



INDIA

Tube Investments of India Limited
Annual Report 2003-04

Learning is the way of life!



MURUGAPPA
GROUP

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Contents

Chairman's review	14
Directors' profile	16
Corporate information	17
10-year financials	18
Value added	19
Corporate profile	20
Highlights 2003-4	20
Management discussion and analysis	22
Shareholders' information	36
Corporate governance report	40
Annexure to corporate governance	44
Auditors' certificate on corporate governance	47
Directors' report	48
Annexure to directors' report	53
Auditors' report	55
Balance sheet	58
Profit and Loss account	59
Cash flow statement	60
Schedules to accounts	61
Statement of holding company's interest in subsidiary companies	78
Subsidiary companies financial summary	78
Auditors' report on consolidated accounts	79
Consolidated accounts	80

Values and Beliefs

Adhere to ethical norms in all dealings with shareholders, employees, customers, suppliers, financial institutions and government.

Provide value-for-money to customers through quality products and services.

Treat our people with respect and concern; provide opportunities to learn, contribute and advance, recognise and reward initiative, innovativeness and creativity.

Maintain:

- An organisational climate conducive to trust, open communication and team spirit.

- A style of operation befitting our size, but reflecting moderation and humility.

Manage the environment effectively for harnessing opportunities.

Discharge responsibilities to various sections of society and preserve the environment.

Grow in an accelerated manner, consistent with values and beliefs, by continuous organisational renewal.

Cautionary Statement

Certain expectations and projections regarding future performance of the Company referenced in the Annual Report are forward looking statements. These expectations and projections are based on currently available competitive, financial and economic data along with the Company's operating plans and are subject to certain future events and uncertainties, that could cause actual results to differ materially from those that may be indicated by such statements.

When it comes to learning persistence, the most celebrated story in history narrows down to a spider.

King Robert the Bruce I. Crowned King of Scotland.
Tried to free his country from the enemy.

After being defeated in battle, he sought refuge in a cave for three months. At this point, the lowest in his life, he contemplated leaving the country for good.

One day, while gazing aimlessly out of his cave, he watched a spider building a web at the cave's entrance. It fell time after time. Finally at the fourteenth attempt, it succeeded.

Inspired, Bruce ventured to fight again. He thundered to his men: "If at first you don't succeed, try and try again."

Despite being outnumbered ten to one, he rallied his army to win the celebrated Battle of Bannockburn in 1314.

What's this got to do with TI?

2003-4 was a challenging year for Tube Investments of India Ltd.

Flat market in one business. Increased competition in the other. Increase in raw material costs. Price-sensitive customers.

Surely, we could have excused ourselves with one line: 'Market conditions.'

However, as a company that has sought its inspiration from a simple philosophy – 'Learning is the way of life' – we didn't try and change the market environment. We changed ourselves.

By seeking inspiration from events, people, businesses and all those remarkable teachers that constitute life.

The result: a five per cent increase in our turnover and 80 per cent rise in our profit after tax in 2003-4 over the previous year.

Doing what one knows best



A river dolphin's means can be followed for narrowing one's focus and turning it into a competitive edge. It is almost blind and if this were not a handicap, it lives in muddy water. Despite this apparent handicap, it leverages on the one big advantage that it possesses: its sense of hearing which enables it to pick up vibrations in water. Amazingly, the river dolphin has transformed this singular gift into a competitive advantage. And, as a result, predated even the dreaded carnivorous piranha!

better than most!

A core competence is an unmistakable competitive edge at TI.

Over the recent past, even as TI was faced with the handicap of an inflationary raw material (steel) on one hand and a need for continuous cost reduction on the other, it leveraged that one characteristic that came naturally to it: the migration of its business from one level to another.

In doing so, the Company proactively moved out from high cost outsourcing of engineering products to reinforcing in-house production capacity.

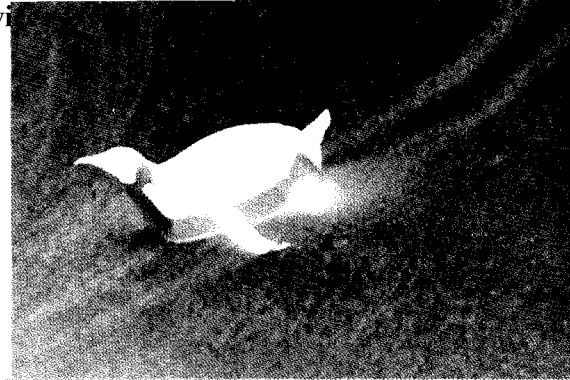
The Company made timely alterations in shop floor layout, the creation of dedicated product lines and the introduction of line balancing equipment. Its bench wise planning optimised the capacity utilisation of its CDW precision tube line. These initiatives reduced material movement, shrank manufacturing lead-time and enhanced high process repeatability, liberating plant capacity.

