

# TVS MOTOR COMPANY LIMITED



**Twelfth Annual Report 2003-2004**

#### 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

C. V. R. PANIKAR

#### Audit Committee

N. GANGA RAM  
*Chairman*

T. K. BALAJI

T. KANNAN

#### Investors' Grievance Committee

N. GANGA RAM  
*Chairman*

VENU SRINIVASAN

T. KANNAN

#### President

C. P. RAMAN

#### Vice President - Finance

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

#### 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.

STATE BANK OF PATIALA  
Whites Road, Chennai 600 014.

STATE BANK OF BIKANER & JAIPUR  
Gandhinagar, Bangalore 560 009.

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

#### Registered office

Jayalakshmi Estates,  
24, 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

Sundaram Auto Components Limited  
Chennai.

Contents	Page no.
Financial Highlights	2
Notice to the Shareholders	3
Directors' Report to the Shareholders	7
Management Discussion and Analysis Report	12
Report on Corporate Governance	16
Auditors' Report to the Shareholders	22
Balance Sheet	24
Profit and Loss Account	25
Schedules	26
Notes on Accounts	30
Statement under section 212	42
Cash Flow Statement	43
General Business Profile	44
Sundaram Auto Components Limited	45
Consolidated Accounts	56

## Financial Highlights

Rupees in crores

DETAILS	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
Sales and other income	2856	2726	1944	1841	1621
Profit before interest, depn., and tax	296	284	144	148	190
Profit before tax	215	201	83	82	120
Profit after tax	138	128	54	63	87
Net fixed assets	704	533	440	436	405
Share capital	24	23	23	23	23
Reserves and surplus	551	400	300	334	292
Networth	562	423	323	357	315
Total borrowings	119	122	167	234	212
Earnings per share (Rs)	5.83	5.54	2.33	2.71	3.78
Dividend per share (Rs)	1.30	1.20	0.90	0.80	0.80
Book value per share (Rs)	23.42	18.39	14.04	15.52	13.70

Notes :

- Figures for the year 1999-2000 include figures for the period from 1.4.1999 to 31.3.1999.
- 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 current year figures.

## Notice to the Shareholders

**NOTICE** is hereby given that the twelfth annual general meeting of the company will be held at 'The Music Academy', New No.168 (Old No.306), TTK Road, Chennai 600 014 on Friday, the 10<sup>th</sup> September 2004, at 10.15 A.M to transact the following business:

### ORDINARY BUSINESS

- 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 2004 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.

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

RESOLVED THAT the interim dividend of Rs.6/- per share declared by the board of directors of the company on 17<sup>th</sup> October 2003 on 2,31,00,070 equity shares of Rs.10/- each fully paid, and the second interim dividend of Re.0.70 per share declared on 21<sup>st</sup> April 2004 on 23,75,43,557 equity shares of Re.1/- each fully paid, absorbing a total sum of Rs.30.49 crores in the aggregate and paid to the shareholders on 5<sup>th</sup> November 2003 and 7<sup>th</sup> May 2004, respectively, be and are hereby approved as final dividend for the year ended 31<sup>st</sup> March 2004.

- 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.

- 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.

- 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.

- 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

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

RESOLVED THAT in supersession of the ordinary resolution passed by the shareholders in the extraordinary general meeting of the company held on 30<sup>th</sup> June 1999, the consent of the company be and is hereby accorded to the board of directors under Section 293(1) (d) of the Companies Act, 1956 to borrow any sum or sums of moneys from time to time notwithstanding that the money or moneys to be borrowed, together with the moneys already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however, the total amount so borrowed and outstanding at any one time shall not exceed Rs. 750 crores (Rupees seven hundred and fifty crores only) or the aggregate of the paid-up capital and free reserves of the company, whichever is higher.

RESOLVED FURTHER THAT the board of directors be and are hereby authorised to do all such acts, deeds, matters and things and to execute all such documents or writings as they may consider necessary, usual, requisite or proper for the purpose of giving effect to this resolution.

