

TVS MOTOR COMPANY LIMITED



Tenth Annual Report 2001-2002

TVS MOTOR COMPANY LIMITED**Board of Directors**

venu srinivasan
Chairman & Managing Director

gopal srinivasan

t. k. balaji

t. kannan

n. ganga ram

c. r. dua

h. lakshmanan

Audit Committee

n. ganga ram
Chairman

t. k. balaji

t. kannan

Investors' Grievance Committee

n. ganga ram
Chairman

venu srinivasan

t. kannan

President

c. p. raman

Vice President - Finance

a. ramasamy

Secretary

t. s. rajagopalan

Auditors

sundaram & srinivasan
Chartered Accountants,
23, Sir C.P. Ramaswamy Road,
Alwarpet, Chennai 600 018.

Listing of shares with

Madras Stock Exchange Ltd., Chennai.
The Stock Exchange, Mumbai.
National Stock Exchange of India Ltd., Mumbai

Bankers

STATE BANK OF INDIA
Corporate Accounts Group Branch,
Greens Road,
Chennai 600 006.

STATE BANK OF MYSORE

Industrial Finance Branch,
Midford Garden Road,
Bangalore 560 001.

STATE BANK OF PATIALA

Whites Road, Chennai 600 014.

STATE BANK OF BIKANER & JAIPUR

Gandhinagar, Bangalore 560 009.

INDIAN OVERSEAS BANK

C & I Credit Branch,
Dr. Radhakrishnan Salai, Chennai 600 004.

Registered office

Jayalakshmi Estates,
8, Haddows Road, Chennai 600 006.

Factories

- 1) Post Box No. 4,
Harita, Hosur 635 109.
- 2) Post Box No. 1,
Byathahalli village,
Kadakola post,
Mysore 571 311.

Subsidiary

Lakshmi Auto Components Limited
Chennai.

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TVS MOTOR COMPANY LIMITED

Financial Highlights

Rupees in crores

DETAILS	2001-2002	2000-2001	1999-2000*	1998-1999	1997-1998
Sales and other income	1950	1841	1621	1328	1040
Profit before interest, depn., and tax	150	148	190	156	145
Profit before tax	83	82	120	105	101
Profit after tax	54	63	87	82	69
Net fixed assets	440	436	405	382	187
Share capital	23	23	23	23	23
Reserves and surplus	300	334	292	226	162
Networth	323	357	315	248	181
Total borrowings	167	234	212	231	140
Earnings per share (Rs)	23.34	27.12	37.83	35.65	29.77
Dividend per share (Rs)	9.00	8.00	8.00	7.00	5.00
Book value per share (Rs)	140.43	155.22	136.96	107.83	78.44

* includes figures for the period from 1.4.1999 to 21.4.1999.



TVS MOTOR COMPANY LIMITED

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), TTK Road, Chennai 600 014 on Friday, the 20th September 2002, 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, 2002 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 Mr T. Kannan, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.

3. **To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:**

RESOLVED THAT the retiring auditors Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai be and are hereby re-appointed as auditors of the company to hold office from the conclusion of this annual general 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

4. **To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:**

RESOLVED THAT Mr C.R. Dua be and is hereby appointed as a director of the company, liable to retire by rotation.

5. **To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:**

RESOLVED THAT Mr H. Lakshmanan be and is hereby appointed as a director of the company, liable to retire by rotation.

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 sections 198, 269 and 309 of the Companies Act, 1956 (the Act) read with Schedule XIII and other applicable provisions of the Act, Mr Venu Srinivasan, managing director be paid remuneration by way of commission of a sum not exceeding 2% of the net profits of the company computed in accordance with the provisions of section 349 of the Companies Act, 1956, as determined by the board or of a committee thereof for each financial year, commencing from 1st April 2001 and ending with the current tenure of his office viz., 23rd April 2005.

RESOLVED FURTHER THAT the aggregate of remuneration drawn by Mr Venu Srinivasan, managing director from the company and Sundaram-Clayton Limited in which also he is

managing director shall not exceed the limits prescribed from time to time under section III of Part II of Schedule XIII to the Companies Act, 1956.

