

# TVS MOTOR COMPANY LIMITED



## Nineteenth Annual Report 2010-2011

## TVS MOTOR COMPANY LIMITED

Board of Directors	VENU SRINIVASAN Chairman & Managing Director	<b>Registered office</b> "Jayalakshmi Estates", 29 (Old No.8), Haddows Road, Chennai - 600 006, Tamil Nadu, India. Tel : 044 - 2827 2233 Fax : 044 - 2825 7121
	H. LAKSHMANAN	
	T. KANNAN	
	C. R. DUA	
	K. S. BAJPAI	
	R. RAMAKRISHNAN	
Audit Committee	PRINCE ASIRVATHAM	<b>Factories</b> Post Box No. 4, Harita, Hosur - 635 109, Tamil Nadu, 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
	T. KANNAN Chairman	
	C.R. DUA	
	R. RAMAKRISHNAN	
	PRINCE ASIRVATHAM	
Investors' Grievance Committee	T. KANNAN Chairman	<b>Website : <a href="http://www.tvsmotor.in">www.tvsmotor.in</a></b>
	VENU SRINIVASAN R. RAMAKRISHNAN	
President & CEO	K.N. RADHAKRISHNAN	<b>Subsidiary Companies</b> Sundaram Auto Components Limited, Chennai TVS Energy Limited, Chennai TVS Housing Limited, Chennai TVS Wind Energy Limited, Chennai TVS Wind Power Limited, Chennai TVS Motor Company (Europe) B.V., Amsterdam TVS Motor (Singapore) Pte. Limited, Singapore PT. TVS Motor Company Indonesia, Jakarta
Executive Vice President - Finance	S.G. MURALI	
Company Secretary	K.S. SRINIVASAN	
Auditors	SUNDARAM & SRINIVASAN Chartered Accountants, New No.4, (Old No.23) Sir C.P. Ramaswamy Road, Alwarpet, Chennai - 600 018.	
Shares listed 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	
E-mail	<a href="mailto:kr.raman@scl.co.in">kr.raman@scl.co.in</a> <a href="mailto:sclshares@gmail.com">sclshares@gmail.com</a> <a href="mailto:investorscomplaintssta@scl.co.in">investorscomplaintssta@scl.co.in</a> <a href="mailto:ks.srinivasan@scl.co.in">ks.srinivasan@scl.co.in</a>	
Bankers	STATE BANK OF INDIA Corporate Accounts Group Branch, Sigapi Achi Building, 18/3, Rukmani Lakshmipathy Salai, Egmore, Chennai - 600 008.	
	STATE BANK OF MYSORE Industrial Finance Branch, Midford Garden Road, Bengaluru - 560 001.	

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## TVS MOTOR COMPANY LIMITED

## Financial Highlights

Rupees in crores

Details	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Sales and other income	6,299	4,485	3,741	3,310	3,921	3,306	2,955	2,856	2,726	1,944
Profit before interest, depreciation, amortisation and tax	466	304	247	219	254	318	332	316	295	151
Profit before tax	248	76	31	35	91	168	200	215	201	83
Profit after tax	195	88	31	32	67	117	138	138	128	54
Net fixed assets	995	983	1,036	1,043	1,003	794	770	704	533	440
Share capital	48	24	24	24	24	24	24	24	23	23
Reserves and surplus	952	842	786	798	786	742	655	551	400	300
Networth	999	835	735	769	751	673	614	562	423	323
Total borrowings	785	1,003	906	666	634	385	187	119	122	167
Earnings per share * (Rs.)	4.10	1.85	0.66	0.67	1.40	2.47	2.90	2.92	2.77	1.17
Dividend per share (Rs.)	1.10	1.20	0.70	0.70	0.85	1.30	1.30	1.30	1.20	0.90
Book value per share * (Rs.)	20.81	17.40	15.32	16.02	15.65	14.02	12.79	11.71	9.20	7.02
EBITDA / turnover (%)	7.4	6.8	6.6	6.6	6.5	9.6	11.2	11.1	10.8	7.8
Profit before tax / turnover (%)	3.9	1.7	0.8	1.1	2.3	5.1	6.8	7.5	7.4	4.3
Return on capital employed (%)	16.3	8.0	5.6	2.8	10.4	18.3	23.8	30.1	34.2	18.6
Return on net worth (%)	21.3	11.2	4.1	4.1	9.2	18.0	23.4	28.1	34.3	15.9

