

# TVS MOTOR COMPANY LIMITED



**Fourteenth Annual Report 2005-2006**

**Board of Directors**

VENU SRINIVASAN  
*Chairman & Managing Director*

GOPAL SRINIVASAN

T. K. BALAJI

H. LAKSHMANAN

T. KANNAN

N. GANGA RAM

C. R. DUA

K. S. BAJPAI

T. R. PRASAD

**Audit Committee**

T. R. PRASAD  
*Chairman*

N. GANGA RAM

T. K. BALAJI

T. KANNAN

**Investors' Grievance Committee**

N. GANGA RAM  
*Chairman*

VENU SRINIVASAN

T. KANNAN

**President**

K.N. RADHAKRISHNAN

**Sr. Vice President - Finance**

S.G. MURALI

**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.  
Bombay Stock Exchange Ltd., Mumbai.  
National Stock Exchange of India Ltd., Mumbai.

**Bankers**

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

STATE BANK OF MYSORE  
Industrial Finance Branch,  
Midford Garden Road,  
Bangalore 560 001.

**Registered office**

Jayalakshmi Estates,  
29 (Old No.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 Companies**

Sundaram Auto Components Limited,  
Chennai.

TVS Motor Company (Europe) B.V.,  
Amsterdam

TVS Motor (Singapore) Pte. Limited,  
Singapore

PT. TVS Motor Company Indonesia,  
Jakarta

Contents	Page no.
Financial Highlights	2
Notice to the Shareholders	3
Directors' Report to the Shareholders	6
Management Discussion and Analysis Report	11
Report on Corporate Governance	15
Certificate on Corporate Governance	20
Auditors' Report to the Shareholders	21
Balance Sheet	24
Profit and Loss Account	25
Schedules	26
Notes on Accounts	32
Cash Flow Statement	46
General Business Profile	48
Statement under section 212	49
Consolidated Accounts	50

## Financial Highlights

Rupees in crores

DETAILS	2005-2006	2004--2005	2003-2004	2002-2003	2001-2002
Sales and other income	3306	2955	2856	2726	1944
Profit before interest, depn., and tax	275	291	296	284	144
Profit before tax	168	200	215	201	83
Profit after tax	117	138	138	128	54
Net fixed assets	794	770	704	533	440
Share capital	24	24	24	23	23
Reserves and surplus	742	655	551	400	300
Networth	673	614	562	423	323
Total borrowings	385	187	119	122	167
Earnings per share (Rs)	4.93	5.79	5.83	5.54	2.33
Dividend per share (Rs)	1.30	1.30	1.30	1.20	0.90
Book value per share (Rs)	28.04	25.58	23.42	18.39	14.04

Note:

Effective 8th December 2003, the par value of the shares of the company was split from Rs.10/- per share to Re.1/- per share. Previous year figures were recast to conform to the split in the par value of the shares.

## Notice to the Shareholders

NOTICE is hereby given that the fourteenth 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 Monday, the 21<sup>st</sup> August 2006, 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 31<sup>st</sup> 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 the first interim dividend of Re.0.70 per share declared by the board of directors of the company on 27<sup>th</sup> October 2005 on 23,75,43,557 equity shares of Re.1/- each fully paid and the second interim dividend of Re. 0.60 per share declared by the board of directors of the company on 26<sup>th</sup> June 2006 on 23,75,43,557 equity shares of Re.1/- each fully paid, absorbing a sum of Rs. 30.88 crores in the aggregate paid to the shareholders on 8<sup>th</sup> November 2005 and 10<sup>th</sup> July 2006 respectively be and are hereby approved as final dividend for the year ended 31<sup>st</sup> March 2006.
3. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:  
RESOLVED THAT Mr K S Bajpai, director 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 N Ganga Ram, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.
5. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:  
RESOLVED THAT Mr C R Dua, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.
6. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:  
RESOLVED THAT the retiring auditors 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