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

RESOLVED THAT pursuant to the provisions of section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the company be and are hereby amended and / or altered in the manner specified below:

Article 3, be amended as follows:

Article 3

'Authorised Share Capital'

The authorised share capital of the company shall be such amount and of such description as is stated for the time being or at any time in the company's Memorandum of Association with such rights, privileges and conditions provided by any statutory enactment for the time being in force and as may be provided by these Articles or by a resolution passed at a general meeting duly convened and held for the purpose.

Article 4, be amended as follows:

Article 4

'Increase of capital by the company and how carried into effect'

The company in general meeting may, from time to time, increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the general meeting resolving upon the creation thereof, shall direct, and if no direction be given, as directors shall determine, and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the company, and with a right of voting at general meetings of the company in conformity with section 87 of the Act. Whenever the capital of the company has been increased under the provisions of this Article, the directors shall comply with the provisions of section 97 of the Act.

Article 23 and the marginal note thereto be amended as follows:

Article 23

'Power of the company to purchase its own shares'

Subject to the provisions of sections 77A, 77AA and 77B of the Companies Act, 1956 and regulations, if any, made by the Central Government, Securities and Exchange Board of India and any other authority, the company may purchase its own shares or other specified securities out of its free reserves or the securities premium account or the proceeds of any shares or other specified securities.

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Article 72 and the marginal note thereto be amended as follows:

Article 72**'Terms of issue of debenture'**

Subject to the provisions of sections 117A, 117B and 117C of the Act, any debentures, debenture-stock or other securities whether secured or unsecured may be issued at a discount, premium or otherwise and may be issued on condition that they may be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawings, allotment of shares and attending (but not voting) at general meetings, appointment of directors and otherwise. Debentures, debenture-stock, loan, loan-stock with the right to conversion into or allotment of shares shall be issued only with the consent of the company in general meeting accorded by a special resolution.

Article 111, be amended as follows:

Article 111**'Matters to be passed by ordinary and special resolution'**

Any resolution which under the provisions of these Articles or the Act or any other applicable law or regulations or the listing agreement /s executed by the company with the stock exchanges in which the shares of the company are listed, is permitted or required to be passed by the company in general meeting shall, unless the Articles or the Act or any other applicable law or regulations or the listing agreement/s expressly require such matters to be passed by a special resolution, be passed as an ordinary resolution.

After Article 111, the following Article viz., Article 111 A, be inserted

Article 111 A**'Matters to be decided by Postal Ballot'**

Subject to provisions of section 192A of the Act and the rules made by the Central Government under that section or under regulations, if any, made by Securities and Exchange Board of India or under the listing agreement with the stock exchanges, the company may, and in the case of regulations relating to such business, as the Central Government may notify or the Securities and Exchange Board of India or stock exchanges specify as per the listing agreement, to be conducted only by postal ballot, shall get any such resolution passed by means of postal ballot, instead of transacting the business in general meeting of the company.

Article 114, be deleted.

Article 118, be amended as follows:

Article 118**'Directors' power to add to the board'**

Subject to the provisions of sections 260, 264 and 274 of the Act, the board shall have power at any time and from time to time to appoint any other qualified person to be an additional director, but so that the total number of directors shall not at any time exceed the maximum fixed under Article 113. Any such additional director shall hold office only up to the date of the next annual general meeting.

Article 119, be amended as follows:

Article 119**'Directors' power to fill casual vacancies'**

Subject to the provisions of sections 264, 274 and 284 (6) of the Act, the board shall have power at any time and from time to time to appoint any other qualified person to be a

director to fill a casual vacancy. Any person so appointed shall hold office only up to the date to which the director in whose place he is appointed would have held office if it had not been vacated by him.

Article 137, be amended as follows:

Article 137**'Company may increase or reduce the number of directors'**

Subject to sections 259 and 274 of the Act, the company may, by ordinary resolution, from time to time, increase or reduce the number of directors, and may alter their qualification and the company may (subject to the provisions of section 284 of the Act) remove any director before the expiration of his period of office and appoint another qualified person in his stead. The person so appointed shall hold office during such time as the director in whose place he is appointed would have held the same if he had not been removed.

