



18th

# ANNUAL REPORT

2000 - 2001

**TVS SRICHAKRA LIMITED**


**TVS SRICHAKRA LIMITED**
**FIVE YEAR PERFORMANCE AT A GLANCE**

Rs. in lakhs

PARTICULARS	1996-97	1997-98	1998-99	1999-2000	2000-2001
<b>A. OPERATING RESULTS</b>					
GROSS INCOME	11650.19	13465.77	15491.19	16217.91	16575.60
PROFIT BEFORE DEPN. INT. & TAX	1097.53	1722.56	2030.59	2151.12	1574.56
PROFIT BEFORE INT. & TAX	904.78	1453.64	1707.93	1796.14	1141.45
PROFIT BEFORE TAX (PBT)	444.48	1035.20	1315.56	1478.22	842.42
PROFIT AFTER TAX (PAT)	386.48	745.20	950.56	977.22	648.42
DIVIDENDS	157.94	179.48	268.00	268.00	268.00
DIVIDEND TAX	15.79	17.95	29.48	29.48	27.34
RETAINED PROFITS	212.75	547.77	653.08	679.74	353.08
<b>B. FINANCIAL STATUS</b>					
GROSS FIXED ASSETS	2940.50	3526.14	4183.50	4891.80	5626.48
NET FIXED ASSETS	2218.81	2635.67	2903.85	3228.25	3555.07
INVESTMENTS	65.54	88.29	125.82	125.82	125.82
NET CURRENT ASSETS	1267.41	1820.01	2007.39	2375.23	1987.49
SHARE CAPITAL	717.92	717.92	765.71	765.71	765.71
RESERVES AND SURPLUS	732.27	1282.37	1962.01	2645.24	2998.74
NET WORTH	1450.19	2000.29	2727.72	3410.95	3764.45
LOAN FUNDS	2101.58	2543.69	2309.34	2334.19	1937.40
TOTAL CAPITAL EMPLOYED	3551.77	4543.97	5037.06	5745.13	5701.85
<b>C. KEY RATIOS</b>					
PBDIT TO NET SALES (%)*	10.24	11.14	12.80	14.14	9.88
PBIT TO NET SALES (%)*	8.29	8.83	10.42	11.62	6.88
PBT TO NET SALES (%)*	3.63	5.24	7.52	9.36	4.81
PBIT TO AV. CAPITAL EMPLOYED (%)*	26.99	25.39	29.48	30.32	17.35
RETURN ON AV. NET WORTH (%)	28.51	43.19	40.21	31.84	18.07
EARNINGS PER SHARE (Rs.)	5.38	10.38	12.41	12.76	8.47
DIVIDEND PER SHARE (Rs.) #	2.42	2.75	3.88	3.88	3.86
DIVIDEND PAY OUT (%) #	44.95	26.49	31.30	30.44	45.55
BOOK VALUE PER SHARE (Rs.)	20.20	27.86	35.62	44.55	49.16
DEBT EQUITY RATIO (NO. OF TIMES)	1.45	1.27	0.85	0.68	0.51

\* Excluding other income

# Including dividend tax

**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 ATTREYA

J V RAGHAVAN

HARSHAD N BHANSALI

SITARAM RAO VALLURI

**SUBSIDIARIES**

NITYA SARVAMANGALA TRADING  
AND HOLDING LIMITED

TVS SRICHAKRA HOLDINGS LIMITED

**REGISTERED OFFICE**

TVS BUILDING,  
7-B, WEST VELI STREET,  
MADURAI 625 001

**ADMINISTRATIVE OFFICE**

10, JAWAHAR ROAD,  
MADURAI 625 002

e-mail : sectl@tvstyres.com

website : www.tvstyres.com

**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 & 406, 4TH FLOOR  
PRESTIGE MERIDIAN - I  
M.G. ROAD  
BANGALORE 560 001

