

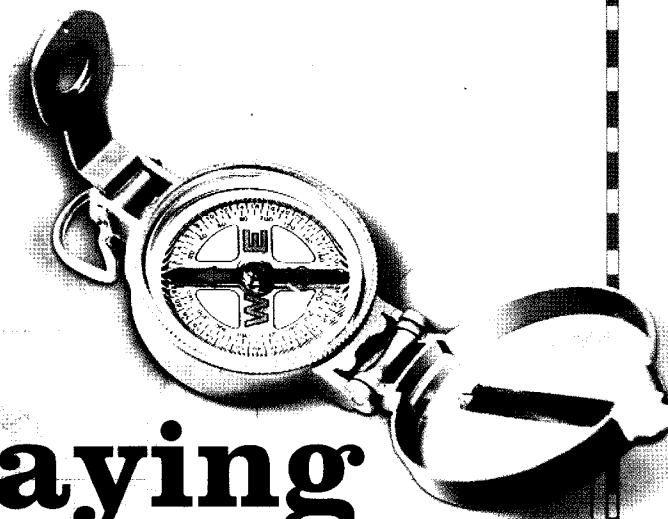


INDIA

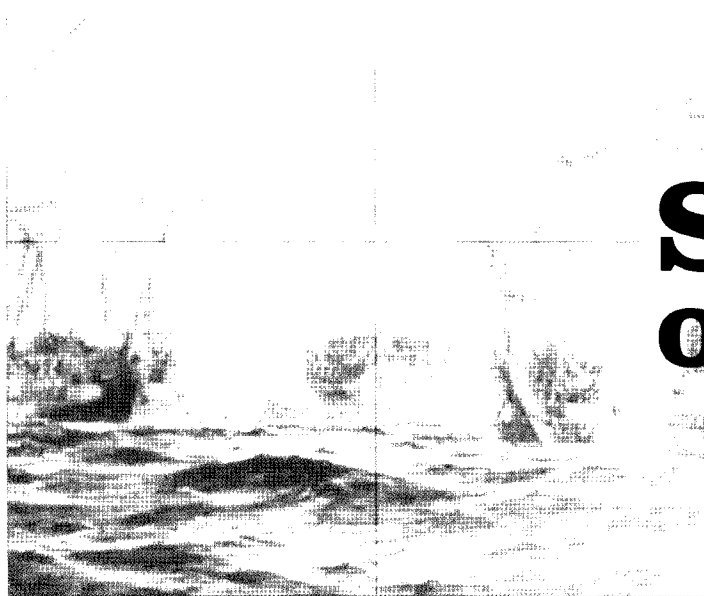
Tube Investments of India Limited
Annual Report 2008-09



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**Staying
on course**



Cautionary Statement

Certain expectations and projections regarding the future performance of the Company referenced in the Annual Report constitute 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, which could cause actual results to differ materially from those indicated by such statements.

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Contents

Corporate Information 1 Directors' Profile 2

Management Discussion and Analysis 3

General Shareholder Information 9

Corporate Governance Report 13 Directors' Report 20

Auditors' Report 30 Balance Sheet 34

Profit and Loss Account 35

Cash Flow Statement 36

Schedules to Accounts 37

Consolidated Accounts 64

The value of a sailor is gauged
not by the miles navigated but
... by the skill in
negotiating
rough waters

The DNA of an organisation is
tested not only by its growth
in good times but
... by its speed
in addressing
challenges

Message from the Chairman

“As experienced sailors, we utilised every opportunity to strengthen our engines.”

Dear Shareholders

As the world witnesses one of the most challenging periods in nearly eight decades, India was relatively insulated on account of its regulated financial system and large consumption-driven economy. However, global turbulence did interrupt India's growth; GDP growth declined from 9% in 2007-08 to 6.7% in 2008-09. Even at this lower growth rate, India retained its position as the world's second fastest growing economy.

The global – and Indian – economy was marked by contrasting halves in 2008-09. The first half was marked by input cost volatility: rising steel and crude oil prices, greater inflation and a depreciating rupee. So even as demand increased, cost-push inflation and currency fluctuations impacted our margins.

The second half of the year was in complete contrast. Global financial institutions collapsed and liquidity became scarce. As it turned out, the automotive sector was among the worst affected, as most sectoral players encountered sluggish demand, declining realisations and increasing inventory. Besides, currency write-offs, following a depreciating Indian currency vis-à-vis the US dollar, dampened profitability.

The global environment impacted TI, especially the engineering business, with a drop in export volume, lower demand from the automotive segment and increased finance cost. These tough business conditions warranted bold steps to

"stay on course" towards profitable growth.

Bicycle business

TI redefined the bicycle business in India with a clear long-term focus on retail by establishing a network of exclusive retail outlets. TI entered into a distribution tie-up with two well-known international brands for super premium bicycles and launched relevant products through the Track & Trail outlets. This initiative will enable us to cater to a wide customer cross-section – children to racing enthusiasts – on one hand and enhance realisations on the other. In 2008-09, we launched electric scooters catering to a growing market for environment-friendly and cost-effective transportation.

