

# TVS MOTOR COMPANY LIMITED



**Thirteenth Annual Report 2004-2005**

#### Board of Directors

VENU SRINIVASAN  
*Chairman & Managing Director*

GOPAL SRINIVASAN

T. K. BALAJI

H. LAKSHMANAN

T. KANNAN

N. GANGA RAM

C. R. DUA

K. S. BAJPAI

T. R. PRASAD

#### Audit Committee

T. R. PRASAD  
*Chairman*

N. GANGA RAM

T. K. BALAJI

T. KANNAN

#### Investors' Grievance Committee

N. GANGA RAM  
*Chairman*

VENU SRINIVASAN

T. KANNAN

#### President

C. P. RAMAN

#### Sr. Vice President - Finance

S.G. MURALI

#### Secretary

T. S. RAJAGOPALAN

#### Auditors

SUNDARAM & SRINIVASAN  
Chartered Accountants,  
23, Sir C.P. Ramaswamy Road,  
Alwarpet, Chennai 600 018.

#### Listing of shares with

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

#### Bankers

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

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

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.

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## Financial Highlights

Rupees in crores

DETAILS	2004--2005	2003-2004	2002-2003	2001-2002	2000-2001
Sales and other income	2955	2856	2726	1944	1841
Profit before interest, depn., and tax	291	296	284	144	148
Profit before tax	200	215	201	83	82
Profit after tax	138	138	128	54	63
Net fixed assets	770	704	533	440	436
Share capital	24	24	23	23	23
Reserves and surplus	655	551	400	300	334
Networth	609	562	423	323	357
Total borrowings	187	119	122	167	234
Earnings per share (Rs)	5.79	5.83	5.54	2.33	2.71
Dividend per share (Rs)	1.30	1.30	1.20	0.90	0.80
Book value per share (Rs)	25.38	23.42	18.39	14.04	15.52

Note:

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

## Notice to the Shareholders

NOTICE is hereby given that the thirteenth 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 Wednesday, the 17<sup>th</sup> August 2005, 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 2005 and the profit and loss account of the company for the year ended on that date, together with the directors' report and the auditors' report thereon as presented to the meeting, be and the same are hereby, approved and adopted.

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

RESOLVED THAT the first interim dividend of Re.0.70 per share declared by the board of directors of the company on 25<sup>th</sup> October 2004 on 23,75,43,557 equity shares of Re.1/- each fully paid and the second interim dividend of Re.0.60 per share declared by the board of directors of the company on 30<sup>th</sup> May 2005 on 23,75,43,557 equity shares of Re.1/- each fully paid, absorbing a sum of Rs. 30.89 crores in the aggregate paid to the shareholders on 8<sup>th</sup> November 2004 and 13<sup>th</sup> June 2005 respectively be and are hereby approved as final dividend for the year ended 31<sup>st</sup> March 2005.

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

RESOLVED THAT Mr. Gopal Srinivasan, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.

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

RESOLVED THAT Mr. T.K. Balaji, director who retires by rotation and being eligible for re-appointment be and is hereby re-appointed as a director of the company.

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

RESOLVED THAT Mr.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.

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

RESOLVED THAT the retiring auditors Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai be and are hereby re-appointed as auditors of the company to hold office from the conclusion of this annual general meeting till the conclusion of the next annual general meeting of the company on such remuneration as may be fixed in this behalf by the board of directors of the company.

### SPECIAL BUSINESS

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

RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and 316(2) read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the Act), the re-appointment of Mr. Venu Srinivasan, as chairman and managing director of the company for a further period of five years from 24<sup>th</sup> April 2005 and the remuneration payable upon such re-appointment by way of commission of a sum

not exceeding 2% of the net profits of the company computed in accordance with the provisions of Sections 349 and 350 of the Act as determined by the board of directors or of a committee thereof for each financial year notwithstanding his holding the office of managing director in M/s. Sundaram-Clayton Limited (SCL), drawing remuneration therefrom be and are hereby approved.

RESOLVED FURTHER THAT Mr.Venu Srinivasan as chairman and managing director be subject to the superintendence, control and direction of the board and shall have all such powers and duties as may be vested in him from time to time, by the board.

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

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

By order of the board

Chennai  
May 30, 2005

T.S. RAJAGOPALAN  
*Secretary*

Registered Office:  
"Jayalakshmi Estates"  
24, 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. 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.
4. Members holding shares in physical form, in their own interest, are requested to dematerialise the shares to avail the benefits of electronic holding / trading.
  5. 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.
  6. 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.
  7. 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.