\* calculated after considering bonus issue

## TVS MOTOR COMPANY LIMITED

## Notice to Shareholders

NOTICE is hereby given that the nineteenth annual general meeting of the Company will be held at 'The Music Academy', New No. 168 (Old No. 306), T.T.K. Road, Royapettah, Chennai - 600 014, on Wednesday, the 14<sup>th</sup> day of September 2011, 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 31<sup>st</sup> March 2011 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 K S Bajpai, director who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a director of the Company.

3. 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.

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.

By order of the board

Bengaluru  
July 29, 2011

K S SRINIVASAN  
Company Secretary

Registered Office:  
"Jayalakshmi Estates",  
No.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 register of members and the share transfer register will remain closed for two days viz., 4<sup>th</sup> August 2011 and 5<sup>th</sup> August 2011 for the purpose of payment of second interim dividend declared for the financial year 2010-11 by the board of directors at their meeting held on 29<sup>th</sup> July 2011.

## Green Initiative in Corporate Governance

Ministry of Corporate Affairs has undertaken a 'Green Initiative in Corporate Governance' to promote paperless compliances by the companies through electronic mode. Members can now receive notices, annual reports and other documents through electronic mode by registering their email addresses with the Company.

The Company would like to avail this opportunity for sending notices / annual reports / other documents (documents) to the members in the electronic mode to their email addresses already registered and available (i) in the records of depositories, which have been made available to the Company by them; or (ii) in the records of Share Transfer Agent of the Company namely Sundaram-Clayton Limited (STA).

Members are requested:

- To note that the documents will also be available on the Company's website [www.tvsmotor.in](http://www.tvsmotor.in) for downloading by the members;
- To note that physical copies of the documents will also be available at the Registered Office of the Company, at No. 29, Haddows Road, Chennai - 600 006, for inspection during office hours;
- To note that members, who opted to receive the documents in electronic mode, are also entitled to receive copies of the documents free of cost, upon receipt of a requisition at any time;
- To note that those members, who are holding shares in electronic form and have not registered their email addresses with their Depository Participants (DPs), are requested to update the same with DPs;
- To note that those members, who are holding shares in physical form and have not registered their email addresses with the STA, are requested to update the same; and
- To update change of email address with the STA or with the Company or with their DPs, from time to time, for receiving the future communication on any other email address.

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- 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 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 period are requested to make their claim(s) by surrendering the unencashed warrants immediately to the Company.

- 4) Members holding shares in physical form, in their own interest, are requested to dematerialize the shares to avail the benefits of electronic holding / trading.
- 5) 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 correspondence and email addresses to their DPs.
- 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 proxy form and hand over the slip at the entrance of the meeting hall.

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 annual general meeting, nature of their expertise in specific functional areas, their other directorships and committee memberships, their shareholdings and relationships with other directors in the Company are given below:

#### I. Mr K S Bajpai

Born on 30<sup>th</sup> March 1928, Mr K S Bajpai, was in Indian Foreign Service and retired as Ambassador to the USA.

Mr Bajpai earlier served as Ambassador to the Netherlands, Pakistan and China, and Secretary to the Government of India in the Ministry of External Affairs. He was a Visiting Professor at the University of California, Berkeley for five years, and first Professor of Non-Western Studies at Brandeis for two years, also a Visiting Fellow at Stanford University's Centre for International Security and Co-operation in 2002. For five years, he was also Senior International Advisor to Merrill Lynch, New York.

He was co-opted as a director of the Company on 27<sup>th</sup> January 2003.

He does not hold directorship in any other Company.

He does not hold any share in the Company and is not related to any director of the Company.

#### II. Mr C R Dua

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

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

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

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

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

Mr Dua has been a member of the Advisory Committee on Competition Advocacy and also of the Competition Commission Advisory Committee on Regulations of the Competition Commission of India.

