwarpet,

Chennai 600 018.

Technical Collaborators

 Citizen Watch Company Limited,
 Japan.

Victron B.V.,

The Netherlands.

Lantech Computer Co.

Taiwan.

Shares Listed at

Madras Stock Exchange Ltd.

The Stock Exchange, Mumbai

Bangalore Stock Exchange Ltd.

The Stock Exchange, Ahmedabad

 The Calcutta Stock Exchange
 Association Limited

 The Delhi Stock Exchange
 Association Limited

Cochin Stock Exchange Ltd.

 National Stock Exchange of
 India Ltd.

Bankers

State Bank of India

 Industrial Finance Branch,
 Anna Salai, Chennai.

State Bank of India

 Industrial Finance Branch,
 Residency Road, Bangalore.

State Bank of Mysore

 Industrial Estate Branch,
 Hirehalli, Tumkur.

State Bank of Travancore

 Residency Road Branch,
 Bangalore.

State Bank of Mysore

 Industrial Finance Branch,
 Bangalore.

Canara Bank

 Thousandlights Branch,
 Chennai 600 006

Managers to Deposit Schemes

Harita Finance Limited

"Jayalakshmi Estates"

24, Haddows Road,

Chennai 600 006.

Phone : 91-44-8277155

Website : www.harita.com

Registered Office

"Jayalakshmi Estates"

24, Haddows Road,

Chennai 600 006.

Phone : 91-44-8277155

Factory
Tumkur Plant

Pandithanahalli,

Tumkur 572 168.

Phone : 91-816-43270, 112, 113

Fax : 91-816-43278

Chennai Plant &
Administrative Office

34, Developed Plots,

South Phase, Industrial Estate,

Guindy, Chennai 600 032.

Phone : 91-44-2325506

2325509, 2331411

Fax No. : 91-44-2327577

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Contents
Page No.

Financial Highlights

2

Notice

3

Directors' Report

9

Auditors' Report

15

Balance Sheet

18

Profit & Loss Account

19

Schedules

20

Company Profile

33

Cash Flow Statement

34

 Statement under Sec. 212 of the
 Companies Act, 1956

36

Subsidiaries

Sundram Infocom Private Limited

38

ICL Foundries Limited

40

Sundram Telematics Limited

45

Shareholders' Information

50

Financial Highlights

Rs. in Lakhs

Sl No.	Particulars	1990-91 Jun-May	1991-92 Jun-May	1992-93 Jun-May	1993-94 Jun-May	1994-95 Jun-Mar #	1995-96 Apr-Mar	1996-97 Apr-Mar	1997-98 Apr-Mar	1998 Apr-Dec @	1999 Jan-Dec	2000 Jan-Dec
1	Total Revenue	4,085.78	4,583.05	5,356.65	6,273.47	8,209.34	9,437.35	11,630.89	11,444.73	8,464.08	17,013.86	22,431.00
2	Exports	77.96	107.98	80.88	104.14	48.87	366.51	2,354.30	1,862.23	1,402.85	2,124.70	2,205.47
3	R & D (Rev. & Cap.) Expenditure	59.61	49.82	63.66	58.09	61.37	48.02	59.35	101.46	84.32	210.44	453.07
4	Profit before Tax	10.51	62.01	59.16	261.26	380.03	154.63	205.56	426.66	149.90	312.55	507.51
5	Profit after Tax	10.51	62.01	59.16	261.26	380.03	154.63	178.56	301.66	108.90	228.55	384.51
6	Book value per share (Rs)	5.92	6.35	6.77	8.70	10.61	18.18	18.24	18.91	19.00	19.35	20.74
7	Earnings per share (Rs)	0.07	0.43	0.41	1.83	3.19*	0.91	1.05	1.77	0.85*	1.34	2.26
8	PBT % of Total Revenue	0.26%	1.35%	1.10%	4.16%	4.63%	1.64%	1.77%	3.73%	1.77%	1.84%	2.28%
9	PAT % of Total Revenue	0.26%	1.35%	1.10%	4.16%	4.63%	1.64%	1.54%	2.64%	1.29%	1.34%	1.71%
10	PBDIT % of Total Revenue	15.86%	18.42%	16.04%	15.37%	11.53%	9.01%	7.30%	8.05%	7.87%	5.89%	6.40%
11	ROCE % (PBIT / CE)	14.51%	19.32%	20.14%	24.63%	20.22*	12.78%	13.49%	12.19%	9.71*	8.88%	11.76%
12	R & D (Rev. & Cap.) Expenditure % of Revenue	1.46%	1.09%	1.19%	0.93%	0.75%	0.51%	0.51%	0.89%	1.00%	1.24%	2.02%
13	Fixed Assets Turnover (No. of times)	2.50	2.98	3.84	5.00	8.24*	7.75	9.64	9.81	7.99*	11.37	9.32

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

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

PBT is profit before tax.