8. In terms of clause 49 of the listing agreement with stock exchanges, a brief resume of directors who are proposed to be appointed at this meeting is given below:

I. Mr. Gopal Srinivasan

Born on 4<sup>th</sup> August, 1958, Mr. Gopal Srinivasan is a commerce graduate from Loyola College, Chennai and is a Master of Business Administration (Industrial and Business Administration) from the University of Michigan, Ann Arbor, USA.

He was the president of Manufacturers' Association for Information Technology and has been representing IT industry in the country and negotiating with the Government of India on its policies. He is also a member of the panel on development, manufacture and export of IT hardware constituted under the National Task Force on Information Technology and Software Development constituted under the authority of the office of the Prime Minister and a member of the State Level Information Technology Task Force headed by the Chief Minister of Tamil Nadu. He is a member of the small group set up by the Commerce and Industry Minister, Government of India to suggest policy and procedural changes to bring about a quantum jump in the export of electronic hardware.

He is a member of the administrative committee of the company. Details of his other directorships and membership of committees are given below:

S. No	Name of the company	Position held	Committee membership/ chairmanship
1	Harita Infoserve Limited	Chairman	—
2	ICICI Venture Funds Management Co. Limited	Director	—
3	Lucas TVS Limited	Director	—
4	Sundaram Industries Limited	Director	—
5	Sundaram Investment Limited	Director	—
6	Sundaram-Clayton Limited	Joint managing director	—
7	T V Sundram Iyengar & Sons Limited	Director	—
8	TVS Finance and Services Limited	Chairman	Shareholders'/Investors' grievance committee – Member
9	TVS Investments Limited	Chairman	—
10	TVS Electronics Limited	Whole time director	Shareholders'/Investors' grievance committee – Member
11	Harita Infoserve Inc., USA	Director	—
12	India Japan Lighting (P) Limited	Director	—
13	Harita Electronics (P) Limited	Director	—

II. Mr. T. K Balaji

Born on 12<sup>th</sup> July 1948, Mr. T.K. Balaji is a Bachelor of Engineering, securing first rank from the Madras University and is also a Master of Business Administration from IIM Ahmedabad with a Gold medal for outstanding scholastic performance.

Mr. Balaji is a member of Development Council for Automobiles & Allied Industries, Government of India. He is the past president of Automotive Component Manufacturers Association of India (ACMA) and was conferred a Special Award by the FIE Foundation of Maharashtra in March 1995 in recognition of his contribution

to the development of automotive component industry. Currently he is a Member of CII National Council.

He is a member of the audit committee 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	India Nippon Electricals Limited	Chairman	Investors' grievance committee – Chairman
2	Lucas TVS Limited	Managing Director	—
3	Delphi-TVS Diesel Systems Limited	Managing Director	—
4	Lucas Indian Service Limited	Director	—
5	Sundaram-Clayton Limited	Director	Audit committee – Chairman
6	TVS Electronics Limited	Director	Investors' grievance committee – Member Shareholders'/Investors' grievance committee – Member
7	T V Sundram Iyengar & Sons Limited	Director	—
8	Titan Industries Limited	Director	Remuneration committee – Chairman Audit committee – Member
9	TVS Lean Logistics Limited	Director	—
10	Apollo Hospitals Enterprise Limited	Director	—
11	Premier Instruments & Controls Limited	Director	—
12	India Japan Lighting (P) Limited	Chairman	—
13	Harita Electronics (P) Limited	Director	—
14	Hashtam Swasthi (P) Limited	Director	—
15	Punarvasu Swasthi (P) Limited	Director	—

III. Mr. H. Lakshmanan

Born on 14<sup>th</sup> 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 a member of the administrative committee 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	Harita Seating Systems Limited	Director	Investors' grievance committee – Chairman Audit committee – Chairman
2	Harita NTI Limited	Director	—
3	Anusha Investments Limited	Whole time Director	Audit committee – Member