Mr Dua is a founder member of the American Chamber of Commerce in India and continues to be an invited member on their Executive Board. He is currently also a

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Senior Vice President of The Society of Indian Law Firms (SILF). He is also a member of BNP Paribas Group India Advisory Board. He pursues philanthropic interests by participating as a trustee in organizations engaged in education, welfare and cultural activities. Mr Dua continues to pursue his interest in tennis and is an invited member on the Executive Committee of the International Lawn Tennis Club of India.

An honours graduate of St. Stephen's College, Mr Dua holds a Masters Degree in Economics from the Delhi

School of Economics and a law degree from the Faculty of Law, University of Delhi.

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

He is a member of the audit committee of directors of the Company.

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

S. No	Name of the Company	Position held	Committee membership / chairmanship
1.	Cabot India Limited	Director	Member - Audit Committee
2.	Gillette India Limited	Director	Chairman - Audit Committee Member - Remuneration Committee
3.	House of Pearl Fashions Limited	Director	—
4.	Vodafone Essar Limited	Director	—
5.	Wimco Limited	Director	Member - Audit Committee
6.	Tractors and Farm Equipment Limited	Director	—
7.	Alcoa India Private Limited	Director	—
8.	Amit Investments Private Limited	Director	—
9.	Associated Corporate Consultants (India) Private Limited	Director	—
10.	Becton Dickinson India Private Limited	Director	—
11.	Emerson Process Management Power and Water Solutions India Private Limited	Director	—
12.	Fila Sport India Private Limited	Director	—
13.	Inapex Private Limited	Director	—
14.	LexSphere Private Limited	Director	—
15.	Linde Engineering India Private Limited	Director	—
16.	McCann-Erickson (India) Private Limited	Alternate Director	—
17.	McDonald's India Private Limited	Director	—
18.	PBE India Private Limited	Director	—
19.	Result Services Private Limited	Director	—
20.	Universal Weather and Aviation India Private Limited	Director	—
21.	UL India Private Limited	Director	—
22.	Sella Synergy India Private Limited	Director	—



## TVS MOTOR COMPANY LIMITED

## Directors' report to the Shareholders

The directors have pleasure in presenting the nineteenth annual report and the audited accounts for the year ended 31<sup>st</sup> March 2011.

## 1. FINANCIAL HIGHLIGHTS

Details	Year ended 31-03-2011	Year ended 31-03-2010
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**QUANTITATIVE** (Numbers in lakhs)**Sales:**

Motorcycles	8.33	6.38
Mopeds	7.05	5.71
Scoters	4.66	3.10
Three wheelers	0.39	0.15
<b>Total vehicles sold</b>	<b>20.43</b>	<b>15.34</b>

**FINANCIAL** (Rupees in crores)

Motorcycles	2,748.88	2,046.23
Mopeds	1,235.34	952.48
Scoters	1,340.69	822.03
Spares and accessories	540.22	421.84
Three wheelers	314.35	120.53
Other income	119.18	121.57
Sales (net of excise duty) and other income	6,298.66	4,484.68
EBITDA	466.00	303.62
Interest and finance charges (net)	46.99	63.17
Amortisation	63.67	61.75
Depreciation	107.25	102.53
Profit before tax	248.09	76.17
Provision for tax (including deferred tax and fringe benefit tax)	53.51	(11.84)
Profit for the year (after tax)	194.58	88.01
Surplus brought forward	34.12	33.02
Profit available for appropriation	228.70	121.03

**APPROPRIATIONS**

First Interim dividend	23.76	16.63
Second Interim dividend payable	28.51	11.88
Tax on dividend paid	3.95	2.83
Provision for dividend tax	4.26	1.53
Transfer to general reserve	32.75	54.04
Surplus carried forward	135.47	34.12

## 2. DIVIDEND

The board of directors of the Company at their meeting held on 20<sup>th</sup> January 2011, declared first interim dividend of Re.0.50 per share (50%) for the year 2010-11 absorbing a sum of Rs.27.71 Cr including dividend distribution

tax. The same was paid to the shareholders on 1<sup>st</sup> February 2011.