PAT is profit After tax.

PBDIT is Profit before Depreciation, Interest and Tax.

- 10 months @ - 9 months * - Annualised

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TVS Electronics Limited

Notice to the Shareholders

NOTICE is hereby given that the fifteenth annual general meeting of the company will be held at Music Academy, New No.168 (Old No. 306), T T K Road, Chennai - 600 014, on Monday, the 11th June 2001 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 December, 2000 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 10% for the year ended 31st December 2000 amounting to Re 1 per share, absorbing a sum of Rs 170.25 lakhs be and is hereby declared on 170,25,318 equity shares of Rs. 10 each fully paid up, and that the same be paid to the shareholders, whose names appear on the company's register of members on 31st May 2001.

3. 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.

4. 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.

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 subject to the provisions of Sec. 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto, the re-appointment of Mr. K Dhruva as Whole Time Director for a further period of one year with effect from 31st July 2000 and the payment of remuneration to Mr. K Dhruva as Whole Time Director as detailed below be and are hereby approved.

- (a) By way of salary, allowances, commission on profits or performance linked incentive or bonus, hereinafter referred to as remuneration, subject to a ceiling of Rs.14.00 lakhs per annum (increased from Rs.10 lakhs to Rs.14 lakhs per annum).
- (b) Perquisites like unfurnished accommodation / house rent allowance, gas, electricity, water, furniture / furnishings, medical reimbursement, leave travel concession for self and family, club fees, medical / personal accident insurance premia and other benefits or amenities as may be decided by the board of directors from time to time, all such perquisites restricted to a sum not exceeding to Rs.8.00 lakhs per annum.

- (c) The perquisites shall be evaluated at actual cost to the company and where it is not possible to ascertain the actual cost, such perquisites shall be evaluated as per Income-tax rules, 1962.
- (d) Provision for use of company car with driver for official duties and telephone at residence (including payment for local calls and long distance calls) shall not be included in the computation of perquisites for the purpose of calculation of the said ceiling. Personal long distance calls on telephone and use of company car for private purposes shall be recovered by the company from Mr K Dhruva.
- (e) Company's contribution to provident fund and superannuation fund not exceeding such percentage of the salary as may be fixed by the Central Government from time to time and gratuity as per rules of the company shall not be included in the computation of the limits for remuneration or perquisites aforesaid.
- (f) The total remuneration including perquisites payable to the whole-time director shall not exceed 5% of the net profits of the company calculated in accordance with section 309 of the Companies Act, 1956.
- (g) In addition to the above remuneration and perquisites, the whole-time director shall also be entitled to pension, if any, payable after retirement, subject to rules and regulations as may be framed by the company in this regard.
- In the event of loss or inadequacy of profits for any financial year, the board of directors shall revise the remuneration payable to Mr K Dhruva, whole-time director during such financial year in such manner as agreed to between the board of directors and Mr K Dhruva and within the limits prescribed in this behalf under schedule XIII to the Companies Act, 1956.
7. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:
- RESOLVED THAT Mr K S Ramesh be and is hereby appointed as a director of the company, liable to retire by rotation.
8. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:
- RESOLVED THAT subject to the provisions of Sec. 198, 269 and 309 of the Companies Act, 1956 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr K S Ramesh be and is hereby appointed as whole-time director of the company (designated as Director and Chief Executive Officer) for a period of five years with effect from 12th April 2001 on such remuneration as may be determined by the board of directors from time to time not exceeding 5% of the net profits of the company calculated in accordance with the provisions of section 349 and 350 of the Companies Act, 1956 and within the maximum limits specified below :-
- (a) By way of salary, allowances, commission on profits or performance linked incentive or bonus, hereinafter referred to as remuneration, subject to a ceiling of Rs. 50 lakhs per annum.
- (b) Perquisites like unfurnished accommodation / house rent allowance, gas, electricity, water, furniture / furnishings, medical reimbursement, leave travel concession for self and family, club fees, medical / personal accident insurance premia and other benefits or amenities as may be decided by the board of directors from time to time, all such perquisites restricted to a sum not exceeding to Rs.24 lakhs per annum.
- (c) The perquisites shall be evaluated at actual cost to the company and where it is not possible to ascertain the actual cost, such perquisites shall be evaluated as per Income-tax rules, 1962.
- (d) Provision for use of company car for official duties and telephone at residence (including payment for local calls and long distance calls) shall not be included in the

