

# TVS MOTOR COMPANY LIMITED



**Seventeenth Annual Report 2008-2009**

**Board of Directors**

venu srinivasan  
Chairman & Managing Director

H. LAKSHMANAN

T. KANNAN

C. R. DUA

K. S. BAJPAI

R. RAMAKRISHNAN

PRINCE ASIRVATHAM

**Audit Committee**

T. KANNAN

Chairman

C.R. DUA

R. RAMAKRISHNAN

PRINCE ASIRVATHAM

**Investors' Grievance Committee**

T. KANNAN

Chairman

venu srinivasan

R. RAMAKRISHNAN

**President & CEO**

K.N. RADHAKRISHNAN

**Executive Vice President - Finance**

S.G. MURALI

**Secretary**

K.S. SRINIVASAN

**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.

The National Stock Exchange of India Ltd., Mumbai.

**Share Transfer Agent**

Sundaram-Clayton Limited

New No. 22, Old No. 31

Railway Colony, 3rd Street,

Mehta Nagar, Chennai - 600 029.

Tel : 044 - 2374 1889, 2374 2939

Fax: 044 - 2374 1889

**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.

Tel : 044 - 2827 2233

Fax : 044 - 2825 7121

**Factories**

Post Box No. 4, Harita, Hosur - 635 109.

Tel : 04344 - 276780

Fax : 04344 - 276016

Post Box No. 1, Byathahalli village,

Kadakola Post, Mysore - 571 311.

Tel : 0821 - 2596560

Fax : 0821 - 2596530/2596533

Bhatian Village, Nalagarh Post & Taluk

Solan District - 174 101.

Himachal Pradesh

Tel : 01795 - 220494

Fax : 01795 - 220496

**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

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## Financial Highlights

Rupees in crores

DETAILS	2008-09	2007-08	2006-07	2005-06	2004-05
Sales and other income	3,741	3,310	3,921	3,306	2,955
Profit before interest, depreciation and tax	189	132	203	275	291
Profit before tax	31	35	91	168	200
Profit after tax	31	32	67	117	138
Net fixed assets	1,036	1,043	1,003	794	770
Share capital	24	24	24	24	24
Reserves and surplus	786	798	786	742	655
Networth	735	769	751	673	614
Total borrowings	906	666	634	385	187
Earnings per share (Rs.)	1.31	1.34	2.80	4.93	5.79
Dividend per share (Rs.)	0.70	0.70	0.85	1.30	1.30
Book value per share (Rs.)	30.63	32.04	31.29	28.04	25.58

## Notice to the Shareholders

**NOTICE** is hereby given that the seventeenth 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 17<sup>th</sup> August 2009, 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 2009 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 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.

3. 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.

4. 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

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

RESOLVED THAT Mr Prince Asirvatham be and is hereby appointed as a director of the Company, liable to retire by rotation.

By order of the board

Hosur  
June 26, 2009

K S SRINIVASAN  
Secretary

Registered Office:  
"Jayalakshmi Estates"  
29, 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 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 5 days from 2<sup>nd</sup> July 2009 to 6<sup>th</sup> July 2009 (both days inclusive) for the purpose of payment of interim dividend declared by the board of directors on 26<sup>th</sup> June 2009.

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 Investors 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 in respect of the above period are requested to make their claim(s) 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 proxy form and hand over the slip at the entrance of the meeting hall.

9. In terms of clause 49(IV)(G) of the Listing Agreement with the Stock Exchanges, a brief resume of directors, who are proposed to be re-appointed / appointed in this meeting, nature of their expertise in specific functional areas, their other directorships and committee memberships, their shareholdings and relationships with other directors of the Company, are given below:

## I. Mr C R Dua

Born on 3<sup>rd</sup> November 1951, Mr C R Dua is the founder of Dua Associates, which is one of the prominent law firms in India with presence in eight cities namely Delhi, Gurgaon, Mumbai, Chennai, Bangalore, Pune, Hyderabad and Chandigarh. Mr Dua has successfully established and developed the firm which has the ability to focus on client requirements with service from various speciality practice groups within the organization and across offices.