The board of directors of the Company at their meeting held on 29<sup>th</sup> July 2011 declared a second interim dividend of Re.0.60 per share (60%) for the year 2010-11 absorbing a sum of Rs.32.77 Cr including dividend distribution tax. Hence, the total amount of dividend including the second interim dividend payable, for the year ended 31<sup>st</sup> March 2011 will aggregate to Rs.1.10 per share (110%) on 47,50,87,114 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 for the first time achieved annual two wheeler sales of two million, a growth of 32% from 1.52 mn units sold in the previous year, driven by growth across all segments of two wheelers. The sales of three wheelers significantly increased from 14,702 Nos. in 2009-10 to 39,257 Nos. in 2010-11.

During the year, the Company strengthened its portfolio of two wheelers by launching Apache RTR 180 equipped with Anti-lock Brake System (ABS) and Max 4R motor cycle.

The Company's total revenue including other income grew from Rs.4,484.68 Cr in the previous year to Rs.6,298.66 Cr in the current year. The profit before tax (PBT) of Rs. 248.09 Cr for the year was higher by 226% than the previous year's PBT of Rs.76.17 Cr. The profit after tax (PAT) of Rs.194.58 Cr for the year was higher by 121% than the previous year's PAT of Rs.88.01 Cr.

The Company expects to grow further in the two wheeler segment, with additional sales coming from the new products launched during the year and the exports of three wheelers. The Company is well positioned to improve business performance during the year 2011-12.

## 4. BONUS SHARES

During the year, the Company issued and allotted 23,75,43,557 equity shares of Re.1/- each as bonus equity shares on 10<sup>th</sup> September 2010 in the ratio of 1:1 to the eligible shareholders of the Company as on the record date, i.e. 9<sup>th</sup> September 2010 by capitalizing an equivalent amount standing to the credit of the general reserve account of the Company as approved by the shareholders through postal ballot on 30<sup>th</sup> August 2010.

As a result, the Company's paid up equity share capital now stands at Rs. 47.51 Cr. The said issue, allotment and listing of bonus equity shares were completed within the stipulated period of two months of its declaration by the board of directors in terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

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## 5. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

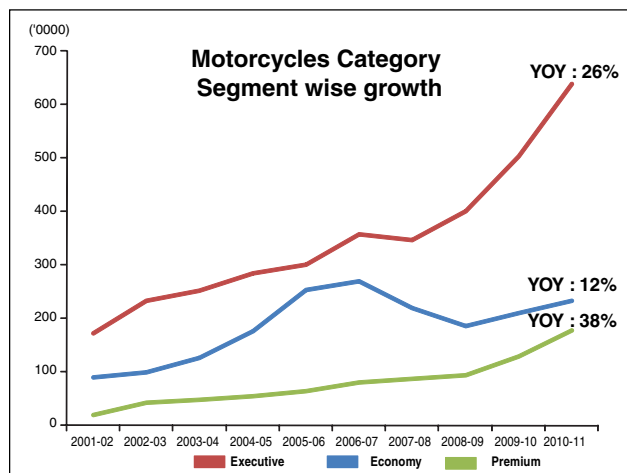
Two wheeler industry continued its impressive growth during 2010-11. The industry registered a growth of 27% with all segments recording an impressive growth.

The Company recorded an overall growth of 32% in two wheeler sales. This was driven by an impressive 50% growth in scooter segment, 23% growth in moped segment and 31% growth in the motorcycle segment. Launch of Apache RTR180 ABS has reinforced the Company's position in the Premium segment of the motorcycle market. TVS Wego in the big scooter segment has contributed considerably to the sales and the scooter segment was further strengthened with the launch of Scooty Babelicious series. The Company launched the Max 4R series to serve the load carrying need of the customers. The Company launched TVS Jive in the Executive segment, which forms 60% of the motorcycle category. During the year, the three wheeler sales have increased from 14,702 nos. in 2009-10 to 39,257 nos. in 2010-11. Sales of spare parts grew by 28%.