Result: The engineering division increased its throughput by 40 per cent at a low incremental capital cost to coincide with a large improvement in orders and realisations in the automobiles industry.

If you can't change your environment,



***A** daptability is something that we could learn from a penguin. For instance, penguins don't always live in the most favourable nesting habitats. Rather than struggle in changing their environments, their most effective counter-response is a change in their nest building. For instance, Rockhopper penguins build their nests on steep rocky areas. To get there, they hold both feet together and bounce from ledge to ledge (sometimes bouncing up to five feet). On the other hand, Magellanic penguins dig burrows under the ground to form huge 'cities' similar to gophers.*



change your strategy!

An adaptability to change is probably the most valuably consistent TI response.

This is now more relevant than before. Over the last few years, consumer preferences have changed more frequently than in the past. Most industry observers have come to the conclusion that this trend is likely to be more permanent than was otherwise perceived. As a result, product lifecycles will keep shrinking all the time.

To address this mortality, TI strengthened its brand and evolved its portfolio through continuous introduction of new models.

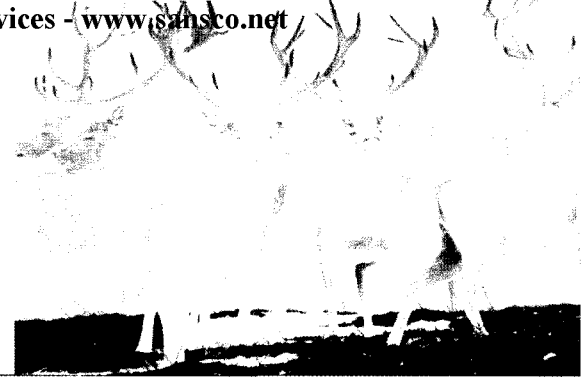
- It introduced 61 new models in the last two years in its cycles business.
- It responded to the auto boom by increasingly manufacturing precision tubes for a range of automobiles.
- Recognising that increased product portfolio is critical in the doorframe business, TI started supplying doorframes to Maruti's 'Omni' model and also extended its doorframe business to the new MUV model 'Tavera' of General Motors.

Result: In 2003-4, new models accounted for 37 per cent of the revenue of Cycles division, auto sector accounted for 60 per cent of revenue of Engineering division and new product accounted for 4.5 per cent of revenue of Metal Forming division.

Convert every little lead



We could all learn a lesson or two from the reindeer. In the Arctic, the two resources in abundance are ice and moss. Both are of little use to inhabitants: ice for obvious reasons and moss because it is of little nutritional value. Try telling this to reindeer, who make their yearly journey across the icy terrain. As their principal survival strategy, they fill themselves with huge quantities of moss. For an interesting reason: moss contains a chemical that keeps their body warm and prevents their blood from freezing. So even if it does not provide for a wholesome meal, it keeps them alive to live into another summer.



into a resource!

A close acquaintance with the ground reality is TI's effective survival strategy.

Even as bicycle demand is sluggish, margins are declining and the market is more competitive than ever, the Company has utilised this scenario not to protect its competitiveness but strengthen it.

At TI, this is derived through a deeper understanding of the ground reality.

- The Company commissioned a cycle assembly plant at NOIDA to reduce logistic costs and moved closer to the biggest geographic segment of market. It also established a SKD unit in Durgapur in the East. These moves generated a faster market response and efficiently serviced the markets across the country.
- Equipped with the experience over the years, it has moved from a retrospective trend analysis to proactive product development. As a result, it has migrated from merely understanding customer needs to safe forecasting.
- TI also leveraged its market understanding to strengthen its dealer management. It rationalised inactive dealers, supplied only as much as the market could bear, and incentivised dealer performance. This improved trade profitability and working capital management.

Result: In cycles business, TI placed the right product at the right place at the right time, leading to accelerated offtake even as it rationalised receivables from 80 days of turnover in 2002-3 to 64 days of turnover in 2003-4 and generated supply chain savings of Rs. two cr in its cycles division.

Going any length to protect



*C*ustomer-serving companies could seek inspiration from turtles. How many know that they travel a distance of 4500 kms - against the current - to the tiny Ascension Island (17 kms wide) in the mid-Atlantic for an interesting reason: to protect their eggs that would otherwise have been preyed on the Brazilian mainland. Since the only predators on Ascension Island are frigate birds, both male and female turtles make the long voyage as a means of protecting their progeny.