

TVS MOTOR COMPANY LIMITED

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,
New No.4, (Old No.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.

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,
Greams 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.
Tamilnadu, India.
Tel : 044 - 2827 2233
Fax : 044 - 2825 7121

Factories

Post Box No. 4, Harita, Hosur - 635 109.
Tamilnadu, India.
Tel : 04344 - 276780
Fax : 04344 - 276016

Post Box No. 1, Byathahalli village,
Kadakola Post, Mysore - 571 311.
Karnataka, India.
Tel : 0821 - 2596560
Fax : 0821 - 2596530/2596533

Bhatian Village, Nalagarh Post & Taluk
Solan District - 174 101.
Himachal Pradesh, India.
Tel : 01795 - 220494
Fax : 01795 - 220496
website : www.tvsmotor.in

Subsidiary Companies

Sundaram Auto Components Limited, Chennai
TVS Energy 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	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Sales and other income	4,485	3,741	3,310	3,921	3,306	2,955
Profit before interest, depreciation and tax	242	189	132	203	275	291
Profit before tax	76	31	35	91	168	200
Profit after tax	88	31	32	67	117	138
Net fixed assets	983	1,036	1,043	1,003	794	770
Share capital	24	24	24	24	24	24
Reserves and surplus	842	786	798	786	742	655
Networth	835	735	769	751	673	614
Total borrowings	1003	906	666	634	385	187
Earnings per share (Rs.)	3.71	1.31	1.34	2.80	4.93	5.79
Dividend per share (Rs.)	1.20	0.70	0.70	0.85	1.30	1.30
Book value per share (Rs.)	34.79	30.63	32.04	31.29	28.04	25.58

Notice to the Shareholders

NOTICE is hereby given that the eighteenth annual general meeting of the Company will be held at 'Sathguru Gnanananda Hall', Naradha Gana Sabha Trust, No. 314, T.T.K. Road, Chennai 600 018 on Wednesday, the 8th day of September 2010, at 10.00 A.M to transact the following business:

ORDINARY BUSINESS

1. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:
RESOLVED THAT the audited balance sheet as at 31st March 2010 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 H Lakshmanan, 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 R Ramakrishnan, 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 M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai, having the firm registration no. 004207S issued by The Institute of Chartered Accountants of India, 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 subject to the provisions of Sections 198, 269 read with Schedule XIII, 309, 310, 316(2), 317 and other applicable provisions, if any, of the Companies Act, 1956 (the Act), (including any statutory modification or re-enactment thereof, for the time being in force), approval of the Company be and is hereby accorded for re-appointment of Mr Venu Srinivasan as chairman and managing director of the Company for a further period of five years from 24th April 2010 on a remuneration payable by way of a commission not exceeding 5% of the net profits of the Company, computed in accordance with the provisions of Section 349 of the Act and as determined by the board or a committee thereof for each financial year within the maximum permissible limit, notwithstanding his holding the position of a managing director in the holding Company,

namely Sundaram-Clayton Limited (SCL) and drawing remuneration as approved by its shareholders, from time to time, provided that the total remuneration drawn by him from the Company and SCL does not exceed the higher maximum limit admissible from any one of these companies, in terms of Section III of Part II of Schedule XIII of the Act.

RESOLVED FURTHER THAT Mr Venu Srinivasan as chairman and managing director shall be subject to the superintendence, control and direction of the board and shall have all the powers and duties as set out in the board resolution dated 24th April 2000 and such other powers as may be vested in him, from time to time.

By order of the board

Bengaluru
July 21, 2010

K.S. SRINIVASAN
Secretary

Registered Office:
"Jayalakshmi Estates"
29 (Old No. 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 notarially certified copy of that power of attorney or other 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 28th July 2010 to 30th July 2010 (both days inclusive) for the purpose of payment of second interim dividend declared by the board of directors at their meeting held on 21st July 2010.
- 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 on due dates to the Investor Education and Protection Fund (IEPF), established by the Central Government. 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 periods 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 dematerialize the shares to avail the benefits of electronic holding / trading.