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

RESOLVED THAT approval be and is hereby accorded to the board of directors in terms of Section 163 and other applicable provisions of the Companies Act, 1956 (the Act) to keep the register of members, the index of members and register and index of debentureholders, if any, and copies of all annual returns prepared under Section 159 of the Act together with the certificates and documents required to be annexed thereto under Sections 159 and 161 of the Act at the office of Sundaram-Clayton Limited (SCL), Share Transfer Agents of the company at No.31, Railway Colony, III Street, Mehta Nagar, Chennai 600 029, or such other place within the city limits of Chennai where SCL decides to carry on the share registry work instead of keeping at the registered office of the company from such date as may be decided by the board of directors or a committee of the directors by giving not less than 30 days notice to the shareholders / debentureholders.

By order of the board

Chennai  
June 28, 2004

T. S. RAJAGOPALAN  
Secretary

Registered Office:  
"Jayalakshmi Estates",  
24 (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 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 10 days from 1<sup>st</sup> September 2004 to 10<sup>th</sup> September 2004 (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. 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 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 member of 4 committees of National Stock Exchange of India Limited (NSE).

He is the Chairman of the audit committee and investors' grievance committee of the company. Details of his other directorship / membership of committees are given below:

Name of the company	Position held	Committee membership
Enpac (India) Private Limited	Director	
India Cements Capital & Finance Limited	Director	Audit Committee Credit Committee
OTCEI Securities Limited	Director	
Sundaram Home Finance Limited	Director	Audit Committee Chairman
Juniper Hotels Private Limited (Grand Hyatt)	Director	Audit Committee

II **Mr. C. R. Dua**

Born on 3<sup>rd</sup> November 1951, Mr. C. R. Dua is a senior partner in the firm Dua Associates. Prior to establishing Dua Associates, Mr. Dua has been in private practice since 1976. He has been practising in the areas of corporate and commercial law, corporate finance, securities law, taxation, land acquisition, power projects, foreign investments, collaborations, disinvestments and privatisation of public sector undertakings, mergers and acquisitions and exchange control regulations. Mr. Dua obtained honours degree in Economics from St. Stephen's College, University of Delhi followed by a masters degree in Economics from the Delhi School of Economics and subsequently a degree in law. He sits on the boards of many major multinational corporations in India primarily representing the interests of the foreign collaborators and investors. He was co-opted as a director of the company on 27<sup>th</sup> December 2001.

He is the chairman of CNO India, a society. He is also a trustee of Norbulinga Institute for Tibetan Culture and he has controlling interest in Dua Consulting (P) Limited. Recently, he was elected as a member of National Executive Board of AMCHAM India for the year 2004-2005 and also designated as Hony. Secretary and treasurer.

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

Name of the company	Position held	Committee membership
Cabot India Limited	Director	Audit Committee
Gillete India Limited	Director	Remuneration Committee
Inapex Limited	Director	
India Satcom Limited	Director	
Pearl Engineering Polymers Limited	Director	Remuneration Committee
Result Services Limited	Director	
Timex watches Limited	Director	
Wimco Limited	Director	Audit Committee
Amit Investments (P) Limited	Director	
Adidas India (P) Limited	Alternate director	
Adidas India Marketing (P) Limited	Alternate director	
Baxter India (P) Limited	Director	
Becton Dickinson India (P) Limited	Director	
Dua Consulting (P) Limited	Director	
ELCA Cosmetics (P) Limited	Director	
Fila Sports India (P) Limited	Director	
Linde Process Technologies India (P) Limited	Director	
McCann Erickson India (P) Limited	Alternate director	
McDonald's India (P) Limited	Director	
Polaroid India (P) Limited	Director	
ST Microelectronics (P) Limited	Director	
TMX India (P) Limited	Director	
Tupperware India (P) Limited	Director	
UL India (P) Limited	Director	
Westinghouse Electric (P) Limited	Director	

### III 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 is a member of Tamil Nadu State Council for Higher Education and Apex Level Standing Committee on Industrial Development constituted by the Government of Tamil Nadu. 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 executive committee member of The Indian Cotton Mills Federation Limited, Mumbai and The Tamil Nadu Chamber of Commerce and Industry and was the Chairman of The Cotton Textile Export Promotion Council, Mumbai.

He was also the Chairman of CII (SR) during 2001-02.

He is also a leading educationalist and Secretary and Correspondent of Thiagarajar College, Madurai and Vice Chairman & Correspondent of Thiagarajar College of Engineering, Thirupparankundram, Madurai.