Today Dua Associates has over two hundred professionals including fifty partners and counsel and a total strength in excess of three hundred people. For almost a quarter century, Dua Associates has provided a broad range of legal, consulting and now legal process services to a diverse Indian and international clientele, including private and listed companies, government agencies, Fortune 500 companies and readily recognisable brand names from the U.S., Europe, Japan and ASEAN.

Mr Dua, therefore, perforce has a vast breadth of experience in the fields of corporate law, mergers and acquisitions, privatizations, project finance, public issues, entry strategies, foreign investment, corporate structuring / restructuring, infrastructure projects and commercial aspects of doing business in India. He has been actively involved in the process of regulatory reforms in India consistent with India's multilateral trade policy commitments. He has advised clients ranging from Fortune 500 companies to closely held and privately owned Indian and foreign companies, public sector undertakings, listed companies, government companies, banks, international funding institutions and other financial institutions in India. He also sits on the boards and audit committees of listed Indian companies and Indian subsidiaries of multinational clients.

In the early 1990s, Mr Dua took the initiative to establish Dua Consulting, an organization which specialises in, and has assisted its various multinational and domestic clients in the areas of public policy and regulatory affairs, corporate finance, technological and physical security and strategic international advisory services. The members of the consulting practice have all attained national and international recognition and prominence in their respective fields based on experience and integrity.

Mr Dua sits as a Senior Advisor to McLarty Associates, the Washington-based international strategic advisory firm.

Mr Dua has been 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 is a founder member of the American Chamber of Commerce in India and pursues philanthropic interests by participating as a Trustee in organizations engaged in education, welfare and cultural activities.

An honours graduate of St. Stephen's College, Mr Dua holds a Masters Degree in Economics from the Delhi School of Economics and a law degree from the Faculty of Law, University of Delhi.

He was co-opted as a director of the Company on 27<sup>th</sup> December 2001.

He is a member of the audit committee of directors of the Company. He does not hold any share in the Company and he is not related to any other directors of the Company. Details of his other directorships and membership/chairmanship of committees are given below:

S. No.	Name of the Company	Position held	Committee membership/ chairmanship
1.	Cabot India Limited	Director	Member – Audit Committee
2.	Gillette India Limited	Director	Chairman – Audit Committee Member – Remuneration Committee
3.	House of Pearl Fashions Limited	Director	—
4.	Vodafone Essar Limited	Director	—
5.	Wimco Limited	Director	Member – Audit Committee
6.	Alcoa India Private Limited	Director	—
7.	Amit Investments Pvt.Ltd.	Director	—
8.	Associated Corporate Consultants (India) Pvt.Ltd.	Director	—
9.	Becton Dickinson India Private Limited	Director	—
10.	CCRI Exploration Private Limited	Director	—
11.	ELCA Cosmetics Private Limited	Director	—
12.	Emerson Process Management Power & Water Solutions India Private Limited	Director	—
13.	Fila Sport India Private Limited	Director	—
14.	Inapex Private Limited	Director	—
15.	Land Minerals Exploration Private Limited	Director	—
16.	LexSphere Private Limited	Director	—
17.	Linde Engineering India Pvt.Ltd.	Director	—
18.	McCann-Erickson (India) Pvt.Ltd.	Alternate Director	—
19.	McDonald's India Private Limited	Director	—
20.	Newfound Exploration Private Limited	Director	—
21.	Polaroid India Private Limited	Director	—
22.	Result Services Pvt.Ltd.	Director	—
23.	Stanley Works (India) Private Limited	Director	—
24.	Tupperware India Private Limited	Director	—
25.	UL India Private Limited	Director	—
26.	Universal Weather & Aviation India Pvt.Ltd.	Director	—
27.	Sella Synergy India Pvt. Ltd.,	Director	—
28.	Timex Group India Ltd.,	Alternate Director	—

## II. Mr T Kannan

Born on 9<sup>th</sup> May 1953, Mr T Kannan is a graduate in business administration from the Madurai University. He is connected with a number of organisations related to industry, education and charity. He was co-opted as a director of the Company on 27<sup>th</sup> January 2000.

He has a wide range of experience in textile industry. He is the past chairman of The Cotton Textile Export Promotion

Council, Mumbai. He is also the past Chairman of The South India Mills' Association during 1990-92.

He is the past Chairman of Confederation of Indian Industry, Southern Region, Chennai.