S. No	Name of the company	Position held	Committee membership / chairmanship
4	Harita Stocks Limited	Director	—
5	Sundaram Auto Components Limited	Director	—
6	Auto (India) Engineering Limited	Director	—
7	Sundaram Investment Limited	Director	—
8	TVS Electronics Limited	Director	Audit committee – Member
9	TVS Finance and Services Limited	Director	Shareholders'/Investors' grievance committee- Member Audit committee – Member
10	TVS Investments Limited	Director	Audit committee – Chairman
11	Harita Infoserve Inc., USA	Director	—
12	Harita Infoserve Limited	Director	Audit committee – Chairman
13	Sundaram-Clayton Senior Officers' Welfare Foundation (P) Limited	Director	—
14	Harita Engineering Services (P) Limited	Director	—

#### IV. Mr. Venu Srinivasan

Born on 11<sup>th</sup> 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 is the managing director of Sundaram-Clayton Limited since May 1979. He has been the chairman of the Confederation of Indian Industry (CII) (southern region) and has been associated with CII for nearly 18 years in various capacities. He was the past president of Automotive Research Association of India, Pune and the society of Indian Automobile Manufacturers. At present, he is a Honorary Consul General of Republic of Korea, Chennai. He is a member of Prime Minister's Council on Trade and Industry. He is a member of National Manufacturing Competitiveness Council, Government of India, headed by Dr. V. Krishnamurthy. He is also a part-time member of Securities and Exchange Board of India.

Mr. Venu Srinivasan has been honoured with various awards, including the HSBC Indo-British Achievement Award, presented in recognition of his active contribution to Indo-British commercial relations. He was also the recipient of "Star of Asia" award of Business Week International. He had been conferred the honorary doctorate degree in science by the University of Warwick, UK 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 Warwick University. During the year 2004, he was conferred the Qimpro Platinum Standard Award, Jamshedji Tata Life Time Achievement Award by the Indian Society for Quality and J R D Tata Corporate Leadership award by All India Management Association.

He is a member of investors' grievance committee and chairman of administrative committee 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	Sundaram-Clayton Limited	Managing Director	Investors' grievance committee – Member Administrative committee – Chairman

S. No	Name of the company	Position held	Committee membership/ chairmanship
2	Auto (India) Engineering Limited	Director	—
3	Harita-NTI Limited	Chairman	—
4	TVS Electronics Limited	Chairman	Shareholders' / Investors' grievance committee – Chairman
5	TVS Finance and Services Limited	Director	Shareholders' / Investors' grievance committee – Chairman
6	Lucas TVS Limited	Director	—
7	T V Sundram Iyengar & Sons Limited	Director	—
8	Southern Roadways Limited	Director	—
9	Sundram Textiles Limited	Director	—
10	Sundram Fasteners Limited	Director	—
11	Sundaram Non-conventional Energy Systems Limited	Director	—
12	Cummins India Limited	Director	Compensation and Management Development committee – Chairman Operations committee – Member
13	TVS Lanka Private Limited	Director	—

#### V. Mr. T.R. Prasad

Born on 15<sup>th</sup> July 1941, Mr. T.R. Prasad holds Masters' Degree in Physics (Electronics) from Banaras Hindu University. He is a lifetime fellow of the Institute of Engineers. He joined the Indian Administrative Service in the year 1963 from Andhra Pradesh Cadre.

Mr. Prasad's earlier assignments include his positions as Principal Secretary, Industry and Commerce / Urban Development / Revenue, Government of Andhra Pradesh, Chairman, Vizag Port Trust, Special Officer, Municipal Corporation of Hyderabad, Managing Director of Andhra Pradesh State Financial Corporation/ Andhra Pradesh State Civil Supplies Corporation, Development Commissioner and Ex-Officio Secretary to Chief Minister, Secretary, Irrigation and Command Area Development, and Secretary, Planning, Government of Andhra Pradesh.

Mr. Prasad also held various positions of repute and high responsibility which include Defence Secretary to Government of India, Secretary of Industrial Policy and Promotion, Government of India, Chairman of Foreign Investment Promotion Board, Secretary of Heavy Industry and Chairman of Maruti Udyog Limited.

He was a director on the board of IDBI, ICICI, EXIM Bank, VIZAG Steel Plant, Hindustan Shipyard, Nagarjuna Chemicals and Fertilizers and Dredging Corporation of India.

Mr. Prasad took over as Cabinet Secretary, Government of India, on 1<sup>st</sup> November 2000 and held this post for a two year tenure after which he joined the Twelfth Finance Commission as a member and served in that capacity till 31<sup>st</sup> December 2004.

He is the Chairman of the audit committee of directors of the company. He does not hold directorship in any other company.