- 6) Members are requested to notify any change in their address to the Company immediately. Members holding shares in electronic form 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 in this meeting, nature of their expertise in specific functional areas, their other directorships and committee memberships, their shareholdings and relationships between directors *inter se* are given below:

I. Mr Venu Srinivasan

Born on 11th December 1952, Mr Venu Srinivasan is a Bachelor of Engineering from Madras University and holds M.S degree in Management from Purdue University, U.S.A. Mr Venu Srinivasan has been associated with CII for nearly 18 years in various capacities. He was the President of CII during the financial year 2009-2010.

Mr Venu Srinivasan has been conferred in January 2010 'Padma Shri', a prestigious adoration by Government of India in appreciation of his significant contribution for the promotion of trade and industry. He also received the distinguished civilian honour "Order of Diplomatic Service Merit" from the President of the Republic of Korea in the year 2010 in recognition of his valuable contribution in promoting Korea-India bilateral relations.

He was also conferred the honorary doctorate degree in science by the University of Warwick, UK in the year 2004 for his excellence in manufacturing and contribution in the field of technology and research and development. He is the first Indian industrialist to be honoured by the Warwick University. He has been conferred with the highest honour, Doctor of Science (Honoris Causa) for his outstanding contribution to the field of Quality Movement and Manufacturing Excellence in India by IIT Kharagpur in the year 2009.

Mr Venu Srinivasan has been appointed as Vice Chairman of State Manufacturing Competitiveness Council by the Government of Tamil Nadu. He has also been appointed by the President of India as Chairman of the re-constituted board of governors of National Institute of Fashion Technology. He is an Honorary Consul General of Republic of Korea in Chennai.

He is a member of:

1. Prime Minister's Council on Trade and Industry;
2. Prime Minister's National Integration Council; and
3. Prime Minister's Scientific Advisory Council

He was the past President of Automotive Research Association of India, Pune, Society of Indian Automobile Manufacturers and Association of Indian Automobile Manufacturers, Delhi.

Mr Venu Srinivasan is the managing director of the Company

from 1986. Since July 2002, he has been the chairman and managing director of the Company. He has also been serving as the managing director of Sundaram-Clayton Limited since May 1979.

Mr Venu Srinivasan was re-appointed as chairman and managing director of the Company, effective 24th April 2010 by the board at its meeting held on 21st April 2010 on such terms and conditions to be approved by the shareholders at the ensuing annual general meeting of the Company. He is a member of the administrative committee and investors' grievance committee of directors of the Company.

He is holding 11,60,000 equity shares in the Company and he is not related to any other director of the Company.

Details of his other directorships and memberships/ chairmanships of committees are given below:

S. No.	Name of the Company	Position held	Committee memberships/ chairmanships
1.	Sundaram-Clayton Limited	Managing Director	(a) Member - Investors' Grievance Committee (b) Member- Administrative Committee
2.	Harita - NTI Limited	Chairman	(a) Chairman - Audit Committee. (b) Member - Remuneration Committee
3.	Lucas -TVS Limited	Director	-
4.	T V Sundram Iyengar & Sons Limited	Director	Member - Audit Committee
5.	Sundaram Textiles Limited	Director	-
6.	Southern Roadways Limited	Director	-
7.	Sundram Fasteners Limited	Director	-
8.	Cummins India Limited	Director	(a) Chairman- Compensation and Management Development Committee (b) Member- Operations Committee
9.	Sundram Non-Conventional Energy Systems Limited	Director	-
10.	TVS Investments Limited	Director	-
11.	TATA Coffee Limited	Director	-
12.	Oriental Hotels Limited	Director	-
13.	TVS Energy Limited	Director	Member - Audit Committee
14.	TVS Credit Services Limited	Chairman	-
15.	TVS Lanka (Private) Limited	Director	-
16.	TVS Motor (Singapore) Pte Limited	Director	-
17.	TVS Motor Harita Employees Welfare Foundation Private Limited	Director	-

II. 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.

He is holding 28,435 equity shares in the Company and he is not related to any other directors of the Company. Details of his other directorships and memberships/chairmanships of committees are given below:

S. No.	Name of the Company	Position held	Committee memberships/ chairmanships
1.	Harita Seating Systems Limited	Chairman	(a)Chairman-Audit Committee (b)Chairman-Investors' Grievance Committee
2.	Anusha Investments Limited	Whole-time Director	Member - Audit Committee
3.	Sundaram Auto Components Ltd	Chairman	Chairman - Audit Committee
4.	TVS Electronics Limited	Director	(a)Member - Audit Committee (b)Member - Investors' Grievance Committee
5.	TVS Finance and Services Limited	Director	Member - Audit Committee
6.	TVS Investments Limited	Director	Chairman - Audit Committee
7.	TVS Capital Funds Limited	Director	–
8.	Harita- NTI Limited	Director	–
9.	Harita Techserv Limited	Director	Chairman - Audit Committee
10.	TVS Motor Services Limited	Director	–
11.	Harita Fehrer Limited	Director	Member - Audit committee
12.	TVS Energy Limited	Director	–
13.	TVS Housing Limited	Director	–
14.	TVS Motor (Singapore) Pte Limited	Director	–
15.	TVS Motor Company (Europe) B.V, Netherlands	Director	–
16.	PT.TVS Motor Company Indonesia	Commissioner	–
17.	Harita Properties Private Limited	Director	–
18.	Harita Interiors Private Limited	Director	–
19.	TVS Motor Harita Employees Welfare Foundation Private Limited	Director	–
20.	Harita Srinivasa Educational Foundation Private Limited	Director	–

III. Mr R Ramakrishnan

Born on 26th March 1946, Mr R Ramakrishnan, is a Graduate in Commerce and holds a Master degree in Economics. He stood first in the University and was a Gold Medalist. Mr Ramakrishnan joined Indian Express Group of newspapers in 1965 where he rose to become its Chief Executive till he was elected to Parliament (Rajya Sabha) in 1980.

He was appointed as Sherriff of Madras in 1974-75. He enjoys the distinction of having been invited to address the 40th General Assembly of United Nations in 1985. He was a member of several Parliamentary Committees including the prestigious COPU (Committee of Public Undertakings), Joint Select Committee of Chit Funds etc. He was also a member of the Press Council of India for two terms and also Coffee Board of India (2 terms) and he represented India at the World Coffee Conference held in September 2005.

He was appointed as Governing Council Member of the Rajaji Institute of Public Affairs and Administration by the President of India and was also the Chairman of Sir C P Ramaswamy Aiyer Educational Trust.

He was the Chairman of Madras Race Club and he still continues to serve in the Committee of Madras Race Club. He had been the Governor for Rotary Club of Rotary District 3230, (the largest District in India extending from Hosur, Chennai to Vedaranyam (Sri Lankan Coast). He is a recipient of several awards including the highest Rotary **"Service Above Self"**.

He is holding 45,000 equity shares in the Company and he is not related to any other director of the Company in terms of the Companies Act, 1956. Details of his other directorships / memberships / chairmanships of committees are given below:

S. No.	Name of the Company	Position held	Committee memberships/ chairmanships
1.	Madras Race Club	Director	–
2.	Ennore Coke Limited	Director	Chairman - Audit Committee
3.	TVS Credit Services Limited	Director	a) Member - Audit Committee b) Member - Remuneration Committee
4.	Swetha Enterprises (P) Limited	Director	–
5.	Premier Energy and Infrastructure Limited	Director	Chairman - Audit Committee
6.	Haldia Chemicals Limited	Director	–
7.	Simply Sofas Private Limited	Director	–
8.	Designo Lifestyle Solutions Private Limited	Director	–
9.	Designo India Furnitures Private Limited	Director	–
10.	Stanley Boutique Private Limited	Director	–
11.	Haldia Coke and Chemicals Private Limited	Director	–
12.	PT.TVS Motor Company Indonesia	Commissioner	–

Mr.R.Ramakrishnan, who was co-opted as a director of the Company in the casual vacancy caused by the resignation of Mr.Gopal Srinivasan and who continued as a director, seeks re-appointment at the ensuing annual general meeting at which Mr. Gopal Srinivasan would have retired in the normal course.

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 21st July 2010 and shall be taken as forming part of the Notice.

Item No.5

The board of directors of the Company at their meeting held on 21st April 2010 re-appointed Mr Venu Srinivasan as chairman and managing director of the Company for a further period of five years effective 24th April 2010.

The terms of re-appointment are as follows:

- (i) Duration:
5 years (24th April 2010 to 23rd April 2015)
- (ii) Remuneration:
Commission not exceeding 5% on the net profits of the Company for each year calculated in the manner prescribed under Section 349 of the Companies Act, 1956, as may be decided by the board of directors for each year.
- (iii) Other terms:
Mr Venu Srinivasan shall, subject to the superintendence, control and direction of the board of directors, manage and conduct the business and affairs of the Company. He shall not be paid any sitting fee for attending meetings of the board or committee thereof.