Article 138 (a), be amended as follows:

Article 138 (a)**'Notice of candidate for office of director except in certain cases'**

No person, not being a retiring director who is not disqualified for appointment as a director in terms of Section 274 of the Act, shall be eligible for appointment to the office of director at any general meeting unless he or some member intending to propose him has, not less than fourteen days before the meeting, left at the office of the company a notice in writing under his hand signifying his candidature for the office of director or the intention of such member to propose him as a candidate for that office, as the case may be, along with a deposit of five hundred rupees which shall be refunded to such person or, as the case may be, to such member, if the person succeeds in getting elected as a director.

Article 141, be amended as follows:

Article 141**'Managing Director'**

Subject to the provisions of sections 267, 268, 269, 309, 310, 311, 316 and 317 and other applicable provisions of the Act:

- (a) The board of directors from time to time may appoint one of their members as the managing director of the company.
- (b) The managing director so appointed shall hold office for such period as the board may fix.
- (c) The managing director shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the company in general meeting may from time to time determine.
- (d) The board may, from time to time, entrust to and confer upon the managing director for the time being, such of the powers exercisable under these presents by the board, as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions with such restrictions, as they think expedient and they may confer such powers either collaterally with, or to the exclusion of, and in substitution for, all or any of the powers of the directors in that behalf, and may, from time to time, revoke, withdraw, alter or vary all or any of such powers.

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Article 150, be amended as follows:

Article 150**'Chairman of the board'**

- (a) The board of directors may appoint one among themselves as chairman of the board for such period as they may determine. The chairman so appointed, so long as he holds such office shall not be subject to retirement by rotation.
- (b) If no chairman is appointed in pursuance of this Article, or if at any meeting of the board, he shall not be present within 30 (thirty) minutes of the time appointed for holding such meeting or if he shall be unable or unwilling to take the chair, then the managing director shall be entitled to take the chair and failing him, the Directors present may choose one of their number to be the chairman of that meeting.

Article 167, be amended as follows:

Article 167**'Interim dividend'**

Subject to the provisions of sections 205(1A), 205(1B) and 205(1C) of the Act, the board may, from time to time, declare such interim dividend as in their judgement the financial position of the company justifies.

Article 174, be amended as follows:

Article 174**'Dividends how remitted'**

Unless otherwise directed, any dividend may be paid by cheque or warrant or demand draft sent through the post to the registered address of the member or person entitled or in the case of joint holders to that one of them first named in the register in respect of the joint-holdings. Every such cheque or warrant or demand draft shall be made payable to the order of the person to whom it is sent. The company shall not be liable or responsible for any cheque or warrant or demand draft lost in transmission, or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or demand draft or the fraudulent recovery of the dividend by any other means.

In the case of members who are desirous of getting their dividend credited to their respective bank accounts by means of electronic clearing service, under advice to members, upon such members filing with the company the requisite particulars as required by Reserve Bank of India / State Bank of India, dividend shall be credited to the respective bank accounts by means of electronic funds transfer instead of payment by cheque or warrant or demand draft.

Article 175, be amended as follows:

Article 175**'Unclaimed dividend'**

No unclaimed dividend shall be forfeited by the board and dividends unclaimed will be dealt with in the manner laid down under the provisions of sections 205A, 205B and 205C or other provisions if any of the Act, as may be applicable from time to time.

By order of the board

Chennai
July 29, 2002

T.S. RAJAGOPALAN
Secretary

Registered office:
"Jayalakshmi Estates",
8, Haddows Road,
Chennai 600 006.

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. 4,5,6 and 7 as set out above is annexed hereto.
3. The register of members and the share transfer books of the company will remain closed from 17th September 2002 to 20th September 2002, both days inclusive.
4. The interim dividend on the equity shares as recommended by the board of directors was paid on 22nd March 2002 to those shareholders (or their mandatees) whose names appeared in the register of members of the company on 8th March 2002. The directors have recommended that the interim dividend paid be considered as the final dividend for the year 2001-2002.
5. 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 1996 will be transferred to Investor Education and Protection Fund on **20th October 2003**. Subsequent dividends declared which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund established by the Central Government on the due dates.