computation of perquisites for the purpose of calculation of the said ceiling. Personal long distance calls on telephone and use of company car for private purposes shall be recovered by the company from Mr K S Ramesh.

- (e) Company's contribution to provident fund and superannuation fund upto 27% of his salary and such other percentage of the salary as may be fixed by the Central Government from time to time and gratuity as per rules of the company shall not be included in the computation of the limits for remuneration or perquisites aforesaid.
- (f) In addition to the above remuneration and perquisites, the whole-time director shall also be entitled to pension, if any, payable after retirement, subject to rules and regulations as may be framed by the company in this regard.

In the event of loss or inadequacy of profits for any financial year, the board of directors shall revise the remuneration payable to Mr K S Ramesh, whole-time director during such financial year in such manner as agreed to between the board of directors and Mr K S Ramesh and within the limits prescribed in this behalf under schedule XIII to the Companies Act, 1956.

- 9. To consider and if thought fit to pass with or without modification the following resolution as a special resolution:

RESOLVED THAT consent of the company be and is hereby given for vesting of all business undertakings, assets and liabilities, duties, rights, obligations etc., of every description of the subsidiary company, namely M/s ICL Foundries Limited (ICLF) effective 1st January, 2001 with any accretions or additions or decrections thereto after the said date so as to become the estate, assets, rights, title and interests and debts, liabilities, duties and obligations of the company with effect from that date in terms of the scheme to be proposed and approved by the board of the company and that the board of directors of the company be

and are hereby severally authorized to make or assent to any alteration or modification to the scheme of amalgamation or to any condition or limitation which the High Court of Madras or any other competent authority may deem fit to approve or impose and may give such directions, as they may consider necessary and to settle any doubt, question or difficulty arising under the scheme or in regard to its implementation or in any manner connected therewith and to do all such acts, deeds, matters and things for putting the proposed amalgamation into effect, and

RESOLVED FURTHER THAT the board of directors of the company be and are hereby severally authorized to take all steps necessary to file applications / affidavits to the High Court of Madras seeking directions to dispense with holding a separate meeting of equity shareholders of the company for this purpose and to file necessary application / affidavit / petition for confirmation of the scheme of amalgamation by the High Court of Madras and to do all acts, deeds and things necessary or expedient in order to give effect to the resolutions for carrying the said scheme into effect and for this purpose, to engage / appoint solicitors to comply with all legal formalities as required under the provisions of the Companies Act, 1956 and with power of the company to settle any questions, difficulties or doubts that may arise in this regard, as they may, in their absolute discretion, deem fit and proper for the purpose of giving effect to the above resolutions.

RESOLVED FURTHER THAT the proposal of amalgamation in pursuance of this resolution shall be applied to the Hon'ble High Court of Madras not later than 31st December, 2002 for getting their approval.

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

By order of the Board

VENU SRINIVASAN
 Chairman

12th April 2001

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 notari ally certified copy of that power or authority shall be deposited at the registered office of the company not later than 48 hours before the time fixed for holding the meeting.**
2. The explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business under item nos. 6,7, 8 & 9 as set out above is annexed hereto.
3. The register of members and the share transfer books of the company will remain closed from 31st May 2001 to 6th June 2001, both days inclusive.
4. Members who have not encashed the dividend warrants for the year ended 31st March 1996 and any subsequent dividend payments are requested to make their claim to the company.
5. For any queries on the Depository System, members may contact any Depository Participant or the Shares Department at the Registered Office of the company.
6. Members are requested to notify immediately any change in their address to the company.
7. As a measure of economy, copies of the annual report will not be distributed at the annual general meeting. Members are therefore requested to bring their copies of the annual report to the meeting.
8. Members are requested to affix their signature at the space provided on the attendance sheet annexed to the proxy form and hand over the slip at the entrance of the meeting hall.