He is a member of the audit committee and investors' grievance committee of the company. Details of his other directorship / membership of committees are given below:

Name of the company	Position held	Committee membership
Thiagarajar Mills Limited	Managing director	
Virudhunagar Textile Mills Limited	Chairman	Share Transfer, Demat and Shareholder Grievance Committee
Sundaram Textiles Limited	Director	
Colour Yarns Limited	Director	
Sundaram Brake Linings Limited	Director	Audit Committee

## 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 28<sup>th</sup> June 2004 and shall be taken as forming part of the notice.

#### Item no. 7

In terms of Section 293(1)(d) of the Companies Act, 1956 (the Act), the board of directors shall not borrow moneys where the moneys to be borrowed together with moneys already borrowed (other than the temporary loans obtained from the company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital and free reserves of the company except with the consent of the shareholders obtained in a general meeting.

The shareholders of the company, at the extraordinary general meeting held on 30<sup>th</sup> June 1999, have accorded their consent to the board to borrow moneys in excess of the paid up capital and free reserves, provided, the aggregate of such borrowings together with moneys already borrowed and outstanding at any one time, shall not exceed Rs.250 crores.

Considering the growth of the company since 1999 and the proposed expansion projects of the company and its proposal to enter into overseas market, the board of directors have considered it desirable to enhance the borrowing powers from Rs.250 crores to Rs.750 crores. Accordingly, the resolution is placed before the shareholders for their approval.

None of the directors is in anyway concerned / interested in the resolution.

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

#### Item no. 8

In terms of Section 163 of the Companies Act, 1956, (the Act), the register of members, index of members and register and index of debentureholders, and copies of all annual returns of the company prepared under Section 159 of the Act together with copies of certificates and documents which are required to be annexed thereto are required to be kept at the registered office of the company.

At present, the company is handling the share transfer work in-house in respect of shares held in physical form. In respect of shares held in electronic form in the depositories, the electronic

connectivity is being provided by the depository registrars, M/s.Integrated Enterprises (India) Limited, Chennai.

Securities Exchange Board of India (SEBI) vide its circular No. D & CC / FITTC/ Cir-15 dated 27<sup>th</sup> December 2002 has insisted that the company shall have a common agency for handling the share registry work for both physical and electronic transfers ie., either in-house by the company or by a SEBI registered Registrar and Transfer Agent (RTA).

The board of directors have appointed Sundaram-Clayton Limited (SCL) as share transfer agents to carry on the registry work pertaining to transfer of shares in physical form and to provide connectivity with the depositories for handling the transactions taking place through depositories in electronic form. Consequently, the records as detailed in the resolution will have to be shifted to the share registry office of SCL. In terms of Section 163 of the Companies Act, 1956, approval of the shareholders is sought by a special resolution for keeping the register and index of members and other records as set out in the resolution to be kept outside the registered office of the company.

Individual notices will be sent to the shareholders 30 days in advance of the date on and from which the appointment of SCL as share transfer agent will take effect.

A copy of the proposed special resolution is being delivered to the Registrar of Companies, Tamil Nadu.

Mr. Venu Srinivasan, chairman and managing director, Mr. Gopal Srinivasan and Mr. T. K. Balaji, directors, being directors of Sundaram-Clayton Limited are deemed to be interested in the resolution.

The directors recommend the resolution for the approval of the shareholders as a special resolution.

By order of the board

Chennai  
June 28, 2004

T. S. RAJAGOPALAN  
Secretary

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



## Directors' report to the shareholders

The directors present the 12<sup>th</sup> annual report and the audited accounts for the year ended 31<sup>st</sup> March 2004.

### 1. FINANCIAL HIGHLIGHTS

Details	Year ended 31-03-2004	Year ended 31-03-2003	% of growth
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#### QUANTITATIVE :

Sales:	(Numbers in lakhs)		
Motorcycles	7.07	7.18	-1.5
Mopeds	2.51	2.48	1.2
Scooters	1.89	1.53	23.5
<b>Total vehicles sold</b>	<b>11.47</b>	<b>11.19</b>	<b>2.5</b>