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 is hereby altered in the manner specified below:  
In the Articles of Association of the company, the existing Clause 145, be re-numbered as 145(a) and the following clause be inserted  
Article 145(b)  
Subject to the applicable provisions of the Act, the Board shall have the power to permit directors to participate through the means of video or tele-conferencing at a duly constituted meeting of the Board of Directors or Committee thereof.
8. 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 314 and other applicable provisions of the Companies Act, 1956, consent of the company be and is hereby accorded to Ms Lakshmi Venu, a relative of Chairman and Managing Director of the company for holding and continuing to hold an office of profit as a manager (not a manager for the purpose of Companies Act, 1956) in Sundaram Auto Components Limited (SACL), a wholly owned subsidiary of the company with effect from 14<sup>th</sup> September 2005 on the following terms and conditions:
  1. Consolidated salary of Rs.25,000/- per month in the Pay scale of Rs.25,000-2500-40,000 with the power to the board of directors of SACL to increase the said consolidated salary by such amount within the scale as they deem fit.
  2. In addition to the above, the following perquisites will be provided as per SACL Company rules:
    - a. Contribution to the Provident Fund and Superannuation Fund.
    - b. Mediclaim insurance policy for hospitalisation.
    - c. Reimbursement upto Rs.7,500/- per year towards domiciliary medical expenses on production of bills.
    - d. Personal accident insurance policy for a sum not exceeding Rs.10 lakhs, the premium for which will be paid by SACL.
    - e. Leave Travel allowance equivalent to one month's salary per annum.

By order of the board

Chennai  
June 26, 2006  
Registered Office:  
"Jayalakshmi Estates"  
29, Haddows Road,  
Chennai 600 006

T. S. RAJAGOPALAN  
Secretary

## 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 register will remain closed for a period of 3 days from 16<sup>th</sup> August 2006 to 18<sup>th</sup> August 2006 (both days inclusive).
4. In terms of Section 205A read with Section 205C of the Companies Act, 1956, the dividends 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 on the due dates. The particulars of 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 by surrendering the unencashed warrants immediately to the company.

5. Members holding shares in physical form, in their own interest, are requested to dematerialise the shares to avail the benefits of electronic holding / trading.
6. Members are requested to notify to the company immediately any change in their address. Members holding shares in depository are requested to advise change of address to their depository participants.
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 slip annexed to the proxy form and hand over 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 re-appointed at this meeting is given below:

- I. Mr K S Bajpai  
Born on 30<sup>th</sup> March 1928, Mr K S Bajpai, was in Indian Foreign Service and retired as Secretary to Government, Government of India, New Delhi.  
Mr K S Bajpai served as secretary of the ministry of External Affairs and also served as Indian Ambassador to Pakistan, China and United States of America. He was a visiting fellow at Stanford University's centre for international security and co-operation in 2002. He was co-opted as a director of the company on 27<sup>th</sup> January 2003.  
He does not hold directorship in any other company.  
He does not hold any share in the company.
- II. Mr N Ganga Ram  
Born on 22<sup>nd</sup> September 1934, Mr. N Ganga Ram holds a Master of Arts degree in Economics from the University of Madras. He is a

Certified Associate of the Indian Institute of Banking & Finance and a Fellow of the Economic Development Institute, World Bank, Washington. Having served for over 8 years with United Bank of India as an executive, Mr. Ganga Ram joined Industrial Development Bank of India (IDBI) and worked with IDBI for 27 years and retired as executive director in September 1992. He was co-opted as a director of the company on 28<sup>th</sup> March 2001.

Mr Ganga Ram has done overseas consultancy assignments for the World Bank, Washington and the Asian Development Bank, Manila. He has wide experience in appraisal and post-sanction supervision of industrial projects. He has served on the boards of Larsen & Toubro Limited and other reputed companies and State level development financial institutions as a nominee director of IDBI. Mr Ganga Ram is presently Chairman of the Listing Advisory Committee of National Stock Exchange of India Limited (NSE) and is also on the Membership Advisory Committee of the Exchange. Besides, he is an Arbitrator for the National Commodity and Derivatives Exchange Ltd.

He does not hold any share in the company.