Mr Venu Srinivasan is also the managing director of Sundaram-Clayton Limited (SCL), the holding company drawing

remuneration by way of salary and perquisites as approved by the shareholders of SCL. The aggregate of remuneration payable to Mr Venu Srinivasan in both the companies shall not exceed the higher maximum limit admissible from any one of the companies, in terms of Schedule XIII of the Companies Act, 1956.

The abstract of the terms of re-appointment and memorandum of interest was circulated to members on 30th April 2010 pursuant to Section 302 of the Companies Act, 1956.

None of the directors of the Company is in any way concerned or interested in the above resolution except Mr Venu Srinivasan, chairman and managing director.

The directors recommend the resolution to be adopted as an ordinary resolution by the shareholders.

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

Bengaluru
July 21, 2010

K.S. SRINIVASAN
Secretary

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

Directors' report to the Shareholders

The directors have pleasure in presenting the eighteenth annual report and the audited accounts for the year ended 31st March 2010.

1. FINANCIAL HIGHLIGHTS

Details	Year ended 31.03.2010	Year ended 31.03.2009
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QUANTITATIVE

(Numbers in lakhs)

Sales:

Motorcycles	6.38	6.44
Mopeds	5.71	4.38
Scooters	3.10	2.59
Three wheelers	0.15	0.05
Total vehicles sold	15.34	13.46

FINANCIAL

(Rupees in crores)

Sales (net of excise duty) and other income	4,484.68	3,741.18
EBITDA	303.62	247.02
Interest and finance charges (net)	63.17	55.01
Amortisation	61.75	58.03
Depreciation	102.53	102.88
Profit before tax	76.17	31.10
Provision for tax (including deferred tax and fringe benefit tax)	(11.84)	0.02
Profit for the year (after tax)	88.01	31.08
Surplus brought forward	33.02	31.40
Profit available for appropriation	121.03	62.48

APPROPRIATIONS:

First Interim dividend	16.63	16.63
Second Interim dividend	11.88	-
Tax on dividend paid	2.83	-
Provision for dividend tax	1.53	2.83
Transfer to general reserve	54.04	10.00
Surplus carried forward	34.12	33.02

2. DIVIDEND

The board of directors of the Company at their meeting held on 20th January 2010, declared first interim dividend of Re.0.70 per share (70%) absorbing a sum of Rs.19.46 Cr including dividend distribution tax for the year 2009-10. It was paid to the shareholders on 29th January 2010.

The board of directors of the Company at their meeting held on 21st July 2010 declared a second interim dividend of Re.0.50

per share (50%) absorbing a sum of Rs.13.41 Cr including dividend distribution tax for the year 2009-10. Hence the total amount of dividend including the second interim dividend, for the year ended 31st March 2010 will aggregate to Rs.1.20/- per share (120%) on 23,75,43,557 equity shares of Re.1/- each.

The board of directors of the Company do not recommend any further dividend for the year under consideration.

3. PERFORMANCE

During the year under review, the Company recorded a growth of 13.1% in sales with overall two-wheeler sales growing from 13.4 lakh units in the previous financial year to 15.2 lakh units, mainly driven by impressive growth of 19.4% in scooters and 30% in mopeds. Motorcycles declined marginally by 1% due to lower exports.

However, new launches of **TVS JIVE** and **TVS wego** will enable the Company to grow in the hitherto un-addressed segments of motorcycles and scooters respectively. With the launch of 4-stroke three-wheelers, the Company expanded its sales of three-wheelers and doubled its market share to 10% in the domestic market.

The Company's total revenue including other income grew from Rs. 3,741.18 Cr in the previous year to Rs. 4,484.68 Cr in the current year. Profit for the year after tax and exceptional items was Rs. 88.01 Cr as against Rs. 31.08 Cr of previous year.

The Company expects to consolidate further in the two-wheeler segment, with additional sales coming from the new products launched during the year and it will also commence exports of three-wheelers during 2010-11. With these, the Company is confident of further improved business performance during 2010-11.