## INDUSTRY STRUCTURE AND DEVELOPMENTS

The overall two wheeler sales increased by 27% from 10.5 mn numbers in 2009-10 to 13.32 mn numbers in 2010-11. This growth was mainly propelled by a 24% growth in motorcycles from 8.4 mn numbers to 10.5 mn numbers. Scooters grew by an impressive 42% from 1.5 mn numbers to 2.1 mn numbers. Mopeds registered a growth of 23% from 0.57 mn numbers to 0.70 mn numbers. Exports of two wheeler have grown by 34%. The Petrol Passenger three wheeler industry (3 plus 1 segment) grew by 36% during 2010-11 to reach 4 lakh units. Domestic market grew by 21% to reach (1.6 lakh numbers) and Export market grew by 48% (2.5 lakh numbers).

In motorcycle category, the Executive segment grew by 26% and the Premium segment by 38%. Absence of adequate retail finance in all areas continued to affect the Economy segment and it grew only by 12%.



## Industry sales of two wheelers (Domestic plus Export)

Particulars	2009-10			2010-11		
	Sales in mn (nos.)	Growth in %	Category share	Sales in mn (nos.)	Growth in %	Category share
Motorcycles	8.44	24	80%	10.50	24	79%
Un-Geared scooters	1.49	28	14%	2.12	42	16%
Mopeds	0.57	27	6%	0.70	23	5%
Total two wheelers	10.50	25	100%	13.32	27	100%

## BUSINESS OUTLOOK AND OVERVIEW

Tight liquidity, high interest cost and inflation are likely to result in lower GDP growth for the country during 2011-12 compared to previous year. The two wheeler industry is also consequently expected to grow at a lower rate of 12% to 14% compared to 27% growth recorded in the previous year. Commodity cost which showed a mild upward bias in the first half may come down in the second half of the year.

## COMPANY PERFORMANCE

## New Product Launches and Initiatives

During the year 2010-11, the following new products and variants were launched.



TVS Apache RTR 180 first Indian Motorcycle with ABS, is a technical showcase of the RTR Series. Inspired from the track, the RTR Series is a class definer when it comes to performance. The Racing DNA is further personified with the

highest in class power to weight ratio and Racing Ergonomics, which render agility and superb handling to the RTR Series.



Inspired by the new generation of young India, the Company launched the Scooty Pep+ babelicious series with five stunning colours. Along with fresh graphics, this collection is meant for young women. Scooty is known to be a pioneer with successful

fashion editions and colour innovations launched in the past. Leading the fashion trend with the babelicious series along with benefits of ease and lightweight, Scooty is further likely to consolidate its position as the most preferred scooter for young women.



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Sensing the imminent need of a sturdy and durable motorcycle the Company launched TVS Max4R during the year. The noticeable differentiator is the four shock absorbers that are fitted at

the rear end of the motorcycle, so that the bike can easily carry heavy loads.

### Two wheeler operations:

#### Domestic:

The Company registered higher growth rates than the market across the segments. While motorcycle segment grew by 23%, TVS grew by 29%.

TVS grew by 50% in the scooter segment. Entry of Wego has further strengthened TVS scooter portfolio. Mopeds grew by 23% with growth coming from both southern and non southern markets.

The Company's products are distributed by network of dealers and authorised service centers across India. The Company will continuously seek to increase distribution reach.

#### Exports:

TVS crossed a new milestone in exports with all time high sales of 2.23 lakh numbers. The growth of 37% over last year is driven by improved sales in South Asian market, Africa, Brazil and foray into Mexico.

### Three wheeler operations:

The Company has cumulatively sold over 58,700 vehicles till March 2011 in India and in international markets since launch.

During the year 2010-11, TVS Motor launched a new customer service initiative "TVS Service Anytime Anywhere (24x7)" in three major cities, which is first of its kind in the industry.

The Company has exported three wheelers to 18 countries. Export of three wheelers provides an excellent opportunity in the current year.

### Opportunities and Threats:

Growth in two wheeler demand will come mainly from rising population in target age and income groups. Increased use of personal transport would also be a significant demand driver. 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 and high customer satisfaction of TVS Jive are expected to result in higher sales. Buoyant rural economy is expected to drive the demand for MAX 4R.

Apache RTR 180 ABS has further strengthened the Company's position in the Premium segment.

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.

The rising interest cost, tight liquidity and high inflation may however impact the growth prospect during 2011-12.