He is also a leading Educationalist, President of Thiagarajar College, Madurai, Chairman & Correspondent of Thiagarajar College of Engineering, Thirupparankundram, Madurai.

He is the past member of Tamil Nadu State Council for Higher Education.

He is a member of High Level Advisory Committee to ensure better administration in temples under the control of Hindu Religious and Charitable Endowments Department, Government of Tamilnadu.

He is the Chairman of Board of Trustees, Arulmigu Meenakshi Sundareswarar Thirukoil, Madurai.

He is a member of Tamilnadu State Planning Commission and Tamilnadu Chamber of Commerce & Industry, Madurai.

He is a member of the Cotton Textiles Export Promotion Council and Confederation of Indian Textile Industry.

He is the chairman of the audit committee and investors' grievance committee of the Company. He is holding 65,590 equity shares in the Company and he is not related to any other directors of the Company. Details of his other directorships / membership of committees are given below:

S. No.	Name of the Company	Position held	Committee membership/ chairmanship
1.	Thiagarajar Mills Private Limited	Managing Director	—
2.	VTM Limited	Chairman and Director	Member – Share Transfer, Demat and Shareholders Grievance Committee
3.	Sundaram Textiles Limited	Director	—
4.	Colour Yarns Limited	Director	—
5.	Sundaram Brake Linings Limited	Director	Member – Audit Committee Member – Investors' Grievance Committee
6.	SIMA Textile Processing Centre Limited	Director	—

### III. Mr Prince Asirvatham

Born on 1<sup>st</sup> May, 1949, Mr Prince Asirvatham is a former Group Treasurer & Head of Mergers & Acquisitions. In a distinguished career with Hindustan Lever Ltd. and Unilever plc, he set up a world class treasury in India managing over Rs. 3000 crores in cash investments and Rs. 2000 crores in foreign currencies. He partnered Unilever globally in the design and implementation of the corporate risk assurance and governance process covering group companies in Africa, Asia and South America.

He set up in 2000 the first Investors' relations function in India's largest corporate by market capitalization and has received several awards in India and Asia from the investing community. He was actively involved in over 25 acquisitions and disposals, which include India's first commercial privatization, setting a benchmark for future divestments by the government.

He is a Fellow of the Institute of Chartered Accountants of India. He has presented several papers ranging from "A case for the change of information in Published Accounts" to "Value Addition in Process Based Organizations." He is a coach in business finance and risk management and has developed a widely used computer based business game to identify leadership competencies in the areas of strategic thinking and its execution.

He founded a practice "Checks and Balances" in 2003 to promote good governance and is engaged in preparing prospective directors to balance risk and return in the context of business ethics and civic responsibility. He consults on Corporate Risk Assurance Systems and the Due Diligence Process. He is based at Bangalore where he enjoys working with non-profit organizations associated with uplifting less privileged children.

He is a member of the audit committee of the Company. He is holding 2,300 equity shares in the Company and he is not related to any other directors of the Company. Details of his other directorships / membership of committees are given below:

S. No.	Name of the Company	Position held	Committee membership/ chairmanship
1.	Gokaldas Exports Limited	Director	Chairman – Audit Committee
2.	Guardian Risk Advisors Private Limited	Promoter Director	—

### 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 26<sup>th</sup> June 2009 and shall be taken as forming part of the notice.

#### Item No.5

Mr Prince Asirvatham was appointed as an additional director of the Company with effect from 21<sup>st</sup> April 2009. In terms of Section 260 of the Companies Act, 1956, Mr Prince Asirvatham holds office only upto the date of this annual general meeting.

A notice has been received from a member of the Company under Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- signifying the intention to propose the candidature of Mr Prince Asirvatham and to move the resolution set out in Item No. 5 of this notice.

None of the directors, except Mr Prince Asirvatham, is deemed to be concerned or interested in the resolution.

The directors recommend the resolution to be approved as an ordinary resolution by the Shareholders.

By order of the board

Hosur,  
June 26, 2009

K S SRINIVASAN  
Secretary

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



## Directors' report to the Shareholders

The directors have pleasure in presenting the seventeenth annual report and the audited accounts for the year ended 31<sup>st</sup> March 2009.