The logo for Report Junction.com features the word "Report" in a light blue font, a yellow diamond shape with a black arrow pointing upwards and to the right, and the word "junction.com" in a light blue font, all enclosed within a light green rounded rectangular border.

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 12th April, 2001 and shall be taken as forming part of the notice.

Item No. 6

Mr. K Dhruva was appointed as Whole Time Director by the Shareholders vide resolution passed at the Annual General Meeting of the Company held on 6th September 1995 for a period of five years commencing from 31st July 1995. The shareholders also approved the remuneration payable to Mr. K. Dhruva.

Board of Directors at its meeting held on 28th August 2000 reappointed Mr. K Dhruva for a further period of one year with effect from 31st July 2000, subject to approval of the shareholders upon payment of remuneration as detailed in the resolution set out under Item No. 6 of the notice.

Remuneration as set out in the resolution will be within the limits of 5% of the net profits of the company calculated in terms of Sec. 349 and 350 of the Companies Act 1956.

Approval of the shareholders is requested for the resolution in terms of Sec. 269, 309 and 310 of the Companies Act, 1956 read with Schedule XIII. Directors recommend the resolution for adoption.

The terms as set out in the resolution be treated as an abstract of the terms of contract between the company and Mr. K Dhruva, Whole Time Director, pursuant to Sec. 302 of the Companies Act, 1956.

None of the directors except Mr K Dhruva is interested in the resolution.

Item No. 7

Mr. K S Ramesh was appointed as an additional director on the Board with effect from 12th April 2001. In terms of Sec. 260 of the Companies Act, 1956, Mr. K S Ramesh will hold office upto to the date of this Annual General Meeting. Notice has been received from a member of the company signifying his intention to propose the candidature of Mr K S Ramesh as a director of the company under Sec. 257 of the Companies Act, 1956 along with the requisite deposit .

The directors recommend the resolution for adoption by the shareholders.

None of the directors except Mr K S Ramesh is interested in the resolution.

Item No. 8

Mr. K Dhruva, Whole Time Director for the company will retire from 31st July 2001. In terms of Sec. 269 of the Companies Act, 1956, the company is required to have a Managing Director, Whole Time Director or a Manager.

The Board of Directors appointed Mr. K S Ramesh as Director and Chief Executive Officer of the company for a period of five years with effect from 12th April, 2001.

Mr. K S Ramesh brings with him over 25 years of experience in marketing, sales and general management, and has worked in both Indian and Multinational organisation. He is known for strong managerial capacities as well as intelligent perspective by virtue of exposure to various functions and businesses from fast moving consumer goods to consumer durable / industrial products.

In terms of Sec. 198, 269, 309 read with Schedule XIII of the Companies Act, 1956 the appointment and payment of remuneration to Mr. K S Ramesh as Director and Chief Executive Officer requires approval of the shareholders.

The terms as set out in the resolution may be treated as an abstract of the terms of contract between the company and Mr. K S Ramesh, Whole Time Director and Chief Executive Officer pursuant to Sec. 302 of the Companies Act, 1956.

Mr. K S Ramesh, Director of the company is interested in the resolution.

Item No. 9

As the shareholders are aware, M/s ICL Foundries Limited (ICLF), is a wholly owned subsidiary of the company. It owns 6.18 acres of land at Nandambakkam, Near Guindy, Chennai. It has been proposed by the directors of the subsidiary to amalgamate with the company since it was felt by

the board of directors of the respective companies that the assets of the subsidiary company can be effectively used by the company for locating its factory and other establishments under one umbrella which would enable the companies to pool material and financial resources to meet the challenges and problems which confront the business at present besides to ensure administrative simplicity, operational synergies and savings in cost.

Since the entire share capital of the subsidiary company is held by the company, the share capital of the subsidiary company would stand automatically cancelled upon the amalgamation becoming finally effective and that the subsidiary company would be dissolved without the process of winding up. The proposed amalgamation would not affect the interests of shareholders of the company as no new shares were sought to be issued. Similarly, the interests of the creditors of the company are not likely to be affected by the proposed amalgamation.