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.
6. Members are requested to notify to the company immediately any change in their address.
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 handover the slip at the entrance of the meeting hall.
9. In terms of clause 49 of the listing agreement with stock exchanges, a brief resume of directors who are proposed to be appointed / re-appointed at this meeting is given below:

1. Mr T. Kannan :

Born on 9th May 1953, Mr T. Kannan is a Graduate in Business Administration from the Madurai University. He is the managing director of Thiagarajar Mills Limited and Saroja Mills and chairman of Virudhunagar Textile Mills Limited and director of several companies including Sundaram Brake Linings Limited and Sundaram Textiles Limited.

Mr Kannan is connected with number of organisations related to industry, education and charity. He is a member of Tamil Nadu Temple Administration Board, Government of Tamil Nadu, Tamil Nadu State Council for Higher Education, Apex Level Standing Committee on Industrial Development

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constituted by the Government of Tamil Nadu and chairman of Confederation of Indian Industry, Southern Region, Chennai.

He has a wide range of experience in textile industry. He is chairman of The Cotton Textiles Export Promotion Council, Mumbai and also member of the Research Advisory Committee of The South India Textile Research Association, Coimbatore and member of the Indian Cotton Mills Federation, Mumbai.

He is also a leading educationalist and secretary and correspondent of Thiagarajar College, Madurai and correspondent of Thiagarajar College of Engineering, Thirupparankundram, Madurai.

He is a member in the audit committee of Thiagarajar Mills Limited, Virudhunagar Textile Mills Limited and Sundaram Brake Linings Limited besides TVS Motor Company Limited (TVS-M). He is also a member of the Investors' Grievance Committee of TVS-M.

II. Mr C. R. Dua :

Mr Dua is the senior partner in the firm Dua Associates. Prior to establishing Dua Associates, Mr Dua had been in private practice since 1976. He has been practising in the areas of corporate and commercial law, corporate finance, securities law, taxation, land acquisition, power projects, foreign investments, collaborations, disinvestments and privatisation of public sector undertakings, mergers and acquisitions and exchange control regulations. Mr Dua obtained Honours degree in Economics from St. Stephens' College, University of Delhi followed by a masters degree in Economics from the Delhi school of Economics and subsequently a degree in Law. He sits on the boards of many major multinational corporations in India primarily representing the interests of the foreign collaborators and investors.

He is a director in Cabot India Limited, Inapex Limited, India Satcom Limited, KRONE Communications Limited, Pearl Engineering Polymers Limited, Result Services Limited, Wimco Limited, Initiating Explosives System India Limited and McCann - Erickson (India) Limited and several other private companies.

He is the chairman in CNO - India (Society). He is also a trustee on the board of trustees of Norbulinga Institute for Tibetan Culture.

He is also a member in the audit committee of Cabot India Ltd and Wimco Limited. He is the deputy chairman of audit committee and the chairman of investors grievance committee of KRONE Communications Limited.

III. Mr H. Lakshmanan :

Born on 14th August 1933, Mr H. Lakshmanan is a company executive with vast experience. He joined the TVS Group in 1953. He rose to the position of executive director of Sundaram-Clayton Limited in 1982 and continues to hold the position. He has rich experience, expertise and knowledge in areas such as banking, finance, business administration and human resources.

Mr H. Lakshmanan is also the whole-time director of Anusha Investments Limited and is a director on the boards of Harita Grammer Limited, TVS Electronics Limited, Harita Finance Limited, Harita NTI Limited, TVS Investments Limited, and Harita Infoserve Limited, besides other companies.

He is also a member of the audit and administrative committees of TVS Electronics Limited, a member of audit committee and investors' grievance committee of Harita Finance Limited and a member of the administrative committee and investors' grievance committee of Harita Grammer Limited.