### 1. FINANCIAL HIGHLIGHTS

Details	Year ended 31.03.2009	Year ended 31.03.2008
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#### QUANTITATIVE

(Numbers in lakhs)

##### Sales:

Motorcycles	6.44	6.10
Mopeds	4.38	4.09
Scooters	2.59	2.58
Three wheelers	0.04	—
<b>Total vehicles sold</b>	<b>13.45</b>	<b>12.77</b>

#### FINANCIAL

(Rupees in crores)

Sales (net of excise duty) and other income	3,741.18	3,310.35
EBITDA	188.99	132.15
Interest and finance charges (net)*	55.01	2.19
Depreciation	102.88	94.59
Profit before tax	31.10	35.37
Provision for tax (including deferred tax and fringe benefit tax)	0.02	3.60
Profit for the year (after tax)	31.08	31.77
Surplus brought forward	31.40	29.09
Profit available for appropriation	62.48	60.86
<b>APPROPRIATIONS:</b>		
Interim dividend	16.63	—
Proposed dividend	—	16.63
Tax on dividend	2.83	2.83
Transfer to general reserve	10.00	10.00
Surplus carried forward	33.02	31.40

\* Interest cost of Rs.2.19 crores of 2007-08 is net of gain of Rs. 26.85 crores on restatement of foreign currency loans and deposit held outside India in foreign currency.

### 2. DIVIDEND

The board of directors of the Company at their meeting held on 26<sup>th</sup> June 2009 have declared an interim dividend of Re.0.70 per share for the year 2008-09 absorbing a sum of Rs. 19.46 crores, including dividend distribution tax.

The board of directors of the Company do not recommend any further dividend for the year under consideration and the interim dividend paid amounting to Rs. 16.63 crores, be considered as the final dividend for the year 2008-09.

### 3. PERFORMANCE

During the year 2008-09, the Company recorded a growth of 5% in two wheeler sales in line with the industry growth of 5%. The growth was mainly triggered by an increase of 6% in motorcycle sales and 7% in the sale of mopeds. Exports continued to be a focus area with the Company recording an impressive growth of 44%. The launch of Scooty Streak, a tough and stylish variant of Scooty Pep+ and Apache RTR RD, in the premium motorcycle segment strengthened the portfolio of the Company. The Company proposes to re-launch TVS Flame with improved performance to gain market share in the motorcycle category.

The Company launched its 2 stroke three wheeler in Petrol/ CNG / LPG variants.

The escalation in the input cost especially in the first half of the year affected the margins. The Company pursued aggressively the cost reduction projects to partially neutralize the cost increase.

During the year, the turnover increased from Rs. 3,310 crores to Rs. 3,741 crores. The Profit After Tax (PAT) was marginally lower at Rs. 31.08 crores compared to previous year PAT of Rs. 31.77 crores.

The Company is looking forward to consolidate its position in the two wheeler segment further with the proposed launch of a new motorcycle and a new scooter in the second half of 2009-10. The proposed launch of four stroke three wheeler will also help the Company to gain share in the profitable three wheeler category.

### 4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

During 2008-09, two wheeler industry grew by 5% with the sale of 8.4 million units. The recent financial crisis, reduced liquidity, lower economic growth and restricted availability of retail finance had a negative impact on the Indian two-wheeler industry, especially in the third quarter of 2008-09. However, the situation improved marginally in Q4 post the fiscal and monetary interventions by Government of India.

The Company recorded a growth of 5% in two wheeler sales. This was aided by an impressive 44% growth in exports. The launches of Scooty Streak, a tough and trendy variant of Scooty Pep+ and Apache RTR RD, premium segment motorcycle offering incomparable performance, have reinforced the Company's significant position in the ungeared scooter and the premium motorcycle categories. During the year, the Company launched its three wheeler, TVS King in six states and acquired a market share of 5%. TVS NEO, a bebek exclusively developed for the Indonesian market for the subsidiary PT. TVS Motor Company Indonesia, has gained notable acceptance in the highly

competitive Indonesian market with its superior style design and quality. Parts business grew by 11%.

The Company achieved annual two wheeler sales of 1.34 million numbers, a growth of 5% from 1.28 million numbers sold in the previous year. The turnover increased from Rs. 3,310 crores to Rs. 3,741 crores. The profit after tax (PAT) of Rs. 31.08 crores for the year was marginally lower than the previous year's PAT of Rs. 31.77 crores due to increase in interest & finance charges and cost of raw materials and components especially in the first half of the year.

