

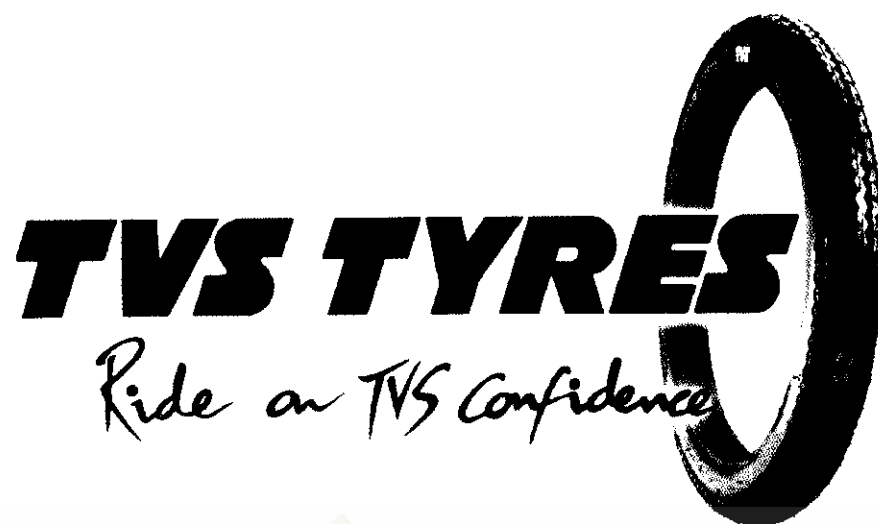


7<sup>th</sup>

# ANNUAL REPORT

1999 - 2000

**TVS SRICHAKRA LIMITED**



**BOARD OF DIRECTORS**

S NARAYANAN

Chairman

R NARESH

Executive Vice Chairman

SHOBHANA RAMACHANDHRAN

Managing Director

K R RAGAVAN

M S VIRARAGHAVAN

W P A R NAGARAJAN

N H ATTHREYA

J V RAGHAVAN

HARSHAD N BHANSALI

SITARAM RAO VALLURI

**AUDITORS**

SUNDARAM &amp; SRINIVASAN

PLOT NO. 8A, VISALAKSHIPURAM,

MADURAI 625 014

**BANKERS**

STATE BANK OF INDIA

WEST VELI STREET,

MADURAI 625 001

**REGISTERED OFFICE**

TVS BUILDING

7-B, WEST VELI STREET,

MADURAI 625 001

**ADMINISTRATIVE OFFICE**

10, JAWAHAR ROAD,

MADURAI 625 002

e-mail : tvstyres@vsnl.com(tslsect)

website : www.tvstyres.com

**SUBSIDIARIES**NITYA SARVAMANGALA TRADING  
AND HOLDING LIMITED

TVS SRICHAKRA HOLDINGS LIMITED

**DIVISIONS****TYRE DIVISION**

VELLARIPATTI VILLAGE

MELUR TALUK

MADURAI DISTRICT

PIN 625 122

**MOULDED PRODUCTS DIVISION**

NARASINGAMPATTI VILLAGE

THERKUTHERU, MELUR TALUK

MADURAI DISTRICT

PIN 625 122

**NETWORKING DIVISION**

405 &amp; 406, 4TH FLOOR

PRESTIGE MERIDIAN - I

M.G. ROAD

BANGALORE 560 001

**CONTENTS****Page No**

NOTICE

2

FIVE YEAR PERFORMANCE AT A GLANCE

5

DIRECTORS' REPORT

6

ANNEXURES TO THE DIRECTORS' REPORT

10

AUDITORS' REPORT

12

BALANCE SHEET

14

PROFIT AND LOSS ACCOUNT

15

SCHEDULES

16

CASH FLOW STATEMENT

24

STATEMENT OF INTEREST IN SUBSIDIARIES

25

ANNUAL REPORTS OF THE SUBSIDIARIES:

NITYA SARVAMANGALA TRADING AND  
HOLDING LIMITED

27

TVS SRICHAKRA HOLDINGS LIMITED

31

SHAREHOLDERS' INFORMATION

35

## NOTICE TO SHAREHOLDERS

Notice is hereby given that the Seventeenth Annual General Meeting of the Company will be held at 11.00 AM on Thursday, the 31st August, 2000, at Lakshmi Sundaram Hall, 15-A Gokhale Road, Madurai 625 002 to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2000 and Profit and Loss Account for the year ending 31st March, 2000 and Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Mr. Harshad N Bhansali, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Sitaram Rao Valluri, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr. M S Viraraghavan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. M/s Sundaram & Srinivasan, Chartered Accountants, Madurai, retire and are eligible for re-appointment.

### SPECIAL BUSINESS

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

RESOLVED THAT the Articles of Association of the Company be and is hereby altered in the manner following :

- A. In Article 2 of the Articles of Association of the

Company, after sub clause 2(h), the following sub clauses shall be inserted:

**Article 2(i) - "Beneficial Owner"** means the beneficial owner as defined under Clause (a) of Sub-Section 1 of Section 2 of the Depositories Act, 1996.

**Article 2(j) - "Depository"** shall mean a depository as defined under Clause (e) of Sub-Section (1) of Section 2 of the Depositories Act, 1996.

**Article 2(k) - "Depositories Act"** shall mean the Depositories Act, 1996 (22 of 1996) or any statutory modifications or re-enactment thereof.

**Article 2(l) - "Member"** means the duly registered holder, from time to time, of the shares of the Company and includes the subscribers to the Memorandum of the Company and every person holding equity share capital of the Company, whose name is entered as beneficial owner in the records of a depository.

- B. In Article 3 of the Articles of Association of the Company, after sub clause 3(d), the following sub clauses shall be inserted:

**Article 3(e) -** Notwithstanding anything contained in this Article, when the shares are dealt with in a depository, the Company shall intimate the details of allotment of shares to the depository immediately on allotment of such shares.

**Article 3(f) -** Each share in the Capital of the Company shall be distinguished by an appropriate number, provided however that this provision shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in dematerialised form and the shares which are dematerialised are to be in fungible form.

- C. After Article 6 of the Articles of Association of the Company, the following Article shall be inserted:

**Article 6A** - Unless otherwise expressly provided in these presents, and except as ordered by a Court of competent jurisdiction, or as by law required, the Company shall not be bound to recognise an equitable, contingent, future or partial interest in any share, or any right in respect of a share, other than an absolute right thereto in accordance with these Articles, in the person from time to time registered as the holder thereof, or whose name appears as the beneficial owner of shares, in the records of a Depository, but the Board shall, at their sole discretion, register any share in the joint names pursuant to Article 4 of these presents.

- D. In Article 7 of the Articles of Association of the Company, after sub clause 7(f), the following sub clause shall be inserted:

**Article 7(g)** - Nothing contained in this Article shall apply to transfer of shares effected by the transferor, and the transferee both of whom are entered as beneficial owners in the records of a depository. In the case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in any electronic form in a depository, the provisions of the Depositories Act shall apply.

- E. In Article 8 of the Articles of Association of the Company, after sub clause 8(e), the following sub clauses shall be inserted:

**Article 8(f)(i)** - Notwithstanding anything contained in this Article, when the shares are dealt with in a depository, no share certificates shall be issued by the Company.

**Article 8(f)(ii)** - In respect of shares held in a depository, the investor shall have the option to request the Company to issue share certificate in physical form at any time, subject to the provisions of the Depositories Act.

- F. After Article 9 of the Articles of Association of the Company, the following Articles shall be inserted, with the marginal note:

**Article 9A - Provisions of Articles to apply to shares held in a depository**

Except as otherwise expressly provided, the provisions contained in these presents shall be applicable to shares or other marketable securities held in the depository, so far as they apply to shares or such securities in the physical form, subject however to the provisions of the Depositories Act and other regulations as may be applicable.