Engineering business

TI strengthened its leadership in the precision welded tube segment through an extension into value-added components and by leveraging its expertise in metallurgy. We are evolving ways to replace certain conventional components with tubes for key clients, thus enhancing our market share. Most importantly, TI is in the process of making its business model flexible to stay profitable under different business conditions.

Metal forming business

Growth in revenue, from supply of sections for wagons and coaches, act as a de-risking measure from the dependence on the automotive sector. In the automotive chain segment, the creation of facilities at Uttarakhand in close proximity to automotive hubs will enhance returns. In industrial chains, TI is determined to establish itself as a

quality supplier to address multiple user segments in the global market.

Investments in financial services

The Company's subsidiary, Cholamandalam MS General Insurance Company Limited, recorded a 31% growth in 2008-09 amidst difficult business environment. This subsidiary is taking steps to consolidate its position in the industry.

The difficult conditions prevailing in financial services market necessitated further capital infusion in the Company's joint venture viz., Cholamandalam DBS Finance Ltd (CDFL). A sum of Rs. 150 crore each was invested, both by us and our joint venture partner, DBS Bank Limited, Singapore. This timely infusion of capital is expected to stand CDFL in good stead over the years.

Recovery

As the current year starts, there are signs of recovery with a growth (1.4%) in the Index of Industrial Production (IIP), 13% growth in two-wheeler segment and 4% growth in passenger cars in April, 2009. We anticipate that a full recovery may not be likely for some more time to come. It would be our endeavour to quickly adapt to the changed environment and become capable of delivering in varying economic conditions.

Human resources

In our quest to 'stay on course', we recognise the need to develop our people across all levels at TI to work together as a team in pursuit of a

common vision and goal. We do this through various structured training programmes and experiential learning. Mr. L Ramkumar, our Managing Director, led the entire team in this journey. I wish to acknowledge his and the TI team's efforts in a year that was most difficult.

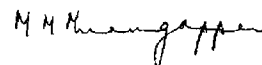
Directors

Mr. Tapan Mitra will be retiring at this Annual General Meeting and has expressed his desire not to seek re-election. Mr. Mitra has been associated with TI since October, 2000 and has contributed immensely to the Company's growth, both as a senior member of the Board and as Chairman of the Audit Committee. His wisdom and experience have been a source of inspiration to us. I take this opportunity to express our most grateful thanks and wish him the very best.

Our Board of Directors have always been a great source of encouragement and support to the Company's management team and to me personally. I deeply value their wisdom and wise counsel and thank them for their involvement and participation.

I also take this opportunity to express my gratitude to all shareholders for their continued confidence in the Company.

Sincerely yours,



M M Murugappan



AS A SEASONED MARINE TEAM, WE
REVISITED OUR VOYAGES, MAPPED
OUR EXPERIENCES AND WORKED
OUT SOLUTIONS TO ATTRACT
BUSINESS PARTNERS.

• **Bicycles:** We leveraged our decades-rich
experience in managing supply chain
complexities while addressing a demand
spurt. Result: Market share grew 200 bps in
2008-09.

• **Engineering:** We banked on our
understanding of customer needs and
continued our supplies, despite adverse
changes in steel prices that resulted in under
realisations. Result: We improved our
credentials with OEMs and laid the basis for
enhanced market share.

• **Metal forming:** We built on our reputation
as a 'quality supplier' with superior customer
service in the high-precision car doorframe
and automotive chain segments among
discerning OEMs. Result: We now partner
with most leading OEMs in the automotive
segment.

We expect to keep
putting nautical
miles between us
and the competition.



Maritime readiness

towards supremacy
in sectoral waters

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AS INGENIOUS SAILORS, WE FOCUSED ON CONTINUED CAPTAINSHIP IN CALM AND CHOPPY WATERS.

Bicycles

- We introduced 44 models, primarily in the growing specials category; expanded the range of products in the fitness segment.
- We introduced super premium bicycles (Rs. 25,000 to Rs. 2 lakhs) in tie-up with leading global brands through a pioneering premium cycle destination store called 'Track & Trail'.
- We extended the retail footprint of BSA Go and Hercules Express outlets from 33 in 2007-08 to 80 in 2008-09.

Engineering

- We graduated our capability to provide ready-to-use tubes and tubular components; established three value-added centres proximate to consumer hubs.
- Result: Value-added components grew by 27%.

- We implemented steps to improve man-machine productivity and cost-effective supply chain management.

Metal forming

- We focused on technology to manufacture world-class industrial chains, catering to high-growth sectors like agriculture and infrastructure, among others.
- We established a business development network across Europe, North America, South America and Southeast Asia to capitalise on emerging opportunities.

The preferred-brand flagship will help us ally with global business partners over the coming years.



Managing equilibrium