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Annexure to notice**Explanatory statement pursuant to section 173(2) of the Companies Act, 1956**

The following explanatory statement sets out all material facts relating to the special business mentioned in the accompanying notice dated 29th July 2002 and shall be taken as forming part of the notice.

Item nos. 4 & 5

Mr C.R. Dua was appointed as an additional director of the company with effect from 27th December 2001.

Mr H. Lakshmanan was appointed as an additional director of the company with effect from 26th April 2002.

In terms of section 260 of the Companies Act, 1956, both the directors will hold office only upto the date of this annual general meeting.

Notices have been received from certain members of the company under section 257 of the Companies Act, 1956, alongwith a deposit of Rs.500/- in each case signifying their intention to propose the candidature of M/s C.R. Dua and H. Lakshmanan for the office of directors and to move the resolution as set out in Item nos. 4 & 5 of this notice.

The directors recommend the resolution for adoption by the shareholders.

M/s C.R. Dua and H. Lakshmanan are deemed to be concerned or interested in the respective resolutions.

Item no. 6

Mr Venu Srinivasan was appointed as managing director of the company by the board at its meeting held on 24th April 2000 for a period of 5 years. His appointment was approved by the shareholders at the extra-ordinary general meeting held on 24th May 2000. All along Mr Venu Srinivasan has been receiving his remuneration only from Sundaram-Clayton Limited (SCL), the holding company and our company has not paid any remuneration to Mr Venu Srinivasan as managing director.

Considering the increasing magnitude of the operations of the company and considering higher responsibilities shouldered by him, it is proposed that Mr Venu Srinivasan, managing director be paid remuneration by way of commission not exceeding 2% of the net profits of the company, commencing from 1st April 2001 to 23rd April 2005 (i.e. till the end of the current term of office), as may be decided by the board from time to time.

In accordance with the provisions of sections 198, 269 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, the remuneration proposed to be paid by the company together with remuneration received by him in his

capacity as managing director from SCL shall not exceed 5% of the net profits of any one of the companies having higher maximum admissible limit.

The directors recommend the resolution for approval of the shareholders.

Mr Venu Srinivasan, managing director is interested in this resolution. Mr Gopal Srinivasan and Mr T.K. Balaji, directors, being relatives of Mr Venu Srinivasan are deemed to be concerned or interested in the resolution.

This may be treated as an abstract of the terms of variation of the contract of appointment of Mr Venu Srinivasan, managing director pursuant to Section 302 of the Companies Act, 1956.

Item no. 7

In line with the requirement of Companies Amendment Act, 2000 and also to comply with the provisions of the regulations made by Securities and Exchange Board of India and the listing agreement with stock exchanges, certain clauses of Articles of Association are proposed to be amended.

Further, certain clauses conferring right to a set of shareholders for appointing chairman / managing director are proposed to be suitably amended.

As per section 31 of the Companies Act, 1956, the amendment to Articles of Association of the company requires approval of the shareholders by way of special resolution.

Accordingly the resolution is placed before shareholders for approval.

None of the directors is interested or concerned in the resolution.

Inspection of documents

The documents referred to in the notice and the explanatory statement will be available for inspection at the registered office of the company on any working day between 10.00 a.m. and 12.00 noon.

By order of the board

Chennai
July 29, 2002

T.S. RAJAGOPALAN
Secretary

Registered office:
"Jayalakshmi Estates",
8, Haddows Road,
Chennai 600 006.

TVS MOTOR COMPANY LIMITED

Directors' report to the shareholders

The directors herewith present the 10th annual report and the audited accounts for the year ended 31st March 2002.