## 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 30<sup>th</sup> May 2005 and shall be taken as forming part of the notice.

#### Item no. 7

The board of directors of the company at their meeting held on 27<sup>th</sup> January 2005 re-appointed Mr. Venu Srinivasan as chairman and managing director of the company for a further period of five years from 24<sup>th</sup> April 2005.

The terms of re-appointment are as follows:

- (i) Duration:  
5 years (24<sup>th</sup> April 2005 to 23<sup>rd</sup> April 2010)
- (ii) Remuneration:  
Commission not exceeding 2% on the net profits of the company calculated in the manner prescribed under Section 349 and 350 of the Companies Act, 1956, as may be decided by the board of directors or of a Committee thereof for each financial 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 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 7<sup>th</sup> February 2005 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, managing director, Mr. Gopal Srinivasan and Mr. T.K. Balaji, directors, being relatives of Mr. Venu Srinivasan.

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

#### Item no. 8

Mr. T.R.Prasad was appointed as an additional director of the company with effect from 27<sup>th</sup> January 2005. In terms of Section 260 of the Companies Act, 1956, he will hold office only upto the date of this annual general meeting.

Notice has been received from a member of the company under Section 257 of the Companies Act, 1956, alongwith a deposit of Rs.500/- signifying his intention to propose the candidature of Mr. T.R. Prasad for the office of director and to move the resolution as set out in item no.8 of this notice.

Mr. T.R.Prasad is deemed to be concerned or interested in the resolution.

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

Chennai  
May 30, 2005

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

By order of the board

T. S. RAJAGOPALAN  
*Secretary*



## Directors' report to the shareholders

The directors present the thirteenth annual report and the audited accounts for the year ended 31<sup>st</sup> March 2005.

### 1. FINANCIAL HIGHLIGHTS

Details	Year ended 31-03-2005	Year ended 31-03-2004	% of growth
<b>QUANTITATIVE</b>			
Sales:			
	(Numbers in lakhs)		
Motorcycles	6.79	7.07	-4.0
Mopeds	2.63	2.51	4.8
Scooters	2.25	1.89	19.0
Total vehicles sold	11.67	11.47	1.7
<b>FINANCIAL</b>			
	(Rupees in crores)		
Sales (net of excise duty) and other income	2955.21	2856.42	3.5
EBITDA	290.87	295.63	-1.6
Interest (net)	0.79	1.21	-34.7
Depreciation	89.63	79.89	12.2
Profit before tax	200.45	214.53	-6.6
Provision for tax (including deferred tax)	62.88	76.04	-17.3
Profit for the year (after tax)	137.57	138.49	-0.7
Surplus brought forward	34.43	32.63	
Tax relating to earlier years	1.42	(0.74)	
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 1 <sup>st</sup> April 2003	–	6.77	
Profit available for appropriation	183.32	190.09	
<b>APPROPRIATIONS:</b>			
Interim dividend	30.89	31.41	
Tax on dividend	4.22	4.25	
Transfer to general reserves	110.00	120.00	
Surplus carried forward	38.21	34.43	

### 2. DIVIDEND

For the year 2004-05, the board of directors declared two interim dividends viz., 70% on 25<sup>th</sup> October 2004 and 60% on 30<sup>th</sup> May 2005, making a total of 130% absorbing a sum of Rs.30.89 crores. The directors recommend that the interim dividends paid be considered as the final dividend for the year 2004-2005.

### 3. SUBSIDIARY

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 2005 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).

### 4. EXPANSION ACTIVITIES

As indicated in the last report, the company is in the process of setting up a manufacturing facility for three wheelers in its existing plants with an initial capacity of 1,00,000 vehicles per annum. The estimated cost of the project is Rs.100 crores.

The company is also in the process of establishing a two-wheeler manufacturing facility at Solan District in Himachal Pradesh with an initial annual capacity of 3,00,000 vehicles at an estimated cost of Rs.90 crores.

Besides, the company is planning to set up a manufacturing unit in Indonesia for two wheelers with an initial annual capacity of 1,20,000 vehicles. The investment proposed to be made for this unit is estimated at Rs.225 crores.

All the above investments will be met partly out of internal accruals and partly by external commercial borrowings. The company has already tied up funds to the tune of US \$ 100 million.

All the above projects are expected to commence commercial production by first half of 2006-2007.