## 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 adopted the philosophies of TQM as the cornerstone of its management. In an attempt to standardize, strengthen and deepen the understanding, the Company has formalized and documented these philosophies titled as "TVS Way". The Company has continued to benefit from 100% participation of employees in TQM activities, for the fifth year in succession. The employees have completed and presented more than 1,600 projects through QC Circles and Cross Functional Teams for the year 2010-11 towards achieving Company's objectives.

During 2010-11, the Company received and implemented on an average 47 suggestions per employee. The Company has won the first prize for "Excellence in Suggestion Scheme" from INSSAN (Indian National Suggestion Scheme Association) for the eighth 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 (R&D):

The Company's strong 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, more than 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

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technologies and CO<sub>2</sub> reduction technologies to remain ahead of needs of consumers and environment regulations.

R&D has developed and launched a new 110cc 4 stroke ungeared scooter with disc brake system for export market. R&D has developed and launched a new 150cc 4 stroke liquid cooled engine for Indonesian Market. R&D has also developed and launched a 180cc 4 stroke motorcycle with ABS technology.

R&D team has so far published 72 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. Several projects have been implemented during the year to improve productivity and quality. 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 and dashboards to monitor and improve product quality using early watch and alert system.

Dealer Management System (DMS) - developed by the Company has been extended to all dealers of the Company. DMS also helps the Company to exchange information between the Company and dealers online and provides business intelligence for undertaking initiatives to improve sales, service, product development and customer satisfaction.

### RISKS AND CONCERNS

The fragility in global economic recovery is a major concern. Apart from the political unrest in some countries, tight monetary stance, the contagion of hardening crude and commodity prices in international markets are expected to impact Indian economy significantly. Any failure of monsoon could trigger significant supply constraints further fuelling inflation and interest rates. The success of new launches is important to maintain the momentum for the Company.

Government of India has indicated that with effect from 1<sup>st</sup> October 2011, the current DEPB scheme applicable to exports of two wheeler and three wheeler may be replaced by a duty drawback scheme. Industry expects the new scheme to adequately protect the current benefits to ensure continued competitiveness in the global markets.

### INTERNAL CONTROL AND THEIR ADEQUACY

The Company has a proper and adequate internal control system to ensure that all the assets of the Company are

safeguarded and protected against any loss and that all the transactions are properly authorized, recorded and reported.

### HUMAN RESOURCE DEVELOPMENT

Human Resource Development is focussed and aligned to business needs towards improved performance and business results through the HR roadmap evolved over the years. The key components of the roadmap are - Employee engagement, resourcing, performance and compensation management, Competency based development, Career and succession planning and Organisation building.

The Company continues to be an employer of choice in most engineering schools and polytechnics in the country. The online performance management system has been streamlined across plants and locations including the field staff. Learning Management System (LMS) was leveraged fully for the functional competencies at entry level roles in the engineering streams. Competency assessment and development through various training programs have improved the capability of engineers for their delivery on the job. Skill Training Centre focusing on training and enhancement of fundamental skills have been expanded to other processes such as painting, welding, maintenance and material handling. Talent review conducted as a part of the talent management process has improved the rigour in identifying potential and providing individual development plans. Towards leadership development, the key competencies have been identified and exclusive assessment and development workshops conducted to cover top 200 of the senior management team.

The Company continues to maintain its record on industrial relations without any interruption in work.

As on 31<sup>st</sup> March 2011, the Company had 4,589 employees on its rolls.

### ENVIRONMENT, HEALTH AND SAFETY (EHS)

The Company bagged the "Parivartan Sustainability Leadership Award" for 2011. This award is for Water Conservation Thought Leadership to recognize Indian companies, which have embraced sustainability in their business operations and supply chain and have shown leadership by taking initiatives for making their products, processes and facilities sustainable.

Efforts in material stewardship and 4R measures have helped to effectively manage the waste generated across the operations. Significant reduction in generation of paint sludge has been achieved through introduction of robot in painting operation. Introduction of advanced waste-water treatment technologies, simplification of treatment processes and optimization of chemical dosing through automation have resulted in reduction of chemical sludge generation.