2. FINANCIAL HIGHLIGHTS

Details	Year ended 31-03-2002	Year ended 31-03-2001	% of growth
QUANTITATIVE : (Numbers in lakhs)			
Production			
Motorcycles	4.54	3.58	26.8
Mopeds	2.71	3.71	-27.0
Scooters	1.47	1.40	5.0
Total vehicles produced	8.72	8.69	0.3
Sales:			
Motorcycles	4.50	3.55	26.8
Mopeds	2.72	3.66	-25.7
Scooters	1.44	1.42	1.4
Total vehicles sold	8.66	8.63	0.3
FINANCIAL (Rupees in crores)			
Sales and other income	1950.47	1840.82	6.0
Gross profit before interest and depreciation	149.70	148.47	
Interest	17.96	22.97	
Depreciation	49.22	43.73	
Profit before tax	82.52	81.77	
Provision for tax	28.61	19.12	
Profit for the year (after tax)	53.91	62.65	
Add :Surplus brought forward	20.33	20.10	
Transfer from capital redemption reserve	—	0.02	
Tax relating to earlier years	0.04	—	
Transfer from debenture redemption reserve	12.80	—	
Profit available for appropriation	87.08	82.77	
Less:			
Tax relating to earlier years	—	0.08	
Transfer to debenture redemption reserve	—	8.00	
Interim dividend	20.79	—	
Proposed dividend	—	18.48	
Tax on dividend	2.12	1.88	
Transfer to general reserves	41.00	34.00	
Surplus carried forward	23.17	20.33	

3. DIVIDEND

The board of directors had declared an interim dividend of Rs.9/- per share to all the shareholders whose names stood in the register of members on the record date viz., 8th March 2002 absorbing a sum of Rs.20.79 crores. The directors recommend that the interim dividend paid be considered as the final dividend for the year 2001-2002.

4. PERFORMANCE DURING THE YEAR

Despite the slow growth of the economy, the two-wheeler industry has grown from 3.8 millions in 2000-01 to 4.3 millions in 2001-02, registering a growth of 15%. The company's sales during the year 2001-02 were 8.66 lakh units and market share stood at 20%.

Motorcycles have risen in category share from 54% to 66% in the period 2000-01 to 2001-02, a growth of more than 41% and more than double the industry growth rate. The popular 4-stroke motorcycle category dominates two-wheeler industry and offers immense opportunity. TVS Victor, launched in August 2001, caters to this category. TVS Victor has enabled the company increase its market share from 13% to 16% and more than 70,000 units of the model were sold in 2001-02.

The company has a market share of 35% in the gearless scooters segment. The segment grew by 3% last year. It has a market share of 64% in the moped segment. This category declined by 26% mainly due to slow down in the rural economy and reducing price differential between mopeds and motorcycles.

Suzuki Motor Corporation, Japan (SMC) ceased to be a shareholder and provider of technology to the company pursuant to an agreement dated 27th September 2001, reached between SMC and Sundaram-Clayton Limited (SCL), the promoters of the company. During the year, the shares held in the company by SMC were acquired by Anusha Investments Limited (AIL), a wholly-owned subsidiary of SCL. With the total holding of SCL and AIL in the equity capital exceeding 51%, the company became a subsidiary of SCL, effective 15th November 2001.

5. OUTLOOK

The two-wheeler industry is estimated to grow at 10% this year with the economy posting a modest recovery. It is expected that the share of the motorcycle segment will increase from 66% to 70%, scooterettes will remain at current levels of 10% and mopeds may decline further. However, if the monsoon is not normal, it is likely that the growth as expected may not materialise.

The company has been feeling the need for a finance arm to support its marketing of the products, with hire purchase financing facility to customers. Most of the other two-wheeler manufacturers in the country have their own in-house finance outfits for this purpose. The company has accordingly chosen Harita Finance Limited (HFL), one of the group companies, as its finance arm. With this objective in view, the company made an open offer to the public shareholders of HFL (who were holding 50.3% of its equity capital) to acquire their shares of Rs.10/- each at par. In the process, the company could acquire only 17.95%.

The board of directors are of the view that it will be desirable to enhance the company's stake in the equity of HFL from a long term point of view. The company proposes to avail of a preferential offer of 1,35,00,000 equity shares of Rs.10/- each for cash, at par to be made by HFL to the company on private placement basis, taking the company's shareholding in HFL to 38.27%. The company will also subscribe to preference shares to be issued by HFL. By these steps, the company expects to become a major shareholder and have access to HFL's resources of manpower, branch network and expertise for substantially enhancing the company's sales.