Under the circumstances, it was decided by the board that, with the consent of the shareholders of the company, to make an application before the Hon'ble High Court of Madras to dispense with a separate meeting of the shareholders and the petition by the company in order to help the company to overcome the huge administration cost

and work involved to hold again a separate meeting for this purpose. In other words, by this proposed amalgamation of the subsidiary with the company, the assets and liabilities of the subsidiary will be appropriated by the company and that the shareholding and other rights of the shareholders of the company will be unaffected because no new shares are being issued and there is not going to be any change in the capital structure of the company.

As a matter of abundant caution, the company is advised that the proposal of amalgamation in any event should get the approval of the shareholders of the company before it is approved by the Hon'ble High Court of Madras. Hence, the proposal is placed before the shareholders as a special resolution for their approval. The proposal of amalgamation, in pursuance of the resolution, shall be made to the High Court of Madras for their approval not later than 31st December, 2002.

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 Haddows Road
 Chennai 600 006

By order of the Board

12th April 2001

VENU SRINIVASAN
Chairman

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TVS Electronics Limited



Directors' report to the shareholders

The directors are pleased to present the fifteenth annual report and the audited accounts for the year ended 31st December, 2000.

2. FINANCIAL RESULTS

The highlights of the financial performance of the Company are as follows:-

(Rupees in Crores)

Particulars	Year ended 31.12.2000	Year ended 31.12.1999
Sales and other income	224.31	170.14
Profit before Interest & Depreciation	14.35	10.02
Interest	6.60	4.40
Profit before Depreciation	7.75	5.62
Depreciation	2.68	2.49
Profit before Tax	5.07	3.13
Tax	1.23	0.84
Profit after Tax	3.84	2.29
Add : Profit brought forward from the previous year	1.75	1.15
Tax relating to earlier years	0.40	0.20
Total available for appropriation	5.99	3.64
Proposed Dividend / Interim Dividend paid	1.70	1.70
	(10%)	(10%)
Tax on dividend	0.18	0.19
Surplus in Profit & Loss Account	4.11	1.75
	5.99	3.64

3. DIVIDEND

The directors are pleased to recommend dividend of Re.1/- per share for the financial year ended 31st December 2000. The dividend if approved by shareholders would absorb Rs.188 Lakhs (including dividend tax) and be paid to all the equity shareholders whose names stand in the Register of Members as on 31st May 2001.

4. REVIEW OF OPERATIONS

For the second year in a row, the Company has posted a growth in turnover in excess of 30%. The

Company's top line stood at Rs. 224 crores (as against Rs.170 crores last year). This growth in turnover was supported with growth in each of the four current business areas. Exports, contributing 10% of turnover, grew by 4%. The company sold over 1,00,000 dot matrix printers and 2,75,000 keyboards in the year 2000.

The Company's thrust on expanding its distribution network as part of its mission of taking "IT to the heart of India" saw the company cover over 275 towns, through over 100 distributors and more than 2,000 authorised dealers. The Company today, has the widest sales and service dealer network for IT products in India, which provides the company a unique advantage in customer acquisition and retention.

Current business areas consolidated their market standing, with Dot Matrix Printers accounting for a 40% market share and keyboards, a 25% market share. The Company has a 15% unit share of the power solutions market, having sold close to 70,000 UPS systems including exports worth Rs. 22 crores. During the year, the company conducted its **SAHARAT** series of road shows in 45 locations across the country, showcasing the complete 'total printing and power solutions' product range.

5. FUTURE PROSPECTS

As innovative product development is the key to the success of the company's strategy, over 2% of sales revenue (Rs. 4.50 crores) was spent on new R&D initiatives. Focus will increasingly be on product design and R&D, to introduce products targeted at "Heart of India" markets. The Company will launch its Retail Computer System products, which has the potential to revolutionise the retail segment. The product is expected to contribute to revenues from the second half of the current year.

The language solutions thrust will power the ability of the company to penetrate the market deeply; cutting across digital and economic divides.

6. FINANCE

To meet the operating and investment needs, the Company had availed loans from financial institutions and banks to the extent of Rs.11.74 crores.