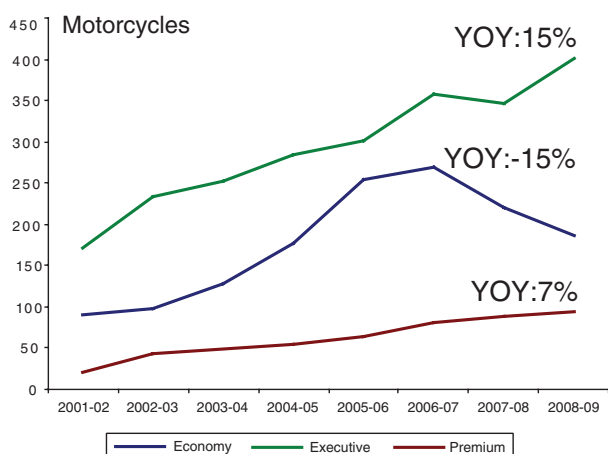
The Company is looking forward to consolidate its position in the executive motorcycle segment with introduction of new model motorcycle coupled with the re-launch of "Flame". The Company further plans to launch more new products and also aims to increase its reach in the unrepresented towns of the country.

## INDUSTRY STRUCTURE AND DEVELOPMENTS

The two wheeler industry has been on a strong growth trajectory in the past years. Easy availability of retail finance with low down payment schemes, increasing household incomes and launch of more stylish and fuel-efficient motorcycles, had enabled the industry to grow at a rapid pace till 2006-07. After a decline of 4.5% during 2007-08, the two wheeler industry grew by a modest 5% during 2008-09.

Domestic motorcycle sales marginally grew by 1% while exports recorded a growth of 24%. Ungeared scooters, which are less dependent on retail finance, registered a growth of 12% and mopeds grew marginally by 2%.

In the motorcycle category, the Economy segment suffered maximum decline of 15%, as this segment is most sensitive to retail finance. The Executive segment increased by 15% aided by launch of new products by leading manufacturers. Premium segment recorded a growth of 7% over the previous year. The category share of motorcycles came down marginally from 82% in 2007-08 to 81% in 2008-09.



Ungeared scooters grew at 12% as compared to 16% in the previous year, increasing its category share to 14%.

Mopeds grew at 2% as compared to 10% of previous year and maintained its category share of 5%.

Particulars	2007-08			2008-09		
	Sales in mn	Growth in %	Category share	Sales in mn	Growth in %	Category share
Motorcycles	6.54	-8%	82%	6.79	4%	81%
Ungeared scooters	1.01	16%	13%	1.15	12%	14%
Mopeds	0.43	10%	5%	0.45	2%	5%
Total two wheelers	7.98	-5%	100%	8.39	5%	100%

However, in the long term, the growing population, increased level of economic activity, increasing women workforce, rising trend in self-employment, emergence of satellite towns and growth in rural economy will lead to higher growth in the industry. The current penetration levels of two wheelers in the country is still low at 7%, which offers considerable scope for growth.

## BUSINESS OUTLOOK AND OVERVIEW

In 2008-09, the global financial crisis considerably affected the Indian economy, which grew only at 6.7%. This is substantially lower than the previous year's growth of 9%. Agriculture continued to grow at a moderate pace of 1.6%. During 2009-10, GDP growth is expected to be lower, especially in the first half. The reduced availability of retail finance in small towns and rural markets will continue to dampen the sentiments of two wheeler industry. Consequently, the motorcycle segment is expected to remain flat during 2009-10. Ungeared scooter segment and mopeds, which are less dependent on retail finance, are estimated to grow at 15% and 5% respectively.

## COMPANY PERFORMANCE

### New Product Launches and Initiatives

During the year 2008-09, the following significant variants were launched.



#### Scooty Streak

TVS Scooty Streak comes with a smart and sleek unisex styling. The sharp head lamps, LED tail-lamps and contemporary styling takes the Scooty Streak into a different league making it the most stylish scooter for young girls. The LiTech engine makes the Scooty Streak light, zippy and the most fuel efficient scooter in its class.