#### FINANCIAL

	(Rupees in crores)		
Sales (net of excise duty) and other income	2856.42	2725.40	4.8
EBITDA	295.63	283.88	4.1
Interest (net)	1.21	2.83	-57.2
Depreciation	79.89	79.91	—
Profit before tax	214.53	201.14	6.6
Provision for tax	76.04	73.19	3.9
Profit for the year (after tax)	138.49	127.95	8.2
Surplus brought forward	32.63	23.17	
Tax relating to earlier years	(0.74)	1.40	
Transfer from debenture redemption reserve	9.90	9.90	
Investment allowance reserve withdrawn	3.04	—	
Profit & loss account balance of Lakshmi Auto Components Limited up to 1st April 2003	6.77	—	
Profit available for appropriation	190.09	162.42	

#### APPROPRIATIONS:

Interim dividend	31.41	27.72
Tax on dividend	4.25	2.07
Transfer to general reserves	120.00	100.00
Surplus carried forward	34.43	32.63

The figures for the financial year under review include the operations of engine components division of Lakshmi Auto Components Limited for the period 02.04.2003 to 31.03.2004, which has since been merged with the company.

### 2. DIVIDEND

During the year, the board of directors declared two interim dividends viz., 60% on 17<sup>th</sup> October 2003 and 70% on 21<sup>st</sup> April 2004, making a total of 130% absorbing a sum of Rs. 30.49 crores. The directors have recommended no further dividend for the year ended 31<sup>st</sup> March 2004.

### 3. APPROPRIATIONS

The company proposes to transfer Rs.120 crores to the general reserve. An amount of Rs. 34.43 crores is proposed to be retained in the profit and loss account.

### 4. SHARE SPLIT

In order to enhance shareholders' value, by increasing substantially the number of shares available for trading in the market, the board of directors decided to split the equity shares of the company of Rs.10/- each into 10 equity shares of Re.1/- each.

The proposal was approved by the shareholders by resolution passed by them at the extraordinary general meeting held on 8<sup>th</sup> December 2003. The new share certificates of Re.1/- each were issued to the shareholders in the month of April 2004 in respect of those who were holding shares in physical form and were credited to the beneficiary accounts of those holding shares in electronic form on 20<sup>th</sup> May 2004.

### 5. AMALGAMATION OF LAKSHMI AUTO COMPONENTS WITH THE COMPANY

On 17<sup>th</sup> October 2003, the board of directors of the company approved a scheme of arrangement between the company viz. TVS Motor Company Limited (TVSM), Lakshmi Auto Components Limited (LAC) and Sundaram Auto Components Limited (SACL). Under the scheme, the assets and liabilities of the rubber and plastic businesses of LAC were transferred to SACL on slump sale basis on 1<sup>st</sup> April 2003 for a consideration of Rs.12.25 crores.

In terms of the scheme which was approved by the Hon'ble High Court of Madras vide its order dated 23<sup>rd</sup> March 2004, SACL issued and allotted to LAC 24,50,000 equity shares of Rs.10/- each at a premium of Rs.40/- per share as on 1<sup>st</sup> April 2003 (the appointed date). The remaining business of LAC viz., engine components division together with its investments in other bodies corporate including the shares allotted by SACL to LAC in terms of the scheme were transferred to and vested in the company with effect from 2<sup>nd</sup> April 2003 (the appointed date for this purpose).

In consideration of the amalgamation of engine components division together with remaining business of LAC with the company, the company allotted to the public shareholders of LAC, 65,42,857 equity shares of Re.1/- each credited as fully paid up (new shares). Consequently, the paid up capital of the company has increased from Rs.23,10,00,700/- to Rs.23,75,43,557/-. 89,20,000 equity shares of Rs.10/- each held by the company in LAC were cancelled.

The new shares were listed in all the three stock exchanges where the company's shares are presently listed viz., The Stock Exchange, Mumbai (BSE), National Stock Exchange of India Limited (NSE) and Madras Stock Exchange Limited (MSE). The shares were admitted for trading with effect from 24<sup>th</sup> May 2004 in MSE and BSE, and from 31<sup>st</sup> May 2004 in NSE.

The new shares allotted in terms of the scheme of arrangement rank pari passu with the existing equity shares of the company from the effective date viz., 1<sup>st</sup> April 2004, the date on which the order of the Hon'ble High Court approving the scheme was filed with the Registrar of Companies, Chennai and accordingly were entitled for the second interim dividend of Re.0.70 per share declared by the board of directors at its meeting held on 21<sup>st</sup> April 2004.