Mr. Ganga Ram is the chairman of the investors' grievance committee and member of the audit committee of the company. Details of his other directorship / membership of committees are given below:

S. No	Name of the company	Position held	Committee membership
1.	Sundaram Home Finance Limited	Director	Audit Committee – Chairman
2.	Positive Packaging Industries Limited	Director	Audit Committee – Chairman
3.	Juniper Hotels Private Limited (Grand Hyatt)	Director	Audit committee Member

### III. Mr C R Dua

Born on 3rd November, 1951 Mr. C R Dua is the founding partner of Dua Associates, which is one of the largest and leading law firms in India with a nationwide presence. Mr. Dua has successfully established and developed Dua Associates into a practice with over 150 professionals including 35 partners. Mr. Dua has vast experience in corporate law, Mergers & Acquisition, privatization, project finance, public issues, entry strategies, foreign investment, corporate structuring/ restructuring, infrastructure projects, international trade and taxation aspects of doing business in India. The firm has the aforementioned practice areas and a strong litigation and arbitration practice.

Mr. Dua as Senior Partner has advised a variety of clients including leading companies in India and also multinational corporations. He is a member of the Advisory Committee on Competition Advocacy and also of the Competition Commission Advisory Committee on Regulations of the Competition Commission of India. Mr. Dua was a member of the High Level Committee to suggest Scientific and Rational Regulatory Environment for Companies/Firms in India. He was Co-opted as a director of the company on 27<sup>th</sup> December 2001.

He has been a founder member of the American Chamber of Commerce in India

He sits on the Boards of several leading listed public companies in India and subsidiaries of multinational corporations.

He does not hold any share in the company

Details of his other directorship / membership of committees are given below:

S. No	Name of the company	Position held	Committee membership
1.	Amit Investments (P) Limited	Director	Audit Committee Member
2.	Associated Corporate Consultants (India) Private Limited	Director	
3.	Baxter India (P) Limited	Director	
4.	Becton Dickinson India (P) Limited	Director	
5.	Connaught Plaza Restaurants Private Limited	Alternate Director	
6.	ELCA Cosmetics (P) Limited	Director	
7.	Polaroid India (P) Limited	Director	
8.	Result Services (P) Limited	Director	
9.	ST Microelectronics (P) Limited	Director	
10.	Tupperware India (P) Limited	Director	
11.	UL India (P) Limited	Director	
12.	Cabot India Limited	Director	
13.	Emerson Process Management Power & Water Solutions India Private Limited	Director	

S. No	Name of the company	Position held	Committee membership
14.	Fila Sports India (P) Limited	Director	Audit committee - Chairman Remuneration Committee - Member
15.	Inapex Private Limited	Director	
16.	LAF Fire Safety Systems India (P) Limited	Director	
17.	Lexphere Private Limited	Director	
18.	Linde Process Technologies India Pvt. Limited	Director	
19.	McCann Erickson India (P) Limited	Alternate Director	
20.	Gillete India Limited	Director	
21.	India Satcom Limited	Director	
22.	Pearl Engineering Polymers Limited	Director	
23.	Timex watches Limited	Director	
24.	Wimco Limited	Director	
25.	Dua AFG Consulting (P) Limited	Director	Remuneration Committee - Member
26.	McDonald's India (P) Limited	Director	
			Audit Committee - Member

## Annexure to notice

### Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956

The following explanatory statement sets out all the material facts relating to the special business mentioned in the accompanying notice dated 26<sup>th</sup> June 2006 and shall be taken as forming part of the notice.

#### Item No. 7

Keeping in tune with the eGovernance initiatives by the Ministry of Company Affairs (MCA), it is expected that necessary amendments to the Companies Act, 1956 and regulatory provisions may also be introduced to facilitate conduct of Board or Committee meeting(s) through electronic means i.e. video or tele-conferencing. The Information Technology (IT) Act, 2000 also recognises communications in digital or electronic form, and holding of Board or Committee meetings through electronic means are permissible under the IT Act.

At present, the Companies Act, 1956 does not recognise participation by directors at Board Meeting through video or tele-conferencing for voting and quorum purposes.

It is considered desirable to have this amendment whereby participation of such directors who are unable to be physically present at the meetings will facilitate the Board to have the benefit of their advice in the deliberations at the Board Meeting, even though, under statute their participation will not be counted for quorum or voting purposes.

Accordingly, your directors recommend the special resolution at item no. 7 of the notice for the approval of the shareholders.