#### **Article 9B - Dematerialisation of securities**

Notwithstanding anything contained in these presents, the Company shall be entitled to dematerialise its shares including Preference Shares, Debentures and other securities pursuant to the Depositories Act, and to offer its shares, debentures and other securities for issue, in dematerialised form. The Company shall cause to be kept a Register and Index of Members in accordance with all applicable provisions of The Act, and the Depositories Act, with details of shares held in physical or dematerial forms in any media as may be permitted by law, including in any form of electronic media. The Company shall be entitled to keep in any State or Country outside India, a Branch Register of Members Resident in that State or Country.

Provided further that a Register of Index of beneficial owners maintained by a depository under other applicable provisions of the Depositories Act, shall be deemed to be an Index of Members / of other securities, as the case may be, for the purpose of the Act.

#### **Article 9C - Depositories Act to apply to shares held in depositories**

Notwithstanding anything contained herein, in the case of shares, whether preference and/ or equity or other marketable securities, where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form in a depository, generally the provisions of Depositories Act, shall apply.

#### **Article 9D - Service of documents or notice by Members**

All documents or notices to be served or given by Members on or to the Company or to any Officer thereof shall be served or given by sending it to the Company or Officer at the office by post or leaving it at the office. Provided that where the securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or media.

By Order of the Board

Place : Madurai **SHOBHANA RAMACHANDHRAN**  
Date : 28.6.2000 *Managing Director*

#### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. THE PROXIES TO BE VALID SHOULD BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and the Share Transfer books of the Company will remain closed from 31st August, 2000 to 6th September, 2000, both days inclusive.
4. The Board of Directors have declared and paid two interim dividends aggregating to 35% (Rs. 3.50 per equity share of face value of Rs.10/-), for the financial year 1999-2000. No further dividend is recommended for the financial year 1999-2000.
5. 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.
6. Members, who are desirous of seeking any further information or clarification, are requested to write to

the Company, at least 7 days before the meeting so as to enable the Company to keep such details ready.

7. Members are requested to notify immediately any change in their address to the Company.
8. Members are requested to sign at the space provided in the attendance sheet appended to this Annual Report and hand over the same at the entrance of the meeting hall.
9. All correspondence be addressed to the Administrative Office of the Company at No.10 Jawahar Road, Madurai 625 002, quoting the Folio Number.

#### EXPLANATORY STATEMENT

As required under Section 173(2) of the Companies Act, 1956.

#### Item No.7

Your Company's equity shares are notified for dematerialisation, with effect from November, 2000, for all investors. Certain provisions of the Companies Act, 1956, were also modified, when the Depositories Act, 1996 was introduced. Consequent to these changes, it is desirable to amend the Articles of Association of the Company. Accordingly, the resolution for altering the Articles of Association of the Company, pursuant to Section 31 of the Companies Act, 1956, is submitted to the Members for approval.

Directors recommend the resolution for the approval of the Shareholders.

None of the Directors is interested in the resolution.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations are available for inspection at the Registered Office of the Company at TVS Building, 7-B West Veli Street, Madurai 625 001 between 9.00 AM and 12.00 noon, on any working day of the Company.

By Order of the Board

Place : Madurai **SHOBHANA RAMACHANDHRAN**  
Date : 28.6.2000 *Managing Director*