### 5. DIRECTORS

Mr. Venu Srinivasan was re-appointed as chairman and managing director of the company by the board of directors in terms of the articles of association of the company for a further period of five years from 24<sup>th</sup> April 2005 on the existing terms and conditions. Necessary resolution is being placed before the shareholders seeking their approval for his re-appointment and remuneration in the ensuing annual general meeting of the company.

Mr. C.V.R. Panikar, director, resigned from the board with effect from 30<sup>th</sup> May 2005. The directors place on record their appreciation of the invaluable guidance and support rendered by Mr. Panikar to the company during his tenure as a director of the company.

Mr. T.R. Prasad, retired Cabinet Secretary, Government of India was appointed as an additional director by the board on 27<sup>th</sup> January 2005. In terms of Section 260 of the Companies Act, 1956, Mr. Prasad will hold office upto the date of ensuing annual general meeting of the company. Notice has been received from a member of the company proposing his candidature for the office of director in terms of Section 257 of the Companies Act, 1956.

Mr. Gopal Srinivasan, Mr. T.K. Balaji and Mr. H. Lakshmanan, directors, retire at the ensuing annual general meeting of the company and being eligible, offer themselves for re-appointment.

### 6. AUDITORS

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



#### 7. 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.

#### 8. STATUTORY STATEMENTS

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

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

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

#### 9. ACKNOWLEDGEMENT

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

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

The directors also thank the investors for their continued faith and support to the company.

For and on behalf of the board

Chennai  
May 30, 2005

venu.srinivasan  
*Chairman*



## Annexure I to directors' report to the shareholders

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

### A CONSERVATION OF ENERGY

1. Measures taken
  - (i) Heat recovery hot water system has been extended to two plastic paint plants resulting in fuel savings. Both the plastic paint plants have been declared as "Zero Fuel" paint plants.
  - (ii) The Heat recovery at CPP DGs has been implemented at Mysore plant and heat recovery hot water has been supplied for the paint plants pre-treatment process resulted in fuel savings.
  - (iii) The electrical heaters power consumption has been minimised by heating the fuel and oil with waste heat recovery hot water at CPP Mysore.
  - (iv) Central Air Conditioning of "QAD block" and "Seminar hall" has been done with waste heat driven 132 TR VAM AC.

The above measures have resulted in a savings of approximately Rs. 2.30 crores.

#### 2. Proposed measures

- (i) Implementation of waste heat recovery hot water system to Plant-I paint plant process application and elimination of running of LDO fired boiler.
- (ii) Implementation of waste heat driven 250 TR VAM AC and supply chilled water for the chiller application at the Mysore paint plants.
- (iii) Reduction of power consumption in electrical heaters of CPP by installing waste heat hot water heaters for fuel and oil heating at Hosur plant.
- (iv) Reduction of compressor power consumption by installing optimum air control system.
- (v) Implementation of other 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. 3.00 crores.

### B TECHNOLOGY ABSORPTION

1. Specific areas in which R&D is carried out by the company:
  - (i) Design and development of 100cc 4-stroke low cost motorcycle for rural application.
  - (ii) Design and development of 125cc 4-stroke motorcycle for executive segment.
  - (iii) Design and development of 2-stroke and 4-stroke engines meeting 2005 emission norms.

#### 2. Future plan of action:

- (i) Development of new version of scooterette.
- (ii) Development of new products with improved ride comfort and road safety.
- (iii) Development of motorcycles for export to ASEAN countries.

3. Expenditure on R & D:	Rs. in crores
Capital expenditure	20.71
Revenue expenditure	51.03
Total	71.74
Total expenditure as a percentage of turnover	2.43%

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

(a) Technology imported	:	Manufacture of 4-stroke 150cc motor cycles
(b) Year of import	:	1999
(c) Has the technology been fully absorbed?	:	Yes
(d) If not fully absorbed, area where this has not taken place, reasons thereof and future plan of action	:	Not applicable

### C. FOREIGN EXCHANGE EARNINGS AND OUTFLOW

#### 1. Export activities

The thrust on international business continues. International business has shown a growth of 78% over last year.

The coverage has been widened and the company now exports to more than 30 countries in the world.

The objective is to continue expanding international business and make it a significant proportion of the company's turnover.

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

	Rs. in crores
Foreign exchange used	143.55
Foreign exchange earned	122.20

For and on behalf of the board

Chennai  
May 30, 2005

VENU SRINIVASAN  
Chairman