4. BONUS SHARES

The board has recommended issue of bonus equity shares to the shareholders in the proportion of one equity share of Re.1/- each for every one equity share of Re.1/- each held by them by capitalising an equivalent amount standing to the credit of the general reserve account of the Company for approval of the shareholders through Postal Ballot. The said bonus equity shares will be issued and allotted to those shareholders whose names appear in the register of members and in the beneficial ownership position held with the depositories as on the record date to be fixed later.

5. AMENDMENT TO MEMORANDUM OF ASSOCIATION

The board has approved a proposal for amendment to the capital clause of the memorandum of association of the Company for increase in the authorized share capital from Rs.25 Cr to Rs.50 Cr, in order to accommodate the increase in share capital after the proposed issue of bonus equity shares. This is subject to approval of the shareholders through Postal Ballot.

The board has recommended the proposed issue of bonus equity shares to be considered and approved by the shareholders by passing appropriate resolutions through Postal Ballot process in accordance with the rules governing Postal Ballot and in order to complete the issue of bonus equity shares within two months as required under SEBI (Issue of Capital and Disclosure Requirements) Regulation, 2009.

Therefore, a separate notice is being sent to the shareholders seeking their consents through Postal Ballot for increasing the authorized share capital of the Company in terms of Sections, 16, 94 and other applicable provisions of the Companies Act, 1956 and for capitalization of an equivalent amount standing to the credit of the general reserve account in order to accommodate the proposed issue of bonus equity shares.

6. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In 2009-10, the two wheeler industry saw remarkable growth after two consecutive years of low growth and sales crossed 10 mn units. Early recovery of the economy from the financial crisis and resurgence in domestic demand aided by fiscal stimulus resulted in exceptional growth rates of 33% and 40% in third and fourth quarters of 2009-10 respectively, resulting in an annual growth rate of 24% for the year.

The Company recorded an overall growth of 13.1% in two wheeler sales. This was driven by an impressive 19.4% growth in scooter segment and 30.3% growth in the moped segment. Motorcycle sales declined marginally by 1% mainly due to lower exports owing to the global financial crisis. Domestic motorcycle sales, however, grew by 6%. New launches of **TVS JIVE** and **TVS wego** gave the Company an impressive entry into the unaddressed markets of executive segment of motorcycle and higher cc scooter segment respectively. Both products are expected to pave the way for a higher market share for the Company in the coming years. Launch of Apache RTR180 has reinforced the Company's position in the premium segment of the motorcycle market. During the year, the Company also launched a four stroke three wheeler with superior features. Sales of spare parts grew by 34%.

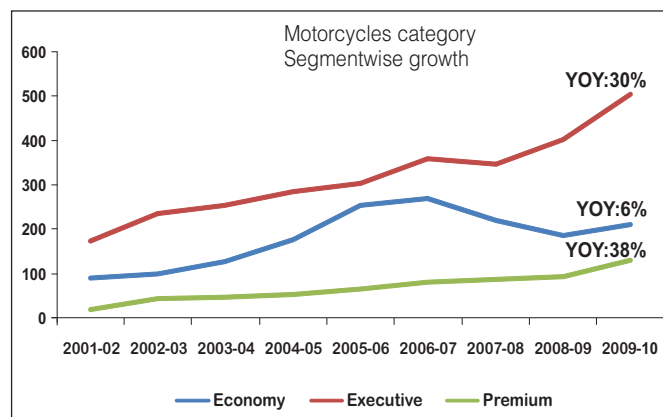
The Company achieved annual two wheeler sales of 1.52 mn, a growth of 13.1% from 1.34 mn units sold in the previous year. The turnover increased from Rs.3,741 Cr to Rs.4,485 Cr. The profit before tax (PBT) of Rs.76.17 Cr for the year was higher by 144% than the previous year's PBT of Rs 31.10 Cr. The profit after tax (PAT) of Rs.88.01 Cr for the year was higher by 183% than the previous year's PAT of Rs.31.08 Cr.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The two wheeler industry experienced an impressive growth of 24% during 2009-10. Smaller towns (<1mn population), which accounted for 75% of the industry, grew by 29% in spite of restricted availability of retail finance to end customers.

Domestic motorcycle sales grew by 30%. Exports declined by 1% in the first half of the year, but witnessed a dramatic turnaround in the second half growing at 34% leading to annual growth of 16%.