**FIVE YEAR PERFORMANCE AT A GLANCE**

Rs. in lakhs

PARTICULARS	1995-96	1996-97	1997-98	1998-99	1999-2000
<b>A. OPERATING RESULTS</b>					
GROSS INCOME	10477.44	11650.19	13465.77	15491.19	16217.91
PROFIT BEFORE DEPN. INT.& TAX	817.48	1097.53	1722.56	2030.59	2151.12
PROFIT BEFORE INT. & TAX	681.86	904.78	1453.64	1707.93	1796.14
PROFIT BEFORE TAX (PBT)	375.04	444.48	1035.20	1315.56	1478.22
PROFIT AFTER TAX (PAT)	366.77	386.48	745.20	950.56	977.22
DIVIDENDS	143.58	157.94	179.48	268.00	268.00
DIVIDEND TAX	—	15.79	17.95	29.48	29.48
RETAINED PROFITS	223.19	212.75	547.77	653.08	679.74
<b>B. FINANCIAL STATUS</b>					
GROSS FIXED ASSETS	2102.77	2940.50	3526.14	4183.50	4891.80
NET FIXED ASSETS	1574.89	2218.81	2635.67	2903.85	3228.25
INVESTMENTS	10.00	65.54	88.29	125.82	125.82
NET CURRENT ASSETS	930.44	1267.41	1820.01	2007.39	2391.06
SHARE CAPITAL	717.92	717.92	717.92	765.71	765.71
RESERVES AND SURPLUS	543.35	732.27	1282.37	1962.01	2645.24
NET WORTH	1261.27	1450.19	2000.29	2727.72	3410.95
LOAN FUNDS	1254.05	2101.58	2543.69	2309.34	2334.19
TOTAL CAPITAL EMPLOYED	2515.33	3551.77	4543.97	5037.06	5745.13
<b>C. KEY RATIOS</b>					
PBDIT TO NET SALES (%) *	7.94	10.24	11.14	12.80	14.14
PBIT TO NET SALES (%) *	6.42	8.29	8.83	10.42	11.62
PBT TO NET SALES (%) *	2.97	3.63	5.24	7.52	9.36
PBIT TO AVERAGE CAPITAL EMPLOYED (%)	35.30	36.18	42.55	42.39	39.90
RETURN ON AVERAGE NET WORTH (%)	31.90	28.51	43.19	40.21	31.84
EARNINGS PER SHARE (Rs.)	5.11	5.38	10.38	12.41	12.76
DIVIDEND PER SHARE (Rs.) #	2.00	2.42	2.75	3.88	3.88
DIVIDEND PAY OUT (%) #	39.15	44.95	26.49	31.30	30.44
BOOK VALUE PER SHARE (Rs.)	17.57	20.20	27.86	35.62	44.55
DEBT EQUITY RATIO (NO. OF TIMES)	1.00	1.40	1.30	0.80	0.70

\* Excluding Other Income

# Including dividend tax



## DIRECTORS' REPORT

Your Directors have great pleasure in presenting you the Seventeenth Annual Report of the Company together with the Audited Accounts for the year ending 31st March, 2000.

### FINANCIAL HIGHLIGHTS

	(Rs. in lakhs)	
	31.3.2000	31.3.1999
Profit before depreciation and interest	2151.12	2030.59
Profit before tax	1478.22	1315.56
Profit after tax	977.22	950.56
Add : Prior period Provision written back	8.24	—
Balance brought forward from the Profit and Loss Account	1353.19	852.97
Balance brought forward from the Profit and Loss Account of Transferor Company	—	47.14
Profit available for appropriation	2338.65	1850.67
Less : Tax paid for earlier years	4.75	—
Transfer to General Reserve	100.00	100.00
Transfer to Debenture Redemption Reserve	—	100.00
Dividend Paid or payable	268.00	268.00
Tax on Dividend paid or payable	29.48	29.48
Balance carried forward to the Profit and Loss Account	1936.42	1353.19

### PERFORMANCE

Your Company's turnover for the year under review has increased by 5.67% over previous year, to Rs.160.57 crores. The other income for the year under review is Rs.161.40 lakhs, compared to Rs.295.76 lakhs in the previous year.

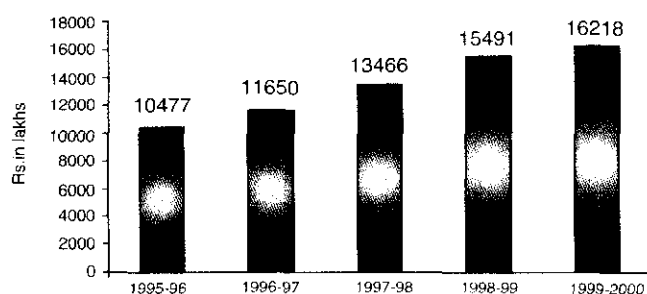
The export turnover has marginally decreased from Rs.18.42 crores in the previous year to Rs.17.93 crores. The competition in the export market is fierce, particularly from Countries like China and Korea. Your Company's focus is on niche segments and quality rather than volumes. Your Company recently launched Antique tyres for the export market. Further development of new products for the export market is underway. Your Company has also located few new export markets, apart from its traditional US and European market.