#### Apache RTR RD

The Apache RTR 160 RD comes with a factory fitted 200mm Rear Petal Disc Brake. With this, the Apache RTR adds a new performance dimension offering incomparable braking, thereby matching the aspirations of the youth of today for a fast, muscular, powerful and yet, totally safe two wheeler.





### **TVS Tru4 Oil**

TVS Tru4, indigenously developed oil by the Company in association with BPCL, is poised to become a global brand with initial exports to Sri Lanka and Indonesia. This oil is specifically designed for improving the engine performance significantly.

### **Motorcycles**

In this category, the Company witnessed a growth of 6% during 2008-09. Sales of TVS Apache grew by 17%, while sales of TVS StaR remained at the same level, despite a steep decline of 15% in the Economy segment. TVS Flame, launched during April 2008, did not generate expected excitement in the market. The product is being re-launched in 2009-10 with additional features and better performance.

Litigation on usage of twin spark plug in TVS Flame is before the Hon'ble Supreme Court. Pending final hearing of the appeals filed by Bajaj, Hon'ble Supreme Court has ruled that the Company is not restrained from manufacturing products with twin spark plug, but marketing of it will be subject to the final decision of the Hon'ble Supreme Court.

### **Ungeared scooters**

Scooty Pep+ continues to be a significant player in sub-100cc market. However, the overall market share declined in this category by 3% from 29% to 26%. The Company launched Scooty Streak, a tough and trendy variant of Scooty Pep+ to address this concern. The product is well accepted in the market. The Company plans to launch a new model scooter in 2009-10 to the 100cc segment.

### **Mopeds**

Focused efforts in non-southern states helped the Company to step up sales of mopeds by 7% during the year. Sales in non-southern states now constitute 17% of the total sales.

### **International Business**

In 2008-09, export business saw steep growth of 44% from 1.36 lakh numbers in 2007-08 to 1.95 lakh numbers in 2008-09. Turnover grew by 62%, due to improved product mix and better realization.

### **Three Wheeler Operations**

The three wheeler passenger segment remained flat during 2008-09 at 2.30 lakh numbers. Domestic market declined by 4% to 0.89 lakh numbers while export market marginally grew by 3% at 1.41 lakh numbers.

During the year, the Company completed first full year of operation of three wheelers. As the product was new, it was decided to test in a small market and then expand. TVS King has been accepted well in the market. The first consignment was exported to Burundi in January 2009. There has been a

delay in the launch of 4 stroke three wheeler and it is expected to be launched by July 2009. The Company ended 2008-09 with a market share of 5% in the passenger auto segment.

### **OPPORTUNITIES AND THREATS**

Growth in two wheeler demand would come mainly from rising population in relevant age and income groups, and increasing use of personal transport.

The "StaR" brand stands to gain from this factor, though the current retail finance situation may hinder its growth in the current year.

"Apache RTR" is gaining popularity with the younger male population. To keep these customers who are very conscious about style and performance, frequent refreshes and upgrades are required. The Company will launch an upgraded Apache RTR to enhance its presence in this segment.

The Executive segment accounts for over 40% of the motorcycle category. The Company is under-represented in this segment. The refresh of TVS Flame and a new motorcycle planned for launch in the second half of 2009-10 will help the Company to leverage this opportunity.

The Company has a strong presence in the sub-100cc ungeared scooter segment. However, the Company is currently absent in the large scooter format, which accounts for 70% of the total ungeared scooters. The Company plans to launch a new product during the second half of 2009-10 to target these customers.

Emergence of electric scooters, especially in the context of rising fuel prices, provides a new avenue of growth.

### **OPERATIONS REVIEW**

#### **Quality**

The Company has significantly improved quality of all its products through a systematic task force approach.

#### **Total Quality Management (TQM)**

The Company has been using the philosophies of TQM as the corner stone of its management. It has continued to benefit from 100% participation of employees in TQM activities for the third year in succession. The employees have completed more than 1,300 projects through QC Circles and Cross Functional Teams. Last year, the Company had carried out 'Theme based suggestions' to improve the effectiveness. Overall during 2008-09, the Company was able to achieve an average of 40 suggestions per employee.