In the motorcycle category, economy segment grew by 6% mainly led by export demand. Aided by new launches, executive and premium segments grew by 30% and 38% respectively. However, the category share of motorcycles marginally declined from 81% in 2008-09 to 80% in 2009-10.



Ungeared scooters maintained its momentum with a growth of 24%. Introduction of new products and renewed focus on market expansion by industry players enabled this growth. The category share remained constant at 14%.

In contrast to the low growth of 2% in 2008-09, mopeds grew by 28% in 2009-10. The category share increased from 5% in 2008-09 to 6% in 2009-10.

Particulars	2008-09			2009-10		
	Sales in Mn (units)	Growth in %	Category share	Sales in Mn (units)	Growth in %	Category share
Motorcycles	6.79	4%	81%	8.42	24%	80%
Ungeared scooters	1.15	12%	14%	1.47	24%	14%
Mopeds	0.45	2%	5%	0.57	28%	6%
Total two wheelers	8.39	5%	100%	10.46	24%	100%

BUSINESS OUTLOOK AND OVERVIEW

The growth momentum of the economy is expected to strengthen further. Coupled with the Government focus on infrastructure improvement, this will bolster the economies of smaller towns (<1mn population) and rural areas. This translates to significantly enhanced disposable incomes across segments. Thus higher affordability and increased mobility needs will provide considerable scope for industry growth.

Consequently motorcycle segment is expected to grow by 14%, ungeared scooter segment by 24% and mopeds by 10%.

COMPANY PERFORMANCE

New Product Launches and Initiatives:

During the year 2009-10, the following new products and variants were launched.



The Company introduced **TVS JIVE** 110 cc with innovative T-Matic technology in the executive segment which accounts for 60% of the total motorcycle market. This motorcycle allows hands-free gear shift because of absence of the clutch lever. Coupled with this an anti-stall mechanism makes smooth riding possible at low speeds even in high gears, without the engine shutting off. It is also the first motorcycle in the country to have an under-seat storage compartment, large enough to hold a water bottle, vehicle documents and even a small umbrella.



TVS wego marks the foray of the Company into the higher cc (>100 cc) scooter segment which accounts for 80% of the scooter market. It is a family-friendly scooter that is designed for multiple users, be they are men or women, young or old. This sleek metal bodied scooter

strikes a perfect balance between stability and maneuverability, power and mileage, making it a delight to ride for any category of users. The all aluminium low-friction engine ensures best-in-class mileage. Multi-reflector halogen headlamps and LED tail lamp with optical guides give the scooter dynamic styling and effective lighting. The Body Balance Technology makes it the best scooter to handle in city traffic conditions.



TVS Apache RTR 180's sporty, chiseled looks and unmatched performance enabled by superior engine technology, make the bike a Class leader in terms of performance and styling. The bike has an aerodynamic design and

high power-to-weight ratio that enable excellent acceleration and handling.



TVS TRU4 oil launched successfully 3 years ago, has captured 3% market share in 4T market. In line with the changes happening in lubricant's international market, the Company has developed TRU4 PREMIUM SAE 10 w 30 oil, a semi synthetic and fuel efficient lubricant. Subsequent to the successful tests, this product was awarded JASO MA2 certification. With TRU4, the Company has entered international markets like Srilanka and Africa.

Two Wheeler Operations:

Domestic:

In motorcycle category, the Company achieved a sales growth of 6% during 2009-10. Sales of TVS Apache grew by an impressive 26% and TVS StaR grew by 5%. **TVS JIVE** launched at end of the year is well received by the target segment and expected to contribute significantly in the next year.

"Scooty" continues to be a significant player in the scooter segment. The sales of Scooty Pep and Streak grew by 19%. The Company market share in the overall scooter market declined marginally from 21% to 20%. There was a delay of six months in the launch of TVS *wego*, a unisex higher cc scooter. The product is well accepted in the market and will help the Company to regain market share in the scooter segment. With an improved rural economy, mopeds grew by 30.3% during the year.

Exports:

During the year, the Company exported 1.63 lakh vehicles. The global financial crisis and consequent lower sales mainly in Africa resulted in a 17% decline in sales. However value of exports declined only by 1%, due to better product mix and higher realization. Exports revived in the 4th quarter registering a growth of 13% and are expected to grow further during 2010-11. During 2009-10, the Company commenced export of TVS Apache to Brazil and the initial response has been encouraging.