Your Company shall continue to actively explore opportunities for expanding the export business.

### EXPANSION

During the year under review, the plant capacity of the tyre division has been increased to 53 lakh nos of tyres and tubes, each per annum, from 45 lakh nos of tyres and tubes, each per annum. Modernisation of the existing facilities is also being undertaken, as planned. During the year under review, your Company invested Rs.730 lakhs for this expansion and modernisation of facilities, which

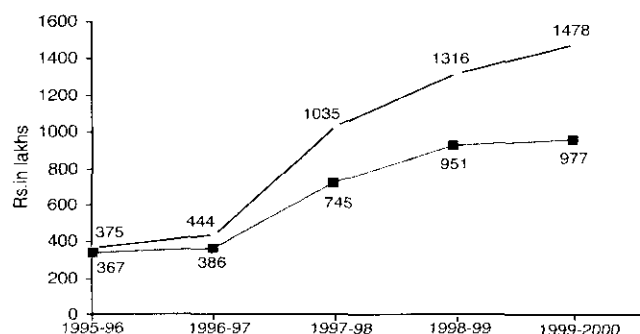
### GROSS REVENUES



SALES AND OTHER INCOME



### PROFITABILITY



PROFIT BEFORE TAX  
PROFIT AFTER TAX



**DIRECTORS' REPORT** (Contd.)

was entirely funded out of internal accruals.

Your Company would continue to pursue the policy of phased expansion, in line with the market growth.

**ORGANISATIONAL DEVELOPMENT**

Your Company's Total Productive Maintenance Programme (TPM), in collaboration with Japan Institute of Plant Maintenance (JIPM), Japan, is progressing satisfactorily, as scheduled. Other improvement programmes are being identified for improving the productivity and reducing cost. Your Company believes that these improvement measures will bring more value to the end customer.

Your Company has recently started the implementation of a Enterprise Resource Planning (ERP) system, in collaboration with Ramco Systems, at a considerable investment. The IT enabled business processes and seamless flow of information is expected to provide the competitive edge required for survival and growth, in this IT era.

Your Company strongly believes in the development and training of its valued human resources. During the year, several training and self-development initiatives were launched by the Company. In line with the culture of the TVS Group, employee participation for the productivity improvement and organisational development were accorded priority. Company's initiative of organising

self-help-group among employees, for providing micro finance and other assistance to employees achieved considerable success. Profit sharing with employees, through incentive plans has yielded the desired impact on the employees morale and productivity.

**NEW PRODUCTS**

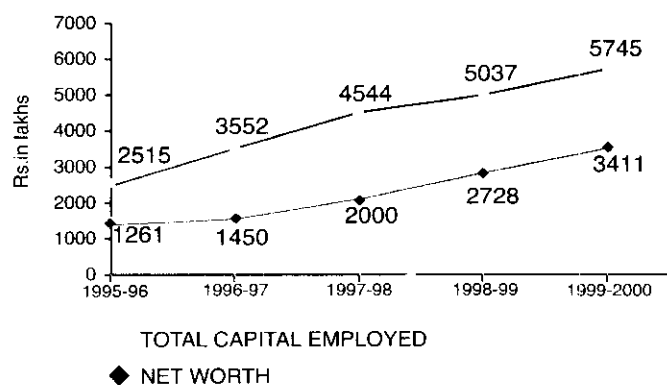
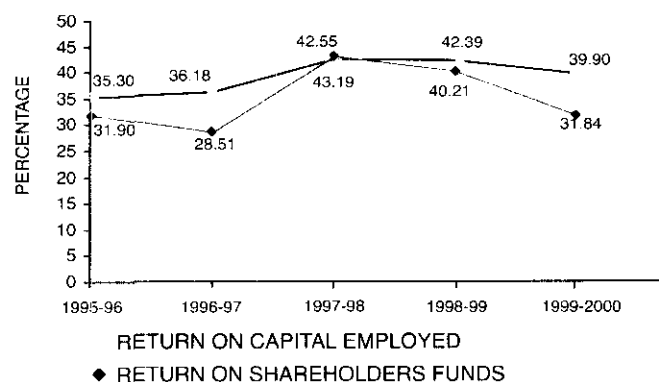
Your Company has recently launched a new premium range of moped tyre, under the name "MEGA STAR". Your Company will endeavour to bring new products, continually with the objective of meeting the emerging needs of customers, both in the OE as well as replacement markets.