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

#### Item No. 8

Ms. Lakshmi Venu is a holder of degree in Economics from Yale University having secured honours overall in the course with distinction in Economics.

Ms. Lakshmi Venu is serving Sundaram Auto Components Limited (SACL), a wholly owned subsidiary of the company, since March 2003 as a Management Trainee.

She has been appointed as a Manager effective 14<sup>th</sup> September 2005 drawing salary in the pay scale of 25,000-2,500-40,000 with other perquisites as applicable to other executives in similar grade in SACL. She is having an exclusive in-depth induction programme in various departments of the company.

In order to provide her with special training for enhancing her managerial skills, she is currently pursuing a Doctorate Programme in Engineering Business Management at the University of Warwick, UK. This Doctorate Programme is meant for practical experience for the 'Industry based full-time Managers'. The doctorate is awarded for innovation in both concept and application. She is expected to complete her Doctoral Programme within next two years.

Being related to Chairman & Managing Director of the company, her appointment in the wholly owned subsidiary may amount to holding an office of profit in terms of the first proviso to Sub-section (1) of Section 314 of the Companies Act, 1956. In terms of the said proviso, her appointment needs to be approved by a special resolution by the shareholders at the General Meeting that is held for the first time after the said appointment.

Accordingly, the directors seek your approval by way of a special resolution mentioned at item No. 8 of the notice.

None of the directors of the company except Mr. Venu Srinivasan is concerned or interested in the resolution.

Inspection of documents: The documents referred to in the notice and 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  
June 26, 2006  
Registered Office:  
"Jayalakshmi Estates"  
29, Haddows Road,  
Chennai 600 006

T. S. RAJAGOPALAN  
Secretary

## Directors' report to the shareholders

The directors present the fourteenth annual report and the audited accounts for the year ended 31<sup>st</sup> March 2006.

### 1. FINANCIAL HIGHLIGHTS

Details	Year ended 31-03-2006	Year ended 31-03-2005
QUANTITATIVE		
Sales:		
	(Numbers in lakhs)	
Motorcycles	8.06	6.79
Mopeds	2.90	2.63
Scooters	2.44	2.25
Total vehicles sold	13.40	11.67
FINANCIAL		
	(Rupees in crores)	
Sales (net of excise duty) and other income	3305.96	2955.21
EBITDA	275.48	290.87
Interest (net)	13.12	0.79
Depreciation	93.91	89.63
Profit before tax	168.45	200.45
Provision for tax (including deferred tax and fringe benefit tax)	51.45	62.88
Profit for the year (after tax)	117.00	137.57
Surplus brought forward	38.21	34.43
Tax relating to earlier years	5.50	1.42
Transfer from Debenture Redemption Reserve	—	9.90
Profit available for appropriation	160.71	183.32
APPROPRIATIONS:		
Interim dividend	30.88	30.89
Tax on dividend	4.33	4.22
Transfer to general reserve	90.00	110.00
Surplus carried forward	35.50	38.21

### 2. DIVIDEND

For the year 2005-06, the board of directors declared two interim dividends viz. 70% on 27<sup>th</sup> October 2005 and 60% on 26<sup>th</sup> June 2006 making a total dividend of 130% absorbing a sum of Rs.30.88 crores. The directors recommend that the interim dividends paid be considered as the final dividend for the year 2005-2006.

### 3. PERFORMANCE

The total number of two wheelers sold during the year under review was 1.34 million units, registering an overall growth of 15 per cent over the previous year with category growth of Motorcycles by 19%, mopeds by 10% and scooters by 9%. The company's export sales grew by 48% from Rs.120 crores in the year 2004-05 to Rs.177 crores in the year 2005-2006 and continue to be a focus area for growth.

The launch of Apache and two TVS StaR range including the popular TVS StaR City variant enabled the company to improve its market share and turnover significantly during the year under review.

The profit before tax for the year under review was Rs.168.45 crores as against Rs.200.45 crores in the previous year. The profit after tax stood at Rs.117 crores in 2005-06 compared to Rs.137.57 crores in the previous year. The previous year profit includes Rs.36.94 crores shown under other income arising out of the reduction in deferred sales tax liability due to prepayment. The fall in profit was due to higher material cost on account of stringent emission norms coupled with the rise in cost of aluminium, steel, rubber and plastics. The company has planned an aggressive strategy to reduce its cost.

### 4. EXPANSION ACTIVITIES

As indicated in the last report, the company has commenced its activities for setting up a manufacturing facility for manufacture of three wheelers near existing plant at Hosur. The commercial production of three wheelers is expected to commence during last quarter of 2006-2007.

The company has acquired land at Nalagarh Taluk in Solan District, Himachal Pradesh and construction of factory buildings is in the final phase. The commercial production of two wheelers is expected to commence in the second half of 2006-2007. All approvals required in this connection have been obtained from various Government Agencies.

The company has also entered into a joint venture with a Columbian party for exploring opportunities in Columbian market with an equity investment of Rs.5 million.

The total investment for the above projects was met out of internal accruals and external commercial borrowings.

### 5. SUBSIDIARY COMPANIES

During the year under review TVS Motor Company (Europe) B.V. was incorporated in Netherlands as a wholly owned subsidiary of the company with an investment of Rs.91.63 crores in the share capital of the company. This company during the year invested in the equity capital of PT TVS Motor Company Indonesia and holds 75% of the total paid up equity capital of PT TVS Motor Company Indonesia.

TVS Motor Singapore Pte. Limited, Singapore became a wholly owned subsidiary of the company during the year with an investment of Rs.30.51 crores in the capital of the company. This company during the year invested in the equity capital of PT TVS Motor Company Indonesia and holds 25% of the total paid up equity capital of PT TVS Motor Company Indonesia.

PT TVS Motor Company Indonesia was incorporated in Indonesia to manufacture motorcycles and parts with an investment of US\$ 27.60 million and became subsidiary of the company in view of it being the subsidiary of TVS Motor Company (Europe) B.V.

The company's subsidiary PT TVS Motor Company Indonesia has acquired lands in Indonesia for setting up a facility for manufacturing two wheelers. Construction of building has commenced. The initial production capacity of the plant would be 1,20,000 vehicles per annum. The commercial production is expected to commence in the fourth quarter of 2006-2007.

As on date of this report, the following are the subsidiaries of the company:



Name of Company	Subsidiary of M/s
Sundaram Auto Components Limited	TVS Motor Company Limited
TVS Motor Singapore Pte. Limited	TVS Motor Company Limited
TVS Motor Company (Europe) B V	TVS Motor Company Limited
PT TVS Motor Company Indonesia	TVS Motor Company (Europe) B.V.

In terms of Accounting Standard 21 (AS 21) prescribed by the Institute of Chartered Accountants of India, the accounts of the subsidiaries are consolidated with the accounts of the company and the consolidated accounts form part of this report.

An application in terms of Section 212(8) of the Companies Act, 1956 was made to the Central Government, seeking exemption from attaching the Balance Sheet and Profit and Loss Account of the subsidiaries along with the report of the board of directors and that of the auditors' thereon, with the company's accounts. The accounts, reports and other documents of the subsidiary companies will be made available to the members and investors at any time upon receipt of a written request from them.

#### 6. DIRECTORS

Mr K S Bajpai, Mr N Ganga Ram and Mr C R Dua, directors, retire at the ensuing annual general meeting of the company and being eligible, offer themselves for re-appointment.

#### 7. AUDITORS

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

#### 8. 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.

The chairman and managing director and senior vice president – finance of the company have issued necessary certificate to the board in terms of Clause 49 (V) of the Listing Agreement with Stock Exchanges for the financial year ended 31<sup>st</sup> March 2006.

#### 9. 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, 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.

#### 10. ACKNOWLEDGEMENT

The directors gratefully acknowledge the continued support and co-operation received from the holding company i.e. Sundaram-Clayton Limited, Chennai. The directors thank the bankers, 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 also thank the investors for their continued faith and support to the company.

For and on behalf of the board

Chennai  
June 26, 2006

venu srinivasan  
Chairman



## Annexure I to directors' report to the shareholders

Information pursuant to section 217(1)(e) of the Companies Act, 1956

## A. CONSERVATION OF ENERGY

1. Measures taken
  - (i) Heat recovery hot water system has been extended to Plant I paint plant resulting in fuel savings.
  - (ii) SKO has been used as alternate fuel in place of LDO in paint plants.
  - (iii) Optimum air control system installed. This has resulted in reduction of compressor power consumption.
  - (iv) Continuous monitoring of energy consumption.

The above measures have resulted in a saving of Rs. 3 crores.

## 2. Proposed measures

- (i) Implementation of waste heat driven 250TR VAM AC and supply chilled water for the chiller application at the Mysore paint plants.
- (ii) Reduction of power consumption in electrical heaters of CPP by installing waste heat hot water heaters for fuel and oil heating at Hosur Plant.
- (iii) Implementation of waste heat recovery for the hot water baths at paint plant at Plant II.
- (iv) Implementation of other cost effective energy saving proposals on hand in Hosur and Mysore plants.

The above measures are expected to yield an annual saving of approximately Rs.2 crores.

## B. TECHNOLOGY ABSORPTION

1. Specific areas in which R & D is carried out by the Company:
  - (i) Design and develop variants of motorcycle for premium segment.
  - (ii) Design and develop variants of scooter for convenience segment.
  - (iii) Development of technologies like inductive ignition, inductive and exhaust resonators, etc. and their absorption into new products.
  - (iv) Development of new features like alloy wheels, canister shox, easy centre stand, utility box light etc. and their absorption into new products.

## 2. Future plan of action:

- (i) Development of new technologies for reducing emission, improving the fuel economy, ride comfort and safety.
- (ii) Development of new products with improved ride comfort and road safety.

3. Expenditure on R & D	Rs. in crores
Capital expenditure	12.82
Revenue expenditure	54.87
Expenditure pending allocation	8.39
Total	76.08
Total expenditure as a percentage of turnover	2.30%

4. Data relating to imported technology:  
(Technology imported during the last 5 years reckoned from the beginning of the financial year)

Nil

## C. FOREIGN EXCHANGE EARNINGS AND OUTFLOW

## 1. Export activities

The thrust on international business continues. International business has shown a growth of 62% over last year. The coverage has been widened and the company now exports to 38 countries in the world. The objective is to continue expanding international business and make it a significant proportion of the company's turnover.

## 2. Total foreign exchange earned and used

	Rs. in crores
Foreign exchange used	130.74
Foreign exchange earned	180.68

For and on behalf of the board

Chennai  
June 26, 2006

VENU SRINIVASAN  
Chairman

## Annexure II to directors' report to the shareholders

Particulars of employees as per Section 217(2A) of the Companies Act, 1956

Sl. No.	Name	Age (Yrs.)	Designation	Date of employment	Remuneration (Gross) Rs.	Qualification	Experience (Yrs.)	Previous employment
EMPLOYED THROUGHOUT THE YEAR								
1	Arvind Pangoonkar	61	General Manager - R & D	01.09.1987	28,02,043	D.M.E., A.M.I.E.	42	Member - R & D, Sundaram -Clayton Limited
2	Cecil Kanagaraj Dewars	57	Vice President - Corporate Communication	28.02.2001	31,46,269	B.A.	34	General Manager, Coca-Cola India Limited
3	Chandramouli R.	47	Sr. Vice President - Sales and Service	19.12.1988	46,73,377	B.E.(Agri.), P.G.D.B.M.	22	Asst. Manager - Sales, Escorts Limited
4	Devarajan S.	48	Sr. Vice President- Production Engineering	03.11.1997	48,64,615	B.E.(Mech.), P.G.D.B.A., M.B.A.	25	P.E.(Incharge), Delphi Automotive Systems
5	Dilip R.	42	Vice President - Sales	17.04.2002	29,72,861	B.A.	19	Sales Manager, Bhawan Automotive Centre, Muscat.
6	Goindhi H.S.	48	Sr. Vice President - International Business	29.01.2001	47,53,934	B.E., P.G.D.M.	23	General Manager (Sales and Marketing), Mahindra Holiday Resorts
7	Harne Vinay Chandrakant	47	Sr. Vice President - R & D	01.09.1987	51,64,308	B.E.(Mech.), M.Tech.	23	Member - R & D, Sundaram Clayton Limited
8	Dr. Jabez Dhinagar S.	42	Vice President - A.E.G.	17.06.2002	36,61,515	M.E.(Automobile Engg.) Ph.D.(Mech. Engg.)	14	Lead Designer, GE Transportation Systems Engineering Design and Development Centre
9	Capt. Jagadish S.C.	47	General Manager - Civil	25.10.1996	30,99,713	B.E.(Civil)	24	Asst. Manager - Civil, Motor Industries Company Limited
10	Jayaram N.	46	General Manager - R & D	05.11.1994	26,77,829	M.E., B.Tech.	21	Manager - Design, Hindustan Aeronautics Limited
11	Kovaichelvan V.	49	Sr. Vice President- HR & TQC	21.05.1984	45,43,927	B.E.	26	Engineer, Kunal Engineering Limited
12	Kulkarni P.V.	46	Vice President - Program	01.09.1987	39,70,091	B.E., M.Tech.	22	Executive - Product Planning, Sundaram - Clayton Limited
13	Mohammed Basha Sheik	49	General Manager - R & D	01.09.1987	31,83,070	B.Tech.(Mech.), M.Des.	23	Member - R & D, Sundaram - Clayton Limited
14	Murali S.G.	55	Sr. Vice President - Finance	15.07.2002	48,32,098	B.Com., A.C.A.	34	General Manager - Commercial, Hindustan Lever Limited
15	Muthuraj M.	50	Sr. Vice President- Operations	01.10.1984	48,27,095	D.M.E., B.Tech., M.S.	29	Asst. Engineer, Hindustan Brown Boveri Limited
16	Prasad Narasimhan	39	Vice President-Marketing	10.08.2004	46,74,149	B.E., P.G.D.M.(IIM-A)	16	Marketing Manager, Hindustan Lever Limited
17	Radhakrishnan K.N.*	43	Executive Vice President	15.09.2000	69,54,077	M.Tech. (Maint. Engg. and management)	20	General Manager (Business Planning), Sundaram - Clayton Limited
18	Rajagopalan S.	64	Vice President - Industrial Relations	04.09.1995	40,21,847	B.Com., L.L.B., P.G.D.B.M.	46	Personnel Manager, Coats Viyella (India) Limited
19	Rajagopalan T.S.	47	Vice President - Finance and Secretary	05.02.1991	37,65,285	B.Com., A.C.A., A.I.C.W.A., A.C.S., C.F.A., C.M.A.	22	Asst. Secretary, Lakshmi Auto Components Limited
20	Rajaraman N.	60	Vice President - Quality	01.10.1986	33,12,711	A.M.I.E., M.S.(Engg.)	39	Manager-Production, Productivity Elements Pvt. Limited
21	Ramachandra Babu Y.	50	General Manager - R & D	02.11.1984	32,34,025	B.Tech.(Auto), M.S.(Warwick)	26	Development Engineer, Enfield India Limited
22	Raman C.P.	65	President	01.02.1998	84,72,190	B.Tech.	45	Managing Director, Eveready Industries Limited
23	Sreedhar B.V.	51	General Manager - Service	08.02.1988	29,23,202	B.Sc., A.M.I.M.I.	27	Sales & Service Controller, Brooke Bond India Limited
24	Srinath B.K.	51	General Manager - Operations	01.08.1990	28,63,680	B.E.(Mech.)	27	Sr. Engineer - Planning, Motor Industries Company Limited
25	Srinivasan K.	47	Vice President - Sales and Service	10.09.1991	27,44,923	B.Sc.	26	Sr. Sales Manger, Usha International Limited
26	Varadarajan M.N.	47	Vice President - Materials	26.10.1983	37,92,009	B.Com., M.B.A., A.C.A., A.I.C.W.A., A.C.S.,	23	Accounts Officer, Dr. Lubrich Consultants Pvt. Limited
27	Venkatesan R.	47	General Manager- R & D	11.11.1988	28,21,924	B.Sc., B.Tech.	23	Asst. Manager - R & D, Majestic Auto Limited