**AUDIT COMMITTEE**

M S VIRARAGHAVAN  
Chairman

W P A R NAGARAJAN

N H ATTREYA

SITARAM RAO VALLURI

**SHAREHOLDERS / INVESTORS  
COMMITTEE**

S NARAYANAN  
Chairman

SHOBHANA RAMACHANDHRAN

J V RAGHAVAN

**AUDITORS**

SUNDARAM & SRINIVASAN  
PLOT NO. 8A, VISALAKSHIPURAM,  
MADURAI 625 014

**BANKERS**

STATE BANK OF INDIA  
WEST VELI STREET,  
MADURAI 625 001

<b>CONTENTS</b>	<b>Page No</b>
NOTICE	2
DIRECTORS' REPORT	5
ANNEXURES TO THE DIRECTORS' REPORT	10
AUDITORS' REPORT	12
BALANCE SHEET	14
PROFIT AND LOSS ACCOUNT	15
SCHEDULES	16
CASH FLOW STATEMENT	27
STATEMENT OF INTEREST IN SUBSIDIARIES	28
ANNUAL REPORTS OF THE SUBSIDIARIES:	
NITYA SARVAMANGALA TRADING AND HOLDING LIMITED	30
TVS SRICHAKRA HOLDINGS LIMITED	34
SHAREHOLDERS' INFORMATION	38


**TVS SRICHAKRA LIMITED**

## NOTICE TO SHAREHOLDERS

Notice is hereby given that the Eighteenth Annual General Meeting of the Company will be held at 10.00 AM on Monday, the 27th August, 2001, 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, 2001 and Profit and Loss Account for the year ending 31st March, 2001 and Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Mr. W P A R Nagarajan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. N H Atthreya, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr. J V Raghavan, 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 resolutions as ordinary resolutions :

RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956, and subject to such approvals and consents as may be necessary, the approval of the Company is hereby accorded to the re-appointment of Miss. Shobhana Ramachandhran as the Managing Director of the Company for a period of five years, with effect from 25th August, 2001 on such salary, commission and perquisites as set out hereunder, which the Company is entitled to pay in terms of Section I of Part II of Schedule XIII to the Companies Act, 1956.

- a) Salary : Rs.1,00,000/- (Rupees one lakh only) per month.
- b) Commission : Two percent of net profits for each financial year or part thereof computed in the manner laid down under the applicable provisions contained in the Companies Act, 1956.
- c) Perquisites : The value and details of which are set out in the explanatory statement to the notice convening this Annual General Meeting.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter or vary the composition / elements of the remuneration payable to Miss. Shobhana Ramachandhran in such manner as agreed to between the Board of Directors and Miss. Shobhana Ramachandhran within the overall limits as setout above.

By Order of the Board  
 Place : Madurai **SHOBHANA RAMACHANDHRAN**  
 Date : 9.6.2001 *Managing Director*



## NOTICE TO SHAREHOLDERS (Contd.)

### 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 1st August, 2001 to 2nd August, 2001, both days inclusive, for payment of dividend on equity shares.
4. Dividend, as recommended by the Board of Directors, if declared at the meeting shall be paid without deduction of tax at source, to those members whose name(s) appear in the Register of Members of the Company as on 1st August, 2001. In respect of shares held in Electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose.
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. a) 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.  
  
b) Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
9. Consequent upon the amendment to Section 205A read with Section 205C of the Companies Act, 1956, the dividend declared for the year ended 31st March, 1996 and for any financial year ending thereafter which remain unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund established by the Central Government. Members who have not encashed their dividend warrants in respect of the above period are requested to make their claim to the Company by surrendering the unencashed warrants immediately.
10. 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

Miss. Shobhana Ramachandhran was re-appointed as Managing Director of the Company at the Twelfth Annual General Meeting, for a period of five (5) years, with effect from 25th August, 1996.



## NOTICE TO SHAREHOLDERS (Contd.)

Further, the Board of Directors of your Company, at their meeting held on 7th June, 2001 have unanimously approved the re-appointment of Miss. Shobhana Ramachandhran as the Managing Director, for a period of five (5) years, with effect from 25th August, 2001, at such salary, commission and perquisites as set out in the resolution No.7 of the notice convening this Annual General Meeting. The appointment, if approved, will be in conformity with the requirements of Part I and II of Schedule XIII to the Companies Act, 1956.

### Perquisites :

The value and details of perquisites as referred to in the resolutions set out under Item No.7 is given hereunder:

- a) House Rent Allowance at the rate of fifty percentage of the salary.
- b) Medical Expenses incurred for the Managing Director and her family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- c) Leave Travel Concession for the Managing Director and her family once in a year incurred in accordance with the Rules of the Company.
- d) Fees of clubs, subject to a maximum of two clubs. This will not include admission and the membership fees.
- e) Personal Accident Insurance for an amount, the annual premium of which does not exceed Rs.2,500/-.
- f) Contribution to Provident Fund, Superannuation and Annuity Fund in accordance with the Rules specified by the Company. Gratuity payable shall not exceed half a month's salary for each completed year of service.

g) Encashment of leave at the end of the tenure.

h) Provision of car for use on Company's business and telephone at residence.