**MARKETING**

Your Company's Strategic Marketing Plan is being drawn up, based on an extensive study of the industry scenario, Company's strength and weaknesses and the preferences of the customers, etal. This initiative is expected to fuel a rapid growth of the Company's business during the next five years, particularly in the replacement segment through Brand Building and rationalisation of the distribution network of the Company, apart from other strategic initiatives.

**CORPORATE GOVERNANCE**

The recently introduced Code of Corporate Governance is applicable to your Company, from the financial year 2001-2002. Your Board is pleased to inform that your

**FUNDS EMPLOYED****RETURN ON FUNDS EMPLOYED**

**DIRECTORS' REPORT (Contd.)**

Company is in the process of initiating necessary action, for the compliance of this Code. As in the past, your Company will continue to be guided by the value systems of the TVS Group.

**SUBSIDIARIES AND ASSOCIATE COMPANIES**

As you may be aware, the Subsidiaries are investment Companies, which have invested in the joint ventures promoted by the Company.

The accounts of the Subsidiary Companies are attached to the Balance Sheet of the Company, as per the requirement of Section 212 of the Companies Act, 1956.

**DIVIDEND**

As you may be aware, two interim dividends have already been declared, aggregating to 35%, absorbing a sum of Rs.268 lakhs. The first interim dividend has been paid during the month of March, 2000 and the second interim dividend is likely to be paid by end of May, 2000. With a view to conserve resources, no further dividend is recommended for the financial year 1999-2000.

**DEPOSITS**

The amount of deposits held by the Company as at 31st March, 2000 was Rs.389.87 lakhs. All deposits which matured during the year were either renewed or repaid on the due dates except 54 deposits for Rs.3.38 lakhs which remain unclaimed.

**COST AUDIT**

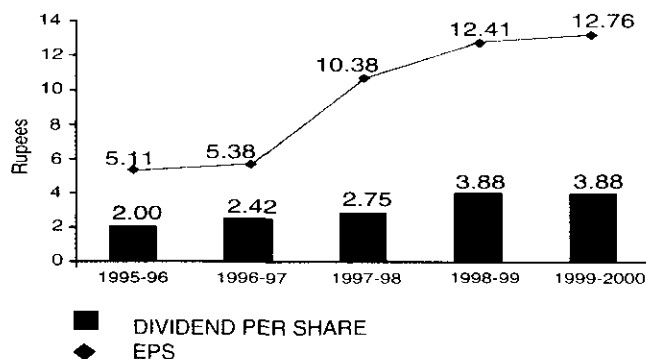
The Board of Directors have appointed Mr. K S Rajagopalan, Cost Accountant, Madurai to audit the cost accounts of the Company relating to the manufacture of rubber tyres and tubes for the financial year ending 31st March, 2000, in compliance with the Central Government directives in this regard.

**DIRECTORS**

Mr. Harshad N Bhansali, Mr. Sitaram Rao Valluri and Mr. M S Viraraghavan retire by rotation and being eligible, offer themselves for re-appointment.

**AUDITORS**

M/s Sundaram & Srinivasan, Chartered Accountants,

**DIVIDEND & EPS****GROSS AND NET FIXED ASSETS**