#### **Cost management**

The Company continues its rigour on costs through an effective deployment system. Value engineering exercise and aggressive global sourcing projects are being pursued, to reduce material cost to improve the profitability.

### Research and development

The Company's R&D team has a strong technical talent pool, capable of developing new and innovative styles and designs. It also has state-of-the-art facilities for engine testing, Noise Vibration & Harshness (NVH) measurements and life testing. R&D team has developed capability to launch products with excellent fit and finish. R&D developed and launched a motorcycle with electronic fuel injection (EFI) technology. At present, more than 480 engineers are working on the development of new products and in other advanced areas of technology. The Company continues to work with leading technological research laboratories and institutions in the world.

The Company's R&D is cognizant of 2010 emission norms and is focused on ensuring complete compliance of all its products. The Company is also working on development of fuel-efficient technologies and alternate fuel technologies to take care of emerging needs of the consumers and environment. R&D has demonstrated its creativity by developing innovative features to meet customers' latent needs.

The Company has applied for over 320 patents and its R&D team has published 50 technical papers in national and international conferences.

In addition to the requirements of domestic markets, the R&D team has developed products for ASEAN markets, as well as three wheelers. R&D team has developed product variants, to address specific requirements of export markets.

### Information technology

The Company has been using an integrated ERP system, to connect all the business processes. The Company has also implemented Product Lifecycle Management system to digitize the new product development process and this solution helps in faster introduction of new products into market.

During the year, several business processes were automated to enhance productivity and improve transparency. Suppliers' product inspection information has been made online and this helps in improving product quality and reliability. IT-enabled project on product traceability has been introduced.

Several dashboards were provided to operating managers across all levels using business intelligence tools. Also during the year, the Company implemented in-house developed data acquisition system to capture information on process parameters and facility to capture Overall Equipment Effectiveness (OEE) of manufacturing cells.

On the information security front, Data Leakage Prevention has been introduced. This has improved information security amongst the users.

### Financial Performance

The Company's financial performance for the year 2008-09 as compared to the previous year is furnished, in the following table:

Particulars	Year 2008-09		Year 2007-08	
	Rs in crores	%	Rs in crores	%
<b>Sales:</b>				
Motorcycles	1,899.72	50.8	1,706.54	51.6
Mopeds	707.34	18.9	617.54	18.7
Scooters	664.81	17.8	613.18	18.5
Spares and accessories	363.93	9.7	281.49	8.5
Three Wheelers	35.12	0.9	0.75	-
Other income	70.26	1.9	90.85	2.7
<b>Total Revenue</b>	<b>3,741.18</b>	<b>100.0</b>	<b>3,310.35</b>	<b>100.0</b>
Raw Material consumed	2,783.39	74.4	2,445.51	73.9
Staff cost	204.52	5.5	176.37	5.3
Stores and tools consumed	30.70	0.8	29.80	0.9
Power and fuel	46.25	1.2	41.79	1.2
Repairs and maintenance	34.09	0.9	31.46	0.9
Packing and freight charges	116.82	3.1	93.47	2.8
Advertisement and publicity	91.82	2.5	104.37	3.2
Other expenses	244.60	6.5	255.43	7.7
Interest & Finance charges (net) *	55.01	1.5	2.19	0.1
Depreciation	102.88	2.8	94.59	2.9
<b>Total Expenditure</b>	<b>3,710.08</b>	<b>99.2</b>	<b>3,274.98</b>	<b>98.9</b>
<b>Profit before tax</b>	<b>31.10</b>	<b>0.8</b>	<b>35.37</b>	<b>1.1</b>
Provision for tax (incl. deferred tax)	0.02	-	3.60	0.1
<b>Profit after tax</b>	<b>31.08</b>	<b>0.8</b>	<b>31.77</b>	<b>1.0</b>

\* Rs. 2.19 crores of 2007-08 is net of gain of Rs. 26.85 crores on restatement of foreign currency loans and deposit held outside India in foreign currency.

Some of the key ratios for the current year are furnished below:

Description	UOM	2008-09	2007-08
EBITDA / turnover	%	5.1	4.1
Profit before tax / turnover	%	0.8	1.1
Return on capital employed	%	5.2	2.8
Return on net worth	%	4.1	4.1
Earnings per share at a face value of Re 1 per share	Rs	1.3	1.3