In terms of the last paragraph of the resolution(s), the Board of Directors are authorised to alter or vary the composition/elements of the remuneration of the Managing Director.

Further, where in any financial year during the currency of tenure of the Managing Director, the Company has no profits or if profits are inadequate, the minimum remuneration payable to the Managing Director shall be the same substantive salary and perquisites as above mentioned, subject to the ceiling set out under Section II of Part II of Schedule XIII to the Companies Act, 1956. Considering the valuable contribution made by Miss. Shobhana Ramachandhran, Managing Director to the growth of the Company over the years, your Directors recommend that her re-appointment and remuneration as set forth above be approved by the Members at this meeting.

Mr. R Naresh being the brother of Miss. Shobhana Ramachandhran and Miss. Shobhana Ramachandhran are / may be deemed to be concerned or interested in the resolution set out under Item No. 7.

The explanatory statement together with the accompanying notice be treated as an abstract of the terms of appointment and memorandum of interest under Section 302 of the Companies Act, 1956.

Place : Madurai      **SHOBHANA RAMACHANDHRAN**  
Date : 9.6.2001      *Managing Director*



## DIRECTORS' REPORT

Your Directors have great pleasure in presenting you the Eighteenth Annual Report of the Company together with the Audited Accounts for the year ending 31st March, 2001.

### FINANCIAL HIGHLIGHTS

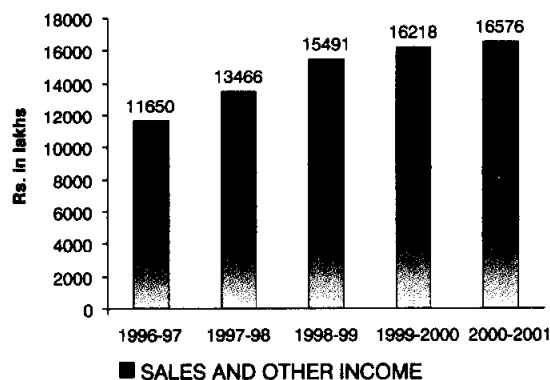
	(Rs. in lakhs)	
	31.3.2001	31.3.2000
Profit before depreciation and interest	1574.56	2151.12
Profit before tax	842.42	1478.22
Profit after tax	648.42	977.22
Add : Prior period Provision written back	0.42	8.24
Balance brought forward from the Profit and Loss Account	1936.42	1353.19
Profit available for appropriation	2585.26	2338.65
Less : Tax paid for earlier years	-	4.75
Transfer to General Reserve	100.00	100.00
Proposed dividend	268.00	268.00
Tax on proposed dividend	27.34	29.48
Balance carried forward to the Profit and Loss Account	2189.93	1936.42

### PERFORMANCE

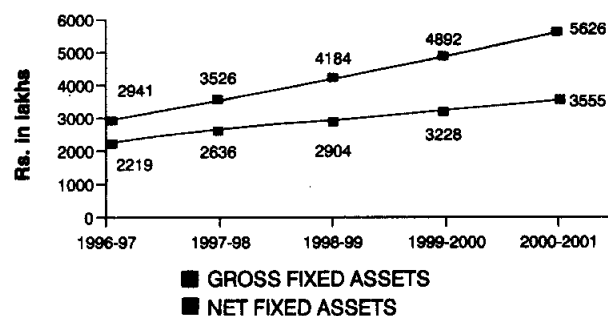
Your Company's turnover for the year under review has marginally increased by 2.31% over previous year, to Rs.164.27 crores. The other income for the year under review is Rs.148.18 lakhs, compared to Rs.161.40 lakhs in the previous year. The Company's performance was adversely affected by various factors such as increase in the cost of petro based inputs, power and fuel and establishment costs. The increase in cost could not be passed on to the customers due to difficult market conditions. In fact, the Company had to increase its marketing costs by way of advertising and discounts, in order to retain the sales volume.

As a result of the above factors, the profit before tax came down from Rs.1478 lakhs to Rs.842 lakhs. The Company was however, able to reduce its effective tax rate on account of the accelerated depreciation available from the 3 nos. of Wind Electric Generators that were added during the year. Consequently, the drop in profit was set off to some extent. The Company's profit after tax for the year ended 31st March, 2001 was Rs.648 lakhs as against Rs.977 lakhs in the previous year.