### 6. SUBSIDIARY

In terms of the scheme of amalgamation, the investment made by LAC in SACL was vested in the company with effect from 2<sup>nd</sup> April 2003 which comprises of 27,00,000 equity shares of Rs.10/- each and consequently SACL has become a wholly owned subsidiary of the company. SACL remains as an unlisted company.

A statement relating to the subsidiary, M/s Sundaram Auto Components Limited, Chennai, and a copy of its annual



accounts for the year ended 31<sup>st</sup> March 2004 are attached to the balance sheet pursuant to Section 212 of the Companies Act, 1956. A consolidated financial statement of accounts of our company and Sundaram Auto Components Limited, (subsidiary) is annexed to this report as required by Accounting Standard 21 (AS 21) prescribed by The Institute of Chartered Accountants of India (ICAI).

## 7. EXPANSION ACTIVITIES

The company proposes to commence its three-wheeler project in its present facility at Mysore and the proto-type development work is in progress. The company is exploring the possibilities of setting up manufacturing facilities in South East Asian countries.

## 8. DIRECTORS

There was no change in the constitution of the board of directors of the company since the last annual general meeting. Mr. T. Kannan, Mr. N. Ganga Ram and Mr. C. R. Dua retire at the ensuing annual general meeting of the company and being eligible, offer themselves for re-appointment.

## 9. AUDITORS

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

## 10. 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.

## 11. STATUTORY STATEMENTS

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

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

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

## 12. ACKNOWLEDGEMENT

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

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

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

For and on behalf of the board

Chennai  
June 28, 2004

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) TNEB Maximum Demand of 3650 KVA has been surrendered to reduce demand charges;
- (ii) Waste Heat Recovery from the HT DG exhaust system has been implemented resulting in fuel savings;
- (iii) 132 Tons Vapour Absorption air conditioning system has been installed which runs on waste heat recovery from the DG high temperature water circulation;
- (iv) Centralised air conditioning for 'alpha shop' is operated through waste heat recovery from exhaust gases of DG set.

The above measures have resulted in a savings of approximately Rs. 1.37 crores.

#### 2. Proposed measures

- (i) Extending heat recovery hot water system to paint plants, fuel heating at CPP to achieve fuel savings and reduce station power consumption at CPP.
- (ii) Achieving energy savings in air conditioning system at QAD block through Hot water heat recovery by installing additional 132 ton VAM AC system.
- (iii) Implementation of waste heat recovery system in the new 3 MW HT DG High temperature cooling water system and providing hot water to OMT paint plant to eliminate running of boiler.
- (iv) Implementation of cost effective energy saving proposals on hand in both the plants viz. Hosur and Mysore.

The above measures are expected to yield an annual savings of approximately Rs. 2.00 crores.

### B TECHNOLOGY ABSORPTION

#### 1. Specific areas in which R&D is carried out by the company:

- a) Design and development of 100cc 4 stroke engine for motorcycle application;
- b) Development of VT-i technology for reduction of friction, combustion improvement and fuel saving; and
- c) Design work for improving NVH, ride-comfort, vehicle handling and road safety.

#### 2. Future plan of action:

- a) Development of technology for reducing emission and improving fuel economy in 4 stroke engines; and

- b) Development of new products for new market segments with improved features and safety.

#### 3. Expenditure on R & D:

Rs. in crores

Capital expenditure	16.04
Revenue expenditure	59.59
Total	75.63

Total expenditure as a percentage of turnover 2.65 %

#### 4. Data relating to imported technology:

Technology imported	Manufacture of 2 stroke 100 cc motor cycles	Manufacture of 4 stroke 150 cc motor cycles	Manufacture of front forks for motor cycles
a. Year of import (commercial production)	1984	1999	1987
b. Has technology been absorbed ?	Yes	Yes	Yes
c. If not absorbed, area where this has not taken place, reasons therefore and future plans of action	Not applicable	Not applicable	Not applicable

### C. FOREIGN EXCHANGE EARNINGS AND OUTFLOW

#### 1. Export activities

During the year, the thrust on exports continued and the export turnover grew by more than 175%. Export coverage has been increased to more than 20 countries. Steps are being taken to improve the sales in Asian, African and Latin American countries.

#### 2. Total foreign exchange used and earned

Rs. in crores

Foreign exchange used	112.75
Foreign exchange earned	69.48

For and on behalf of the board

Chennai  
June 28, 2004

VENU SRINIVASAN  
Chairman