6. NEW PRODUCTS

The company has plans to upgrade current products such as Fiero, and launch new 4-stroke products in motorcycle and scooter segments.

TVS MOTOR COMPANY LIMITED**7. COST MANAGEMENT**

Cost initiatives of last year such as sub-system-wise material cost reduction, "Just In Time" (JIT) implementation and total productive maintenance (TPM) implementation continued and yielded better results. The company has also initiated "e-buying" for competitive pricing, vendor development, energy conservation and development of new cost effective processes. The company has also initiated a programme for eliminating waste by implementation of various methods suggested by employees.

8. INFORMATION TECHNOLOGY

The company has successfully implemented enterprise resource planning (ERP-SAP). With the introduction of ERP, both dealers and suppliers are integrated with the company's Information systems through the internet.

Both external and internal security in our ERP systems has been improved by providing intrusion detection system for the extranet and selective data authorisation within the company. There are also plans to integrate customer relations management (CRM) and product development modules with the ERP system this year.

9. DIRECTORS

Consequent to the disengagement of Suzuki Motor Corporation from the company both as licensor and shareholder, the board of directors has been reconstituted. M/s. Kenji Yamamoto, Masato Watanabe and Arun Sinha resigned from the board with effect from 15th November 2001 and Mr V.R. Mehta resigned on 10th December 2001.

The directors wish to place on record their appreciation of the services rendered by M/s. Kenji Yamamoto, Masato Watanabe, Arun Sinha and V.R. Mehta during their tenure as directors of the company.

Mr C.R. Dua and Mr H. Lakshmanan were appointed as additional directors with effect from 27th December 2001 and 26th April 2002, respectively. In terms of section 260 of the Companies Act, 1956, they will hold office up to the date of the ensuing annual general meeting of the company. Notices have been received from certain members of the company in terms of section 257 of the Companies Act, 1956, signifying their intention to propose the candidature of Mr C.R. Dua and Mr H. Lakshmanan for the office of director.

Mr T. Kannan retires at the ensuing annual general meeting of the company and being eligible, offers himself for re-appointment.

With effect from 29th July 2002, Mr Venu Srinivasan, managing director was appointed also as chairman of the company.

10. AUDITORS

M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, retire at the ensuing annual general meeting and are eligible for re-appointment.

11. SUBSIDIARY

A statement relating to the subsidiary, Lakshmi Auto Components Limited, Chennai, and a copy of its annual accounts for the year ended 31st March 2002 are attached to the balance sheet pursuant to section 212 of the Companies Act, 1956. A consolidated financial statement of accounts of our company and Lakshmi Auto Components Limited, (subsidiary) is annexed to this report as required by Accounting Standard 21 (AS 21) prescribed by the Institute of Chartered Accountants of India (ICAI).

12. STATUTORY STATEMENTS

As per the requirements of section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of board of directors) Rules, 1988, the information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure I to this report.

The particulars required pursuant to section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 as amended by Companies (Particulars of employees) Rules, 2002 are given in Annexure II to this report.

As required under section 217(2AA) of the Companies Act, 1956, the directors' responsibility statement is given in Annexure III to this report.

13. CORPORATE GOVERNANCE

As required by clause 49 of the listing agreement, a management discussion and analysis report and a report on corporate governance are enclosed. A certificate from the auditors of the company regarding compliance of the conditions of corporate governance as stipulated by clause 49 of the listing agreement is attached to this report.

14. ACKNOWLEDGEMENT

The directors gratefully acknowledge the continued support and co-operation received from the holding company i.e. Sundaram-Clayton Limited, Chennai. The directors wish to thank the debentureholders, bankers, financial institutions, investing institutions, customers, dealers, vendors and sub-contractors for their valuable support and assistance.

The directors wish to place on record their appreciation of the excellent work done by all the employees of the company during the year under review.

The directors specially thank the shareholders for their continued faith in the company.

For and on behalf of the board

Chennai
July 29, 2002

VENU SRINIVASAN
Chairman