### GROSS REVENUES



### GROSS AND NET FIXED ASSETS







## DIRECTORS' REPORT (Contd.)

### EXPORTS

The export turnover has increased from Rs.1793 lakhs in the previous year to Rs.1906 lakhs. The competition in the export market is fierce, particularly from Countries like China and Korea. Your Company's focus remain on niche segments and quality, rather than volumes. Further, several new products intended for export market are under development.

Your Company's exports are mainly to US and Europe. However, efforts are being made to explore new territories.

### EXPANSION

During the year under review, the plant capacity of the tyre division has been increased from 53 lakh to 55 lakh nos of tyres per annum; the tube capacity remain at 53 lakh nos of tubes per annum. Modernisation of the existing facilities is also being undertaken, as planned. During the year under review, your Company invested Rs.317 lakhs for this expansion and modernisation of facilities, which was entirely funded out of internal accruals.

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

### PRODUCTIVITY IMPROVEMENT PROGRAMMES

Lean manufacturing concept was adopted during the year under review. We endeavour to make the core business processes leaner and meaner, than before. This would

improve various productivity measures like reduced cycle time and reduction of overall wastages. This will also make the process more nimble and flexible to respond to changes in the market place.

Total Productive Maintenance Programme (TPM) is being implemented throughout the organization, as scheduled.

Apart from the above, your Company is planning to initiate several "Process Improvement" programmes throughout the organization, which would enable your Company to achieve a leadership position in the industry.

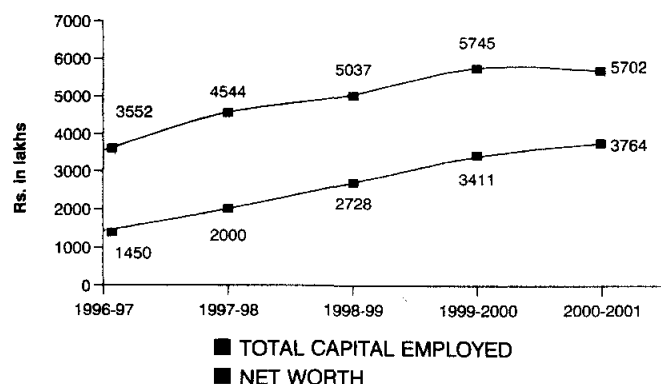
### CORPORATE GOVERNANCE

As you may be aware, in the recent past, there has been an increasing emphasis on good Corporate Governance. The Code of Corporate Governance, as introduced through the Listing Agreement becomes mandatory to your Company, from the current financial year, 2001 – 2002.

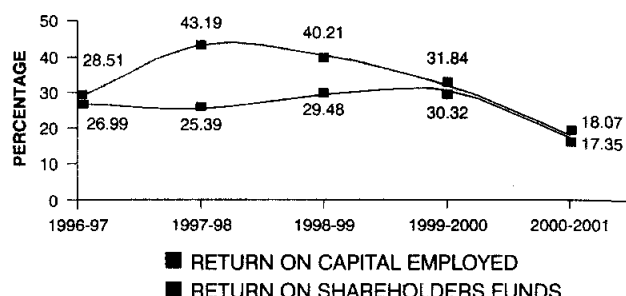
Yet, your Company has already put in place the following, as recommended in the Code of Corporate Governance.

- 6 out of 10 of your Board of Directors are independent, non-executive directors which is more than the proportion stipulated
- Audit Committee was established on 31.8.2000. Audit Committee has already started functioning, and had met four times, till the date of this report. Members of the Audit Committee are

### FUNDS EMPLOYED



### RETURN ON FUNDS EMPLOYED







## DIRECTORS' REPORT (Contd.)

Mr. M S Viraraghavan, Mr. W P A R Nagarajan, Mr. N H Atthreya and Mr. Sitaram Rao Valluri.

- Key information such as budgets, quarterly results, joint venture and collaboration arrangements etc., are reported and placed before the Board.
- Shareholders / Investors Committee was established on 31.8.2000, with Mr. S Narayanan, Miss. Shobhana Ramachandhran and Mr. J V Raghavan as Members.
- The Company has a Share Transfer Committee, for putting through the share transfers expeditiously.

The other recommendations will be implemented during the current year.

### HR INITIATIVES

Employee participation in the improvement of the business process continues to be our major thrust area. Several training programmes were organized on skill upgradation, managing change, achieving excellence and for improving the quality of life, in general. Your Company considers that continuous training and development of its human resources is essential for the survival and growth of the Company.

### MARKETING

During the year under review, your Company witnessed tremendous competition from all leading tyre manufacturers, including several multi-national

Companies, particularly on the OEM segment of the market.

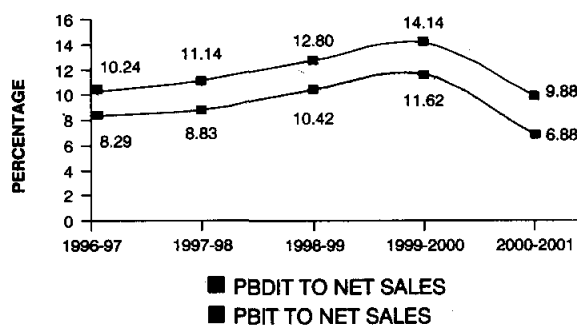
Based on the business strategy evolved during the early part of the year under review, your Company drew up diversification plans for expanding the product range, (however retaining the present sharp focus on the segments we operate) and advertising strategies for brand building.

Brand building exercises initiated during the last financial year started giving results in the replacement markets and the sales started showing upward trend, inspite of difficult market scenario. Your Company has also embarked upon development of speciality tyres for the export market, while at the same time enlarging the range in the industrial and implement tyre segments.

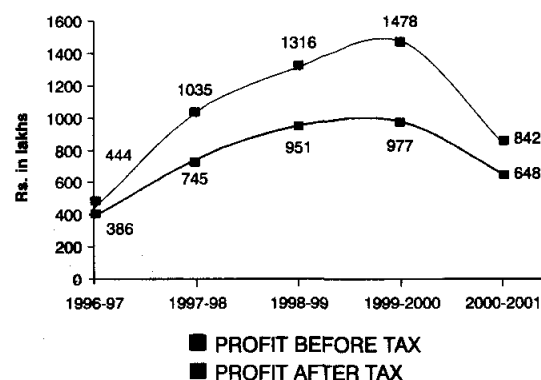
### QUALITY

The Company's quality policy is to achieve the total customer satisfaction with the employee involvement and continuous improvement of the business processes. As you may know, your Company continues to enjoy the ISO 9001 accreditation. Quality circles and *kaizens* are active within the Company. Quality Assurance Process is being continuously reviewed, for improvement. Your Company proposes to take its Quality Assurance and Process Improvement initiatives with our suppliers, to make the supply chain as a seamless business process.

## OPERATING MARGINS



## PROFITABILITY





## DIRECTORS' REPORT (Contd.)

### DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 on the Directors Responsibility Statement, it is hereby confirmed;

- That in the preparation of accounts for the financial year ended 31st March, 2001, the applicable accounting standards have been followed, along with proper explanation relating to material departures.
- That the Directors have selected the accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company, at the end of the year under review and of the Profit of the Company, for the year under review.
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the Directors have prepared the annual accounts for the year ended 31st March, 2001 on a "going concern" basis.

### 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 Registered Office of Nitya Sarvamangala Trading & Holding Limited (NST) has been shifted from the State of Karnataka to the State of Tamil Nadu, during the current year, for administrative reasons.

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

Your Directors are pleased to recommend a dividend of 35% absorbing a sum of Rs.268 lakhs. The dividend will be paid to all the shareholders whose names appear in the Register of Members as on the book closure date.

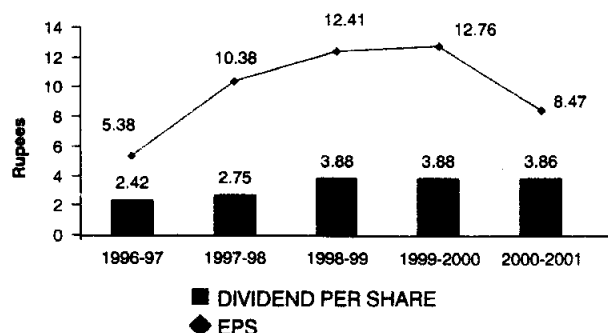
### DEMATERIALISATION

Your Company's shares have been made available for dematerialisation from November, 2000. As on 1st June, 2001, 3745 shareholders have dematerialised their holdings, aggregating to 18% of the paid-up capital of the Company.

### DEPOSITS

The amount of deposits held by the Company as at 31st March, 2001 was Rs.400.37 lakhs. All deposits which

### DIVIDEND & EPS



### SHARE VALUE