Three Wheeler Operations:



The three wheeler industry (non diesel 3 plus 1 segment) grew by 28% during 2009-10 to reach 3 lakh units. Domestic market grew by 45% to reach 1.32 lakh numbers. Domestic Industry has registered an impressive growth after 3 years. Export market at 1.68 lakhs grew by 17%.

The Company has launched its four stroke three wheeler, offering much superior features, performance and experience. During the year, the Company also developed a pan India presence in three wheelers. These initiatives enabled the Company to double its market share in the domestic market to 10% in 2009-10. The Company has started exploring the export markets which may contribute significantly to the total three wheeler market.

OPPORTUNITIES AND THREATS

Growth in two-wheeler demand will come mainly from rising population in target age and income groups and increased use of personal transport. Smaller towns are expected to contribute more to the industry growth.

TVS StaR City and TVS Sport motorcycles stand to gain from this. Customer acceptance, appreciation of the new technology and 'positive word of mouth' will result in increased sales of **TVS JIVE** motorcycles.

Apache RTR 180 has further strengthened the Company's position in the premium segment. However it requires frequent refreshes and upgrades to remain on top of mind of younger customers.

The Company has a strong presence in the sub 100cc ungeared scooter segment. The launch of TVS *wego* in the large scooter segment further increases the Company's growth prospects in the scooter category.

OPERATIONS REVIEW

Quality:

The Company has significantly improved the quality of all its existing and new products. Steps have also been taken to improve the quality of after-sales service. The combination of these measures has enabled the Company to achieve best in class customer satisfaction.

Total Quality Management (TQM):

The Company has been using the philosophies of TQM as the cornerstone of its management. The Company has continued to benefit from 100% participation of employees in TQM activities, for the fourth year in succession. The employees have completed more than 1,300 projects through QC Circles and Cross Functional Teams.

During 2009-10, the Company received and implemented an average of 44 suggestions per employee. The Company won First Prize for "Excellence in Suggestion Scheme" from INSSAN (Indian National Suggestion Scheme Association) for seventh consecutive year.

Cost management:

The Company continues its rigorous focus on its costs through an effective deployment system. Value engineering and aggressive global sourcing projects are being pursued to reduce material costs and also to partially neutralize input material cost increases.

Research and development:

The Company's strong Research and Development (R&D) team is supported by modern computer aided laboratory, capable of developing new and innovative products. It has state-of-art

facilities for engine testing, Noise, Vibration and Harshness (NVH) measurements and life testing. At present, nearly 600 engineers are working on development of new products and in other advanced areas of technology. The Company works with leading technological research laboratories and institutions. The Company is also working on development of fuel-efficient technologies and CO₂ reduction technologies to remain ahead of needs of consumers and environment regulations.

R&D has developed and launched 3-wheelers with alternate fuels like LPG and CNG. India's first motorcycle with auto clutch technology, a motorcycle which runs on ethanol blended fuel for Brazilian market, a two wheeler with music system for ASEAN market are the innovations in the current year. R&D has developed and demonstrated a motorcycle with Anti Lock brake system technology, a scooter and a 3-wheeler with hybrid technology. R&D has also ensured that during 2010-11 all products will meet new emission norms.

R&D team has so far published 58 technical papers in national and international conferences.

Information technology:

The Company has been using enterprise wide system to integrate all the business processes within the Company as well as integrating suppliers' and dealers' business processes. The Company also uses Product Lifecycle Management to reduce the new product development lead time, control cost and improve quality. During the year, the Company has developed applications to monitor and improve product quality using early watch and alert system.

Dealer Management System (DMS) - developed by the Company has been further simplified and extended to 143 more dealers during the year. DMS also helps the Company to exchange information between the Company and dealers on-line and provide business intelligence for undertaking initiatives to improve sales, service and product development.

Long term wage settlement with Union:

The workers of the Company in Hosur and Mysore plants formed a Trade Union called TVS Motor Company Employees' Union. During the year, the Hosur branch of the Union concluded a wage settlement with the management whereby the emoluments of the employees have increased substantially.

Similarly, the long term wage settlement is due for renewal for Mysore plant and negotiations with the Union will commence after the receipt of charter of demands from them.

Financial Performance:

The Company's financial performance for the year 2009-10 as compared to the previous year